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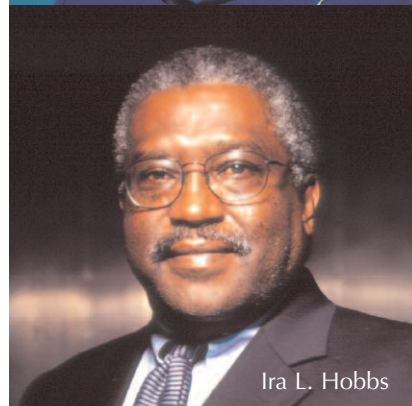# The Business of Government

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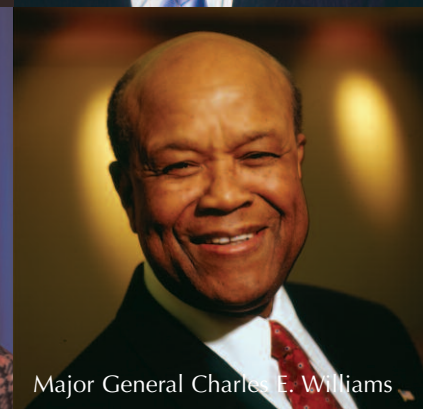
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By Paul Lawrence

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Public Service at Its Best

In my position as a partner at IBM and partner-in-charge of the IBM Center for The Business of Government, I've had the unique opportunity to meet and talk with many outstanding government leaders about their careers and what they do on behalf of government. Those conversations have taught me a lot about government, its many activities, and public service. When participating in IBM Center for The Business of Government events or taping *The Business of Government Hour* radio program, I frequently recall a conversation with John Koskinen, former deputy mayor of the District of Columbia and deputy director for management at the Office of Management and Budget. He was describing the infamous government shutdown of 1995. Koskinen said that during the shutdown, citizens across the United States finally became aware of the many activities performed by government—what government actually does—and learned that they missed the services of government when they were no longer available.

The variety of government activities is impressive to say the least. Over the last several months, I have had the opportunity to talk with government leaders who are running the National Park Service, keeping track of the Department of Air Force's spending, developing leaders for the Foreign Service of the 21st century, providing disability payments to citizens, securing our embassies overseas, and delivering our mail. No corporation in America delivers as diverse a set of activities as does the United States government.

My conversations and experiences have also led me to be continually impressed with the dedication of the nation's public servants. Admiral James Loy is one such exemplar. After retiring as Commandant of the U.S. Coast Guard in 2002, Secretary of Transportation Mineta asked him to continue in public service as chief operating officer of the Transportation Security Administration. He recently concluded his "second" public service career as deputy secretary of the Department of Homeland Security. Major General Charles E. Williams is another outstanding public servant who has served the nation in several capacities. After a distinguished career in the Army Corps of Engineers and a successful career in the private sector, General Williams returned to government service as director of the Bureau of Overseas Buildings Operations in the U.S. Department of State. For Admiral Loy and General Williams, public service clearly did not end upon their "first" retirement from military duty.

In the case of Ken Feinberg, the President and the Attorney General of the United States "recalled" him to public service to serve as Special Master of the September 11th Victim Compensation Fund. Feinberg's prior public service career included service as a law clerk, in the Department of Justice as an assistant U.S. attorney, and as a key staff member in the U.S. Senate. As Special Master, within days of his appointment, Feinberg created a small, lean organization from scratch, which then disbursed—on schedule—over $7 billion to families of the victims of 9/11.

The public servants I have encountered also impressed me with their dedication to improving the delivery of services to the American people. In our radio interview with Bill Gray, he related how he had spent much of his nearly 30 years in the Social Security Administration attempting to improve the disability benefits payment process. In recent years, his efforts have led to an electronic web-based application process for citizens to apply for disability payments. Rebecca Spitzgo described her career in the government "grant business" and her recent efforts to create

A Conversation with Kenneth Feinberg, Special Master, September 11th Victim Compensation Fund

The IBM Center for the Business of Government hosted a "Perspectives on Management" luncheon with Kenneth Feinberg. Mark Abramson, executive director of the IBM Center for The Business of Government, and Patricia Thomson, associate partner, IBM Business Consulting Services, moderated the session.

On the Creation of the September 11th Victim Compensation Fund

Within three weeks of 9/11, Congress rushed through and the president signed this unique program. [Congress] said that anybody who lost a loved one on 9/11 or who suffered a physical injury could elect voluntarily to come into this fund … if they didn't want to pursue their litigation rights against the airlines or the World Trade Center, the Massachusetts Port Authority [Massport], the Port Authority of New York and New Jersey, the security guards, or Boeing aircraft. The idea was to encourage those in grief, who had suffered a loss, to take advantage of a very efficient and quick payout rather than litigate for decades. That's how the program came into being.

On Becoming Special Master

I decided to do it because the attorney general asked me to do it … I don't think there's anybody in this room who wouldn't have done it if asked by the President and the Attorney General of the United States.

… I think my background in the area of mass litigation, mass torts, Agent Orange [the herbicide dropped by the Air Force during the Vietnam War], diseases, injuries … caught the attorney general's eye, and I was invited to meet with him. I was interviewed and I got the job. If you look at the statute, it's really a very unique situation. One person [the Special Master] is delegated by Congress to administer the whole program, and that one person isn't even confirmed by the Senate. If designated by the Attorney General, you have the job. Then you go do it. That was it.

On Staffing the Victim Compensation Fund

[There were three groups.] First, the federal government— the Office of Management and Budget [OMB], Department of Justice [DOJ], the Bureau of the Census, and the Bureau of Labor Statistics. All of these agencies provided governmental help right from the get-go, especially OMB and DOJ. Jay Lefkowitz and Phil Perry immediately provided assistance within the Department of Justice.

Second, my own office—The Feinberg Group. Camille Biros handled the administrative coordination between my office, the government, PricewaterhouseCoopers, and IBM. Debby Greenspan was just unbelievable in providing substantive technical expertise in how to get the program up and running.

The third group were the contractors who were awarded the contract by the Department of Justice. Our contractors included PricewaterhouseCoopers, IBM, and Aspen Systems. After the contract was awarded, the team immediately hit the ground running.

So they were the three areas of expertise: governmental expertise, my own expertise, and PricewaterhouseCoopers, IBM, and Aspen Systems expertise. We had a very fast-learning crew. We were under tremendous time constraints. PricewaterhouseCoopers, IBM, and Aspen Systems did just a superb job.

On Skills Needed in the Project

The most important skill set was collegiality. The personal attribute is the recognition that "we're all in this together." Substantive expertise can be taught. [The key] is understanding that it's really one team, and everybody has to work together if we are going to succeed.

We reacted to crisis as a group. I parceled out responsibility without turf wars. [We all recognized] that the goal is to implement and administer the mandate [given to us]. [The keys] are getting people who like coming to work, love the challenge, and accept the risk in crisis but [also] work together with no finger pointing. This was the culture we quickly integrated into the program.

On Dealing with Claimants

Dealing with the claimants was … the toughest part of the job. We set up a procedure that permitted any claimant the opportunity to see me personally, or my designee if I didn't have time. I saw all of the claimants in town hall meetings, community meetings…. But in individual meetings and the hearings that we established, I met personally with representatives of 9/11 families. That was the most difficult part. Being a lawyer didn't help with [meeting with families]. You had to [also] be a rabbi or priest.

… there's a different approach when you are talking and discussing the fund with the widow of a three-million-dollar-a-year stockbroker, the widow of a policeman, the widow of a corporal at the Pentagon, an undocumented worker's family who is afraid they are going to be deported, or somebody from Norway.… the approach is varied depending upon your audience.

On Managing His Operation

It was a very lean machine. You had the PricewaterhouseCoopers, IBM, and Aspen Systems team: a couple of hundred. In my own shop, we had about a dozen people. At one point, it may have gone up to 20 people. Over at OMB and Justice, we had

a combined group of maybe another seven or eight people. That was it.

In these government programs, I've learned over the years that transparency is very, very important. You have to go reach out to these families in grief; they won't come to you willingly. You've got to go to them. We had to go out and find them. We had to go into inner cities because undocumented workers were eligible. We had to go to Europe. People from 65 foreign countries died. They were [also] eligible. We set up branch offices in Boston, New York, Long Island, New Jersey, Connecticut, Virginia, and California, because that's where these people lived. We had a constant aggressive outreach program to try and minimize the psychological barriers between claimants and the bureaucracy. And it worked.

We ended up opening certain offices full-time, like those in New York City, New Jersey, and Virginia. We [also] had branch offices that would either be open three days a week, two days a week, or we would open full-time as filing deadlines approached to make sure we were there. [We also] opened by appointment. So in all of these ways, we were able to reach out to the families and make sure that we would come to them and they wouldn't have to come to us.

On the Impact of Technology

You're talking to the wrong guy about technology. I have trouble accessing my e-mails. I'm a computer illiterate, but I will say that technology obviously was a critical component of this [project] because of the volume of claims and the constant updating of economic information. The statute required me to calculate different awards for every person, a different calculation, just as juries do.

Technology was used to immediately access the claim, update the claim, and process the claim among the Department of Justice, OMB, The Feinberg Group, PricewaterhouseCoopers, IBM, and Aspen Systems. We were able to work together and get the technology up and running in a way that was just incredibly important. It worked out because the technology was obviously state of the art.

On the Importance of Deadlines

It was critical. The December 2003 deadline was critical. Until a month and a half before the deadline, we had received about two-thirds of the claims. Senator Kennedy asked, "Should we extend the deadline? Only two-thirds have come in and [many] are going to miss the deadline." I said: "Don't you dare. I've done this before. [People] procrastinate and procrastinate until the last minute. If you extend the deadline, all you will be doing is extending by a year the procrastination."

About Kenneth Feinberg

Kenneth Feinberg is the managing partner and founder of The Feinberg Group, LLP. He served as Special Master of the federal September 11th Victim Compensation Fund, appointed by the attorney general of the United States in November 2001. In this capacity, he developed and promulgated the regulations governing the administration of the fund and administered all aspects of the program, which included evaluating applications, determining appropriate compensation, and disseminating awards.

Feinberg served as law clerk for Chief Judge Stanley H. Fuld of the New York State Court of Appeals from 1970 to 1972 and as assistant U.S. attorney for the Southern District of New York from 1972 to 1975. He also served as administrative assistant to Senator Edward M. Kennedy from 1977 to 1979 and as special counsel to the U.S. Senate Committee on the Judiciary from 1975 to 1980. Feinberg was a partner at Kaye, Scholer, Fierman, Hays & Handler from 1980 to 1993, prior to founding The Feinberg Group, LLP in 1993.

Feinberg has had a distinguished teaching career as adjunct professor of law at the Georgetown University Law Center, University of Pennsylvania Law School, New York University School of Law, the University of Virginia Law School, and Columbia Law School.

Feinberg has also been appointed as Special Master in such cases as Agent Orange, asbestos personal injury litigation, and the Dalkon Shield. He was also one of three arbitrators selected to determine the fair market value of the original Zapruder film of the Kennedy assassination and was one of two arbitrators selected to determine the allocation of legal fees in the Holocaust slave labor litigation.

Feinberg received his B.A. *cum laude* from the University of Massachusetts in 1967 and his J.D. from New York University School of Law in 1970, where he was Articles Editor of the *Law Review*.

In the last 45 days, we received 40 percent of all the death claims and two-thirds of all the physical injury claims. So my rule in class action suits is "do not extend deadlines." People wait for legitimate reasons. We managed to ultimately get 97 percent [of the potential claimants from families who lost relatives on September 11th]. Today, there are only about 80 peo-

ple suing the airlines. There are 13 people who did nothing, didn't file with us and haven't sued. These statistics are a tribute to the success of the program.

We accepted applications until June 15, 2004. After June 15th, we shut down, but we knew there were still people writing to us and sending the supplemental material and getting additional information to us. We processed all claims. A huge number of claims came in the last 45 days. We staffed up in order to handle the rush of claims that came in at the end. We actually staffed up from the June 15th deadline until Labor Day.

We gave everybody the benefit of the doubt. Some people came on June 16th and said, "Here it is, I was in the hospital on June 15th." We took it. We did everything we could to be claimant friendly during the entire program. We made it very clear that we were fiduciaries for the families. We were in no way in an adverse relationship with the very people Congress wanted us to help.

We gave everybody the benefit of the doubt. The deadline was critical. Without the deadline, we would still be processing claims and would probably be up to [only] 74 percent. The deadline was critical. But internally, we also had our own deadlines. We are completing our Final Report to the Attorney General. We have internal deadlines. The internal deadlines were not deadlines set by statute; these are deadlines set by agreement that were self-imposed, designed to make sure we move from phase to phase to phase.

On the Biggest Challenges Facing the Fund

[There were several.] Getting the regulations in place quickly, so that we had a program that was immediately up and running. Structuring the program and making sure we were staffed properly, so we could administer the program in an efficient way.

The part of the program that kept you up at night was the stories that you heard from the families. That's not technical, that's not part of the administration of the program in one sense, but I could deal [easier] with all other aspects of the program because I had help. The one part of the program where I didn't really have help was in my listening to families who told you stories about how they lost a loved one on 9/11.

You cope in various ways. You cope knowing that the citizens of the United States really want this program administered. Second, you take solace and comfort in the fact the President asked you to do this. You [also] get wonderful reinforcement from the public, the Congress, letters, editorials, newspaper accounts, that you're doing a great job and "keep it up."

Third, I received great family support from my wife and three kids, but also staff support. We also tried supporting one another with stories from these families. We discussed the implications of the stories. It also helps to be a good classical music lover, so you attend three more operas than you normally would and you listen to five more concerts than you normally would.

On the Difference Between the September 11th Victim Compensation Fund and Previous Class Action Suits

[They were] totally different. In all of the [previous] litigations where I've been the special master, the litigation system worked very slowly. By the time the Agent Orange case reached me to settle, the litigation was seven years old. Emotions cool, passion subsides, [and] people can be relatively reasonable about the pros and cons of settlement. Asbestos cases involve exposures to asbestos products 30 years ago, and the disease doesn't manifest itself for decades. Emotions cool there as well.

In the 9/11 program, the emotions were raw. This is a program set up weeks after the triggering event. After all my years and mass tort experience in dealing with lawyers, I was not prepared to deal with families that still were getting back body parts from lost loved ones. Nothing prepared me for this, and my résumé wasn't particularly valuable in preparing me for dealing with the families.

On Lessons Learned

There will never be another program like this. But I do think government can learn a lot from how we staffed it, the technology we used, and the coordination between our contractors and government agencies. [The key] was the clear delineation of lines of authority and communication about how we should interface. I've learned to appreciate the adage that the specific always trumps the general. If you come up with a specific plan, everybody will work together and focus.

We developed cooperation because we had biweekly meetings, and during some times of crisis, daily meetings with specific people. We knew where the buck stopped at Justice. [If there was a problem] we would just get it quickly resolved and try to cut through it. It's cliché, [but] it is people—and a clear, unmistakable delineation of authority so that you know who to call to get a problem resolved.

[Another lesson] was transparency. As difficult as it was, all of us dealing with the families, there is no substitute for walking into the lion's den as I did for months and months. I was criticized and screamed at. After the regulations, we offered to explain them to everybody. We met in town hall meetings, community gatherings, and at businesses. I went to Cantor Fitzgerald at the Marriott ballroom because they lost hundreds of people. With all of those families, it was rough, but in the end I think the credibility of the program was remarkably enhanced by our personal interaction with

Kenneth Feinberg (middle) in discussion with Mark Abramson and Patricia Thomson.

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the families. [It was] essential to get over the anonymous government perception and realize it's real people at the end of the day and that open lines of communication [are crucial].

On Looking Back

I would have changed the statute. The [statute] didn't say one word about who gets the money or who can file the claim. A fiancée would call up and say, "I was going to be married October 11th. Can I be treated as a spouse?" Then the biological parents of the same victim called up and said that the fiancée and their son were going to call off the wedding: "He told me on September 9th that he was calling off the wedding." Now if I had anything to do over again, I would say, "Let's spend a little more time thinking this through in Congress, [thinking about] some of these pitfalls, and let's not delegate this to one office." On the other hand, if Congress had really thought this through, I'm not sure they would've done it [passed legislation] at all.

[Regarding staffing], I probably would have put a few less people on the calculation side and put a few more people into my immediate office. You can always second-guess, but I think overall when the Report comes out, it's going to demonstrate that the actual overhead costs of this program for the distribution of over seven billion dollars was very low, under 100 million dollars. And if you tell anybody in government that you spent under 100 million to distribute over seven billion, I think that is pretty good efficiency.

On Resolving Eligibility Issues

One of the geniuses of this program is the simplistic way we solved these problems. Simplicity is a virtue. How do we solve the problem of the fiancée or the same-sex partner or the sister who hates the brother? Simple, we thought it through. [We decided] we couldn't get into these family issues one by one. [So we looked] at what does the law of the victim's domicile say if a victim gets killed in an automobile accident

without a will. If there is a will, we follow the will and we pay the fiancée if she is in the will. If she is not in the will, what do we do? We looked at the law. If somebody dies in an automobile accident tomorrow in Maryland without a will, the law of Maryland tells you who gets the money under estate and wrongful death laws. And we basically set up a rule that said, "Work it out family members. But if you can't work it out, we'll try and help you work it out." In the end, the existing laws govern how we looked to distribute pursuant to the victim's domicile, and it worked pretty well.

On How the Program Changed Him

Now that it's over, whatever [I] do next will pale in significance to the time spent working on this program. It was historically unique and it will never be repeated. We were part of history. I think one thing you learn [is that] when you get up in the morning and look in the mirror and begin to shave, don't plan more than a week ahead. Life has a way of throwing curveballs at everybody and playing strange tricks on the best-laid plans.

The [9/11 victims] left that morning to go to work on a sunny day and the last thing they thought of was that they were saying goodbye forever, or that they were going to be burned over 85 percent of their bodies. You become philosophic about it. I tell law students not to worry too much about how your résumé is going to look eight years from now. I say to them, "Do what you want to do now and play for the moment and take advantage of what you are doing." I think that's important.

After this [experience], I'll be much more selective in what I want to get involved in. I'm teaching at the Columbia and the University of Pennsylvania Law Schools. Professionally, I think it was a unique opportunity that I don't think is going to lead to any new business. But it certainly changed my professional and personal life. ■

A Conversation with Admiral James Loy, Former Deputy Secretary, Department of Homeland Security

The IBM Center for The Business of Government hosted a "Perspectives on Management" luncheon with Admiral James Loy. Mark Abramson, executive director of the IBM Center for The Business of Government, and Dave Abel, partner, IBM Business Consulting Services, moderated the session.

On Moving from the Coast Guard to the Transportation Security Administration (TSA)

The leadership/management experience that I've had for the last five or six years has been fascinating in its diversity … [I went from] a 200-plus-year-old organization which knew exactly where it was going and had a defined strategic vision … to the Transportation Security Administration.

The Coast Guard was an organization which was comfortable in its own shoes. It really did know where it was going. It understood that, over the course of 200-plus years of very noble service to America, it had carved out its [role in] the maritime world of work and was doing it enormously well. As commandant of the Coast Guard for four years, one could pick and choose the dimensions of leadership or management you wanted to emphasize and focus on … without a concern [that the Coast Guard] was going to steer off course … because it had this great directional momentum already established for it.

TSA was a very different experience. We inherited a blank sheet of paper. We had this piece of legislation known as the Aviation Transportation Security Act in front of us [which had] 36 specified deadlines to be met.… We [then] fashioned where we needed to go. We designed everything from beginning to end. There were great advantages to that compared to creating the Department of Homeland Security.

The TSA experience was, in many ways, an opportunity that had never come down the road for years—decades—in the federal establishment. [It was] an organization being asked to stand up in very difficult times with a very noble purpose, but without the benefit of any kind of a legacy. It was a brand-new thing to be created [to] serve the country, specified only by the deadlines and the activities prescribed in the Aviation Transportation Security Act.

The act also offered authorities to the administrator unlike [any] available to other government leaders … we spent a lot of time getting forgiveness on Monday morning for what we didn't seek permission for on Friday afternoon. And that was okay, given the concern level of both the citizenry on one hand and the executive branch and the congressional branch on the other. What was demanded was action, not rhetoric.

[Going] from zero to 60 is what I did with the old man's car in the alley when he wasn't watching me on Saturday afternoons. [At TSA], I translated that to be zero to 60,000 employees in six months. Recruiting them, ascertaining that

Admiral James Loy (left) responds to a question as Dave Abel looks on.

they had the skill sets necessary to do the job, training them, and deploying them to 451 different sites around the country with a specific game plan associated with having it all done by a prescribed deadline that the Congress had put on a piece of paper.

… think how you go about hiring 60,000 people in six months. Checking backgrounds on them, all the things associated with the training establishment necessary to pull them together, and actually have them on the job in a timeline attendant to the atmosphere in place at the time, where fear and anger and all those things were very much a part of the scene, day in and day out.

On Public-Private Partnerships at TSA
The answer to many [questions] at TSA became "public-private partnerships." If I leave no other phrase on the table for you all today, it is to recognize and honor and respect the potential of getting things done through public-private partnerships, where the federal government is only one of the partners and the private sector is the [other]. The private sector has lots of talent associated with getting things done.

I can remember a meeting starting at 10 o'clock at night with [Secretary] Norm Mineta and [former Deputy Secretary] Michael Jackson. The question on the table turned from enormously complex things to simple things like how do you get people to really enjoy standing in lines. And somebody says, "Well, the only place I know that happens is at Disney World and

Disneyland." We found out that Disney has designed means by which you pass each other continually on your way to the ride, and in due course you get to meet people and you chitchat. Do they actually enjoy standing in line? Probably not, but it's as close as we could figure out.

So Norm Mineta picked up the phone and called Michael Eisner [at Disney] and said we needed some of his people [to help us], and up they came … for three weeks, three months, six months, or sometimes a year. We called them loaned executives from the private sector. They were literally at our table helping us design answers to whatever questions we had, like the one that day [about crowded lines].

On the Creation of the Department of Homeland Security (DHS)
The DHS experience was yet a third type of experience. Here we had 22 agencies, or pieces of agencies, coming together in the most complex reorganizational challenge since the National Security Act of 1947 created the Pentagon. It took nearly 40 years, until 1986, when the Goldwater-Nichols Act finished that reorganization. Nonetheless, since 1947, there had not been anything remotely as large as the reorganization effort that defined and gave birth to the Department of Homeland Security.

Both the Congress and the executive branch, in forging the DHS legislation, concluded that the best way for the nation to grapple with this very unexpected and new turn of events

was in a major reorganizational effort. So in this post-9/11 security environment … a brand-new entity was deemed appropriate and necessary to take on that work.

The challenge of meeting mission—that of securing the homeland … —was always job one. It was always held out as the most important thing [for us] to do.

… creating a new entity known as the Department of Homeland Security out of existing elements was not like TSA, where we just designed on a blank sheet of paper. [Agencies coming to DHS] brought with them everything from TSA's one year of experience and ways of doing business … to the Coast Guard or the Customs Service's 200-plus years and everything in between. We ended up with 22 ways of doing everything. [Since then], we have been about … integrating the functionality necessary to compose an efficient and effective department.

[We are now doing] the design work associated with DHS. For example, we may have started with 22 different HR systems and servicing ways of doing business, but we now have that down to far fewer. … we are designing a 21st century way to deal with HR in the federal government, a program we refer to as Max HR. We had to recognize that it was enormously inefficient and ineffective to be doing [business] the way we inherited it from the 22 different agencies—22 different ways of doing business. So those 22 are now down to probably around 11 at the moment. [We] are on our way to one, which is where Max HR will be at the end of the day. Can you imagine the equity [issues] associated with every one of those 22 who would like it to [be] one way in the new department—but they would like it to be their way.

So the challenge, day after day, is to think your way through HR or IT or procurement or public affairs or legislative affairs or general counsel activities, all the way across the board, with a view towards establishing a DHS brand, if you will. And, most importantly, a culture where one says, "I work for the Department of Homeland Security. I don't work for whatever it was that [originally] came to the table." This has been enormously challenging.

[Another example was our] 19 bill-paying centers. We've got that down to 10, on its way to probably three or two. We recognize efficiency at the cabinet level … of a single way to do business … as opposed to 15 or 18 or 22.

The last example I'll give is that somehow on day one, we inherited 27 administrative processes to process government credit cards. Now, I would have understood 22, but 27 was the number. Through a lot of very good work on the part of [our] experts, we now have that down to four, on its way to one.

[We are also working on] the integration of activities like border efficiency, where the notion of one face at the border [is] a concept now accepted by the legacy Customs Service, the legacy Immigration and Naturalization Service, and the legacy Agricultural Service. This is a simple notion where one face at the border offers you a chance to deal with one officer who is basically qualified to pass you, so to speak, back into the country as it relates to customs or immigration or agricultural issues. And if little red flags go up on the basis of what happens [in this encounter], the experts then come over. So 95 percent or so of returning American citizenry [now] pass through that single system and [back] into their homeland. And where necessary, we check on those that bounce, so to speak, at the primary station. [This is] an enormously better and more effective and efficient way of doing business.

On Leadership

My joyride of 42 years in a Coast Guard uniform is, of course, what will mark my life forever. I felt an obligation to leave something behind that I didn't find there and wished was there through the course of my last six years, where I was in a position to shape and impact, if you will, where we were going as a service.

In *Character in Action,* [we wrote] a book about what I understood the Coast Guard culture to be. If you look at the chapter headings, it's about attributes and it's about those things which I find in that culture to be as good as I've ever seen or found anywhere. I wanted to make certain that it had been recorded in a fashion that could be a primer, so that people within the organization recognized those elements of our cultural base and core values.

If you talk to Coast Guard people about their core values, it's not something they can just remember and recite. The words "honor, respect, and devotion to duty" have a litany of impact at the visceral, gut level for kids that are in the Coast Guard. It's the first thing they encounter at boot camp or at the Coast Guard Academy or at the Officer Candidate School—all those entry-level systems into the service. They understand those words to mean something very, very deeply to them on a personal level. As an aggregate, it manifests itself at the organizational level as well.

My intent was leaving [a book] behind to remind people. I teamed up with a guy who was really good at what he did—Don Phillips, who had written *Lincoln on Leadership* and *The Founding Fathers on Leadership.* Our challenge together was to tell this story in such a fashion that Coast

Guard people would absorb it and allow it to be the documentation of what we were trying to build as an ongoing culture in that service.

We designed each of the chapters in the book. There's an opening anecdote—culled from my 40 years plus of Coast Guard experience—that is associated with the attribute or the essence of what we were trying to get across in that chapter. Don would write the narratives. At the end of each chapter, there are the crib notes on the chapter, four or five things to remember from the chapter.

On Values at TSA
I remember one of our first off-sites [at TSA]. I asked around the table as to whether or not we had core values at TSA. They said, "Oh, sure." I said, "Well, how many do you have?" They said, "Oh, I think there might be like 10 or 11." I said, "Is anybody here able to recite those for me?" Of course, they could not, because they hadn't internalized them. We were at that point about three weeks old as an organization.

… the notion [of values] I believe to be absolutely of deep import and value. You have to have some visceral connection to your colleagues at work, especially when you are in an organization where your "butt's on the line" with respect to surviving [and] what you are doing is going to make the difference as to whether this other person survives. Yes, life and death on one hand, but I also mean with respect to the nobility of work being taken on in the post-9/11 security environment by organizations like TSA and DHS.

I [was] trying to build upon what I knew to be of great value in the Coast Guard. I can tell you that people around the TSA table, the people around the DHS table, and what I now extrapolate to be all public servants at the federal level in the United States have that same common devotion to duty, thoughts about honor, and thoughts about integrity [that I had experienced in the Coast Guard]. I would neither trade my experience at TSA nor at DHS now for love or money.

On Creating a New Personnel System for DHS
It's an enormous job, and we have had some of the very, very best minds that we can find on it from the very beginning. People like Melissa Allen and Kay Frances Dolan.

Melissa and her team at the department have been there from almost the very beginning of thinking our way through what are the attributes of a Max HR system, one that maximizes performance and one that maximizes rewards where appropriate. One that will maximize all of those notions that we have all wished for years were part and parcel of the existent federal system. The General Schedule [GS] system of the last 50 years served this nation remarkably well for a long, long time.

But if you helicopter up to the 5,000-foot level and look down objectively, [the GS system] is about rewarding longevity as

opposed to [rewarding] performance. That's not what we can afford to be about at the federal level of the United States of America in 2004 and for the first 30 or 40 years of this new century. Our design intent was to make some very profound but straightforward and relatively simple changes to the current GS system.

It has been an enormously inclusive process. From the very beginning, we had the presidents of the respective unions at the table with us as we were working things through day after day after day. We are at a point where, in very short order, the regulations package that will define that system will go forward through the normal OMB process and be announced and published in the *Federal Register,* with a comment period.

We would like to think that in a phased manner, those things that the law calls for us to have in place quickly for Fiscal Year '05, we will actually [soon] activate and have [in place] very early. Then the dicier ones, the pay and performance adjustment cycle, will be phased in over the course of [the next] three years.

We have also been, I think, savvy enough to know that in the Department of Defense there has been a similar quest going on, led by David Chu, to design the HR system for the thousands of employees associated with the Department of Defense that are not in uniform. I would offer that when you put our 200,000 employees and whatever the number is over there, which is probably an awful lot more, [we are fundamentally changing government personnel policy].

We didn't want our project to be in a vacuum, but we wanted to also allow our own uniqueness to emerge. [We thought] we could both learn from each other in the due course of [creating the new system]. The new system will be based on performance as a fundamental notion as opposed to longevity.…

It will be hard. It will require—maybe the most dramatic thing—a training system attendant to the responsibilities of the supervisors in the new system who have, for all these many years, been supervising their employees based on a General Schedule system. We must have the resources up front to make the commitment necessary to train the supervisors of the department so that the new system has got a chance [to succeed].

On the Importance of Collaboration in Homeland Security

It is an enormous challenge. Like it or not, we are all human beings. We all have a resistance to change built in us … especially when you're coming from discrete elements, like the 22 agencies that formed DHS.

The secretary's role, in many ways, is about collaboration and coordination as opposed to doing. Let me give you an example. Homeland Security Presidential Directive (HSPD) Number 7 is about protecting the critical infrastructure of our nation. Internal to the presidential directive, there is the recognition that you can't just point to the Department of Homeland Security and say, "Go protect the critical infrastructure of America." That is best done by the private sector, who owns 85 percent of it.… And the skill sets associated with the energy sector as opposed to the transportation sector as opposed to the water sector as opposed to the food sector … are dramatically different.

In that HSPD, 13 economic sectors were identified. Five are what we refer to as key asset lists … that's like dams and nuclear power plants…. [We decided on] sector-specific agencies to lead the fight, so to speak, on the derivation of an infrastructure protection plan to each of those. For example, if one of our economic sectors is agriculture ... our reach has to be through the secretary of agriculture and all of the expertise associated with that department's [connections] to the farming community and standard-setting organizations in the agricultural sector. Our challenge is to have a template of sorts that we offer to the secretary of agriculture and the department to build sector-specific plans along this framework and model. [We ask them to] return it to us when they have done all the necessary outreach to have a plan [that is] reflective of … states, locals, the private sector community, [after they] have galvanized them to be part and parcel of committing themselves to the plan.

> "… [we must] recognize and honor and respect the potential of getting things done through public-private partnerships, where the federal government is only one of the partners and the private sector is the [other]. The private sector has lots of talent associated with getting things done."

There are interdependencies between and among those plans in addition to each as a stand-alone plan that is the essence of securing critical infrastructure.… We've [now] initiated the process of understanding those interdependencies. And this package … can't be something owned by the Department of Homeland Security. [Former] Secretary Ridge said that every time from every podium he could find, "This is not a federal plan we're building; it's a national plan we're building." Each and every one of us as citizens, as CEOs of a company, as mayors of a town, or as governors of a state, have an obligation to pull this plan together so that it is reflective of an interactive, integrated national plan to protect the critical infrastructure of America.

On the Importance of Long-Range Planning

I do believe deeply in the value of long-range planning. Call it strategic planning, call it what you will. My notion is that you [need] a set of concentric circles otherwise known as a target, with an end state in mind, with a notion of—let's say, the Coast Guard—what kind of a Coast Guard does the nation need and want to fulfill its maritime obligations … 10 years from now or 20 years from now?

This town is a one-year budget town. There are voices and advocates for two-year budgets, and I would include myself among them. But the notion of where do we want to be five years from now, where do we want to be 10 years from now or even 20 years from now [is important]. I found it to be enormously valuable in the Coast Guard, because we were making hundreds of millions of dollars of investment decisions about things we were procuring—whether those were systems or processes or ships or planes or people—without a view in mind as to whether we would be doing the same thing five years or 10 years from now. We went to the trouble of doing

a "roles and missions" review—a book that we called *Coast Guard 2020*—with the notion [of our service] to all of our federal customers. [We wanted to] understand where we might be 10 years down the road with respect to strategy and mission, and make sure that requirement set was known to those who were making investment decisions today.

On Continuous Improvement at DHS

The other notion for me which is enormously important in DHS is the idea of continuous improvement. In all of our efforts to be safer and more secure around the country, we are only as secure and safe as we are today. Our goal must be that we're … more secure and safe tomorrow. I can guarantee you the bad guys out there are gaming precisely what it is we're doing today with a view towards determining [our] vulnerabilities and the means by which they can take advantage of that notion for their own nefarious goals.

We all remember all the gurus of quality management. What I did do was take the ideas that were enormously successful in getting the notion of quality management as a continuous improvement cycle and tried to understand what they all had in common, and then challenge that intellectually. In fact, one of the notions associated with continuous improvement is to understand what we were doing at the Coast Guard in strategic planning and long-range planning, and then break it down so that it is traceable all the way from strategic goals through milestones and objectives and projects, [and] all the way down to some kind of budget line item at the other end.… If you don't have accountability and compliance as the last piece of that train of thought, you have no means by which you can monitor your progress from where you are in your current state to where you want to end up in your desired state. ■

Ambassador Prudence Bushnell

Dean, Leadership and Management School

Foreign Service Institute, Department of State

Empowering Diplomats with Leadership and Management Skills

The role of the United States embassy abroad is evolving. No longer is an embassy dedicated solely to consular and traditional diplomatic functions. It now serves as a platform from which multiple U.S. agencies launch their international efforts. "As the United States became more of a global power after World War II, more and more federal agencies went overseas. The role of an ambassador was not only to influence one-on-one, but also to provide leadership and a sense of direction to all the other government agencies overseas," explains Ambassador Prudence Bushnell, dean of the Leadership and Management School at the Department of State's Foreign Service Institute.

At the same time that the role of diplomats is expanding, the embassy itself is increasingly becoming a target for insurgents and anti-democratic sentiments. Today, ambassadors must be prepared to serve as the head of the diplomatic mission, manage a diverse group of public servants operating within the embassy, and exercise leadership in the event of an emergency. "The Leadership and Management School is helping people to prepare to do just that, and it shows just how much more complicated our job has become," says Bushnell. For this reason, leadership and management skills are essential to the development of an effective diplomat and are now the focus of an intensive training program for future diplomats at the Department of State.

Bushnell came to the Leadership and Management School after a distinguished Foreign Service career, serving as ambassador to Kenya and Guatemala. Throughout her career, Bushnell was grateful for the management training that she received. "It was very useful to know management concepts and procedures as I became a manager in an overseas context supervising people of different cultures," she says. Now, Bushnell and her team provide both leadership and crisis training for people at the Department of State. The School's curriculum emphasizes the fundamental concepts of leadership to help its students become better performers. "When

CAREER HIGHLIGHTS
• Dean, Leadership and Management School, Foreign Service Institute, U.S. Department of State
• U.S. Ambassador to Guatemala, U.S. Department of State
• U.S. Ambassador to Kenya, U.S. Department of State
• Principal Deputy Assistant Secretary of State, Bureau of African Affairs, U.S. Department of State

we train leaders at the Leadership and Management School, we do it from the inside out, with the notion that leadership is not about you; leadership is about the other person, understanding the other person, motivating the other person, setting a sense of direction, and providing the environment that those people need to get their jobs done," Bushnell explains.

Throughout the training courses, the Leadership and Management School incorporates important skills into the day-to-day interactions that a Foreign Service officer is likely to encounter while carrying out the Department of State's mission. Bushnell knows that active listening and facilitating are skills often used by an effective diplomat. "As an ambassador, I was essentially facilitating. I do that as a trainer. And I think that the skills of listening—active listening—the skills of finding commonalities are skills that are very important to managers, leaders, and diplomats," observes Bushnell. "Our focus is not just on talking about the importance of listening.… Now [students] also practice listening. It is very practical."

One objective of the Leadership and Management School's curriculum is to prepare Foreign Service officers to lead in the event of an emergency. Bushnell's own experiences demonstrate the necessity of crisis management training for

" … the skills of listening—active listening—the skills of finding commonalities are skills that are very important to managers, leaders, and diplomats."

"When we train leaders at the Leadership and Management School, we do it from the inside out, with the notion that leadership is not about you; leadership is about the other person, understanding the other person, motivating the other person, setting a sense of direction, and providing the environment that those people need to get their jobs done."

Examples of Courses Available at the Leadership and Management School

- Driving Organizational Performance
- Advanced Leadership Skills
- Leading in a Diverse Workforce
- Essentials of Decision Making
- Advanced Crisis Management Training
- Managing Conflict Productively

diplomats. A bomb exploded outside the U.S. Embassy in Nairobi, Kenya, while Bushnell and her team were working inside. The scope of the destruction was overwhelming, but unlike in the United States, there were no emergency personnel to call upon for help. Embassy employees looked to Bushnell to lead in a time of crisis. "We had about 50 percent casualties in the building that was blown up," Bushnell recalls. "The other 50 percent of the people came out onto the sidewalk, regrouped, and then went back into the building to bring out their dead colleagues, their wounded colleagues, and go under the rubble to find those who survived."

While Bushnell's experience was extraordinary, she is not unique. Sixty-seven percent of Foreign Service officers serving abroad have been involved in resolving a significant crisis. An overwhelming 87 percent of diplomats serving for 15 years or more have found themselves in harm's way. "We—Americans and Foreign Service nationals—face incred-

ible dangers that are becoming more and more serious every day," she says. Crisis management training has become a core part of the Leadership and Management School's curriculum. "We recognize that we had better prepare ourselves, so the handling of crises and dealing with personal security permeates many of the courses in the Foreign Service Institute," she notes. "We created crisis leadership training for senior leaders. And what this does is to extract from the array of management and leadership skills that are useful at any time those specific skills that are needed in times of crisis, and we train people specifically to use those skills."

Bushnell has spent much of her career as a leader. Now as dean of the Leadership and Management School, she strives to educate future leaders with the same skills that were instrumental to her career. Her advice to young people is not to wait to practice good leadership and management skills. "I find that people want to wait until they're in a position of leadership in order to think that they're going to start practicing leadership. If we all wait until we finally arrive at that position, without ever having practiced leadership behaviors, then we're not going to be very well prepared." ■

To learn more about the Foreign Service Institute, go to http://www.state.gov/m/fsi.

The Business of Government Hour's interview with Ambassador Prudence Bushnell is available via Real Audio on the Center's website at www.businessofgovernment.org.

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Patrick R. Donahoe

Chief Operating Officer and Executive Vice President

United States Postal Service

Transforming the United States Postal Service

Thirty years ago, Patrick Donahoe began his career with the United States Postal Service (USPS) as a clerk in Pittsburgh, Pennsylvania. Today, he is the chief operating officer and executive vice president of USPS, a $69 billion enterprise. In this role, he is responsible for the day-to-day activities of more than 700,000 employees working at 38,000 facilities that are supported by a fleet of 211,000 vehicles. This workforce delivers 208 billion pieces of mail a day to 142 million addresses across the continental United States, Alaska, and Hawaii.

Donahoe understands that the current operating environment is significantly different from what it was when he first joined the organization. "We realize that the model that we're presently working on ... was set up in the early 1970s, and [while it] was well thought out ... the world [has] changed," he says. "Back in the 1970s and 1980s we had a monopoly ... on [a] lot of the correspondences because people had to put things in the mail. Now they can pay bills electronically, [and] they can transmit information electronically." As a result, USPS has embarked on a transformation effort focused on four key areas: cost containment, people, improved service, and revenue generation.

Minimizing costs is not only essential to the Postal Service, it is critical to an entire industry based upon mail that is worth upwards of $900 billion and encompasses companies that print, make paper, ship, produce mail, and receive it. "If we weaken, if we are in a situation where rates have to go up, that creates a very negative flow through the entire industry, because in many of these businesses postal rates represent 30, 40, or 50 percent of the total cost of the operation of that business," notes Donahoe. Part of the cost-containment strategy has been a reduction in the workforce, which has decreased from a high of 803,000 in 2000 to 708,000 employees in 2004.

The postal workforce itself is a key component of the transformation efforts. Donahoe is committed to keeping the

CAREER HIGHLIGHTS

- Chief Operating Officer and Executive Vice President, United States Postal Service

- Senior Vice President of Operations, United States Postal Service

- Senior Vice President of Human Resources, United States Postal Service

- Vice President, Allegheny Area Operations, United States Postal Service

workforce informed about the USPS transformation plans, setting expectations for service, and recognizing employees' achievements. He uses multiple vehicles to do so, one of which is an internal television show that the Postal Service produces and broadcasts live each month. "Communication [with employees]—whether it is in writing, whether it's through the Internet, or whether it's on a video—is very important," says Donahoe, "so that the people understand just how important their job is and how appreciated they are…."

The third component of the transformation, improved service, has several dimensions including improved customer contact, better delivery times, and the introduction of new services. Customers can now visit www.usps.com to buy stamps, change a mailing address, and arrange to send packages. Through the new service "click and ship," customers can weigh, rate, and pay for a package and order a carrier pickup online. A letter carrier will pick up the package from the customer's home the next day. If customers choose to do business with USPS in person, they can now buy stamps and mail packages via the Automated Postal Center (APC). "You can do about 80 percent of any of the transactions that you would do at a vendor on one of these machines," Donahoe

"With technology, we have the ability not just to read addresses and sort mail, but to improve customer satisfaction by pinpointing and correcting operational inefficiencies."

On the new Automated Postal Centers: "You can do about 80 percent of any of the transactions that you would do at a vendor on one of these machines. We also have collection receptacles, so if you want to mail a package, you rate it and put the meter strip on it; you can drop it right into a secure box and know that nobody else will touch that package."

Facts About the United States Postal Service

- Delivers 206 billion pieces of mail a year

- Delivers five pieces per address per day to over 142 million homes, businesses, and post office boxes

- Adds 1.8 million new addresses each year

- Redirects 3 billion pieces of first-class mail to new addresses

- Delivers more than 46 percent of the world's mail volume

- Serves 7 million customers daily at 37,000 postal retail outlets

Source: www.usps.com

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explains. "We also have collection receptacles, so if you want to mail a package, you rate it and put the meter strip on it; you can drop it right into a secure box and know that nobody else will touch that package." He continues, "[APCs are] very quick, they're easy, and they're convenient." In the first six months of operations, postal service customers conducted $29 million of business through APC machines.

Generating revenue is the fourth component of the transformation plan. Donahoe notes that the Postal Service is not only in the packaging business, but it is also in the advertising business, and this is where he sees potential for growth and revenue generation. Studies show that despite the low cost and convenience of advertising online, it is more effective to do direct mailing, because people like to sit down

and hold hard-copy advertisements such as a catalogue in their hands and make notes. Companies spend approximately $200 billion on advertising annually. Donahoe estimates that USPS carries approximately 21 percent of this business. "If we're able to pick up another 2 percentage points on that, you're talking 400 to 600 million extra dollars that goes to our bottom line," he says.

One of the ways that USPS intends to do so is through a new service called "intelligent mail." Donahoe explains: "With technology, we have the ability not just to read addresses and sort mail, but to improve customer satisfaction by pinpointing and correcting operational inefficiencies." Companies can begin to include a customer ID number on a piece of mail and then go into the USPS tracking systems and see where a piece of mail is. "We see a lot of value for the customers, besides just the physical delivery, but information and the ability for customers to use that information to change the way they do their business."

Over all, says Donahoe, "we think it's absolutely critical that we continue to do the right thing for our customers, from a service standpoint, from an access standpoint, and from a cost-management standpoint, so that going into the future, there's trust that the Postal Service will be managed well and stay strong in the industry." ■

To learn more about the U.S. Postal Service, go to http://www.usps.com.

The Business of Government Hour's interview with Patrick Donahoe is available via Real Audio on the Center's website at www.businessofgovernment.org.

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William E. Gray

Deputy Commissioner for Systems

Social Security Administration

Modernizing the Disability Benefits Process

The Social Security Administration (SSA) is transforming the way disabled citizens apply for and receive benefits. This modernization program marks a dramatic shift in SSA operations. For the first time in its 70-year existence, SSA is migrating from a paper-driven process to an electronic web-based application. SSA Deputy Commissioner for Systems William Gray is leading this effort.

Gray not only knows the systems component, but he has also navigated SSA's business processes over the last 29 years. He started his career with SSA as a claims representative in Sandusky, Ohio. Throughout his career, one of his objectives has been to integrate the needs of the citizens, claims agents, and the medical community into the design, development, and implementation phases of the electronic disability claim system.

The SSA disability benefits program pays monetary benefits to citizens who meet the eligibility requirements. Gray describes how the disability benefits process worked from the citizen's perspective before the modernization program: "You would come in to file [in one of the 1,300 local offices], we would collect your information about why you were disabled. We'd collect all of that on paper and begin creating that paper folder. Then we would ship that paper folder off to the state agency, and they would get more information from the doctors and from the hospitals to determine whether you were disabled or not, and then create more paper in that paper folder. If you appealed the decision, we would take that paper folder and send it off to a hearings office, where you would be able to have a hearing in front of an administrative law judge." Mailing paper folders between the multiple participants contributed to a lengthy disability claim processing time for the citizen.

"The idea behind modernizing the disability process is to move from paper into an electronic environment," Gray says.

CAREER HIGHLIGHTS

- Deputy Commissioner for Systems, Social Security Administration

- Assistant Deputy Commissioner for Systems, Social Security Administration

- Associate Commissioner for Automation Support, Office of Operations, Social Security Administration

- Manager, Model District Office and the National Help Desk, Social Security Administration

"From the point that somebody files until the point at which a decision is made, we will do that electronically and process it paperlessly." Since the inception of the modernization initiative, the average time it takes to receive medical evidence has been reduced significantly. For example, in Mississippi, "40 percent of medical evidence is coming in directly and electronically from the medical community," he notes. "Their average time to receive medical evidence dropped from 22 days in January 2004 to 14 days in June 2004; significant time if you are trying to make a medical decision."

Gray believes that incorporating the needs of the system users—from applicants to claims agents—in the electronic claims system design contributed to the initiative's success. Applicants have given positive feedback to the new process: "Seventy-five thousand people so far have filed [claims] over the Internet, and 97 percent of them rate their experiences good, very good, or excellent." Gray understands that the claims agents and medical professionals play an important role in processing the applicants' requests. As a result, Gray and his team brought in claims processors from around the country to document their business requirements and incor-

"From the point that somebody files until the point at which a decision is made, we will do that electronically and process it paperlessly."

> "We were changing people's business processes … they felt much more comfortable if they were part of that process. We spent an enormous amount of effort and resources on getting that user voice into our development activities."

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porate them into the system design. These comments contributed to a better system design and also gave the claims agents' peace of mind that their needs were represented.

"We were changing people's business processes … they felt much more comfortable if they were part of that process. We spent an enormous amount of effort and resources on getting that user voice into our development activities," Gray recalls. Another obstacle to overcome was transmitting data between the claims processors and the medical community when each has their own unique systems. Gray promoted interoperability of the electronic folders so that information could be easily transferred between the involved parties. "We focus a lot of attention on providing different options to people to get information to us so that they really can do it in a way that's most conducive to the business that they have."

Gray understands that it is one thing to create a savvy online system, and another to get people to use it. Once the system was created, Gray's team continued to work closely with the claims processors to get them accustomed to the new business process. "People have worked and used a paper folder for 70 years in this agency," Gray says, "and for seven months, we've asked people to start using an electronic folder and to try to get used to working in that environment." Employees need to know how to translate techniques they used in the past—for example, paper-clipping documents, putting sticky notes in files, or annotating certain items in a paper folder. Training is provided early and often while national conferences encourage claims processors to share lessons learned and best practices.

Designing technology with the system's users in mind, promoting interoperability between systems, and providing frequent training are three contributing factors to the success of the electronic disability claims system. The experience has been a rewarding one for Gray. "I know that when I come to work, it is my neighbors and their families and friends that I am servicing, and it is a very personal relationship between what you are doing and how you are helping the American public," he says. "The mission makes it a particularly important place to work." ∎

To learn more about Social Security disability benefits, go to http://www.socialsecurity.gov/applyfordisability.

The Business of Government Hour's interview with William Gray is available via Real Audio on the Center's website at www.businessofgovernment.org.

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Ira L. Hobbs

Chief Information Officer

Department of the Treasury

Growing Leaders in Information Technology

According to Ira L. Hobbs, Chief Information Officer at the Department of the Treasury and co-chair of the Federal CIO Council's IT Workforce Committee, the perception of Information Technology has evolved from "the folks with the toolkit ... running up and down the hallway, plugging and unplugging" toward a new understanding of the CIO as having a seat at the management table.

"More and more, the technology side of the house is being asked by the business side of the house to deliver, not just the equipment, but to deliver an end result and to be able to deliver that end result in a way that benefits the program, which, in turn, benefits the citizen," Hobbs says. "I think the biggest change that we've seen in the information technology community is this integration that is occurring of information technology into the business fiber of everything that we do—which is producing a better government, a more efficient government, and a government that citizens can access and use on their terms as opposed to what we traditionally refer to as the 9 to 5:30 office environment.... We're opening the government up 24 hours a day." For this reason, growing leaders in IT who can solve critical issues in areas such as cyber security and manage large complex projects is a key priority of the CIO Council.

"A couple of years ago, you couldn't go to a school and get a degree or training in cyber security," recalls Hobbs. The Office of Personnel Management, the National Science Foundation, and the Federal CIO Council worked together to create the Federal CyberService: Scholarship for Service. As a result, a consortium of colleges and universities are now offering cyber security training and scholarships to encourage students to specialize in this area. "Those institutions are starting to produce graduates. Those graduates are starting to come into the federal government," notes Hobbs. "We think that we're filling a void that's needed and necessary not only in the federal government but also in the private sector, which is the training of specialists in the area of cyber security who can help

CAREER HIGHLIGHTS

- Chief Information Officer, U.S. Department of the Treasury

- Co-Chair, Federal CIO Council's IT Workforce Committee

- Acting Chief Information Officer, U.S. Department of Agriculture

- Deputy Chief Information Officer, U.S. Department of Agriculture

- Director, Office of Operations, U.S. Department of Agriculture

defend our electronic networks from unlawful intrusions and other kinds of nefarious actions."

Because the government invests millions of dollars in information technology, Hobbs identifies project management as a core competency. "We're looking for people who can help us to complete these projects on time, on schedule, and within cost," he says. To meet this need, the CIO Council created a virtual CIO university. "This is a consortium of 17 colleges that offer master's level programs in information technology. Embedded in them is a core of project management training programs," explains Hobbs.

Hobbs understands that growing IT leaders needs to be a fluid process between the public and private sectors: "I think the issue for us [is not] so much … how do we keep retaining people, but how do we ensure that it is not a one-way door but that there's a revolving door.... We are going to see a lot of people who are going to move back and forth between government and industry." Hobbs notes significant changes the government has made to promote this "revolving-door"
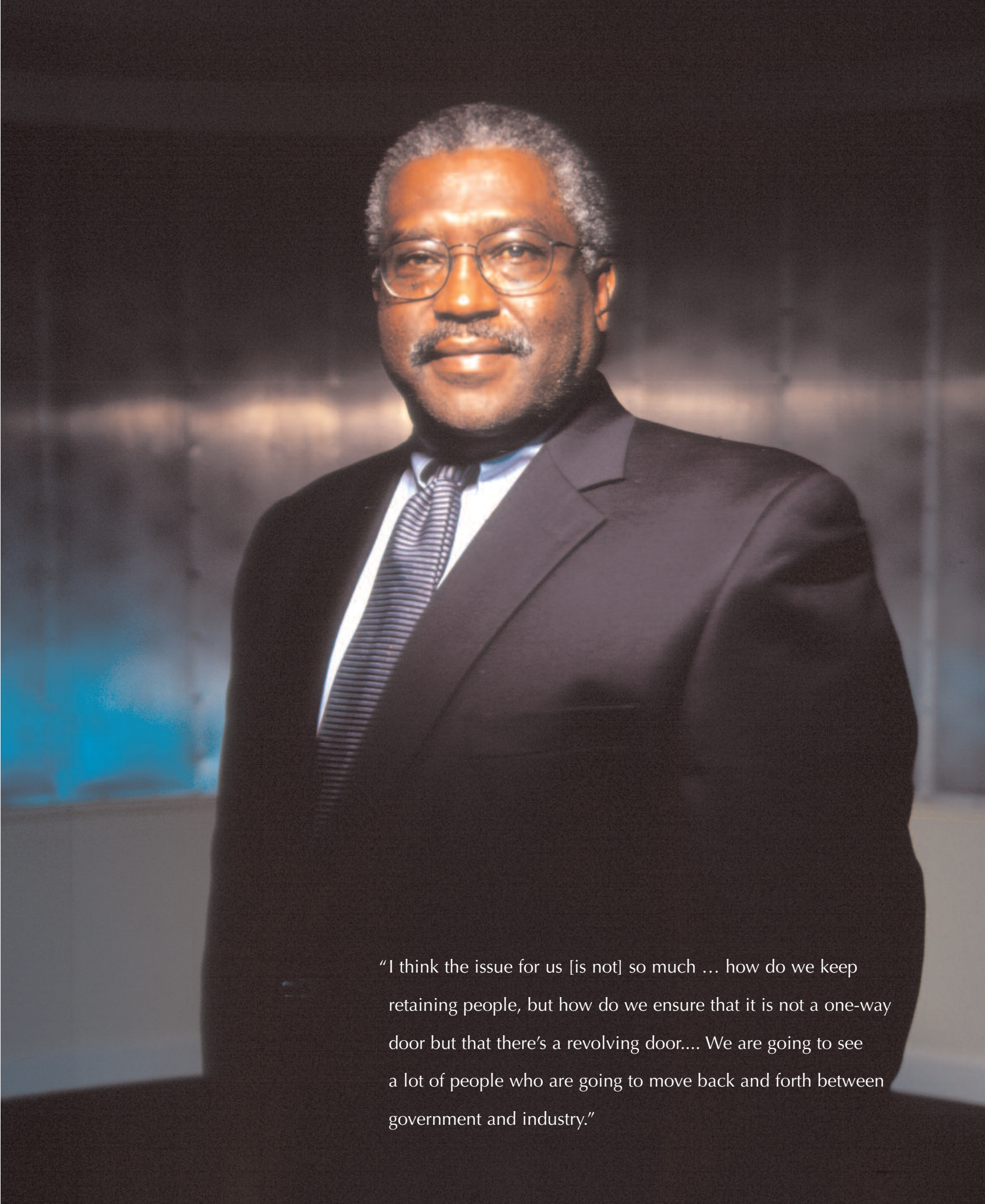
"I think the issue for us [is not] so much … how do we keep retaining people, but how do we ensure that it is not a one-way door but that there's a revolving door…. We are going to see a lot of people who are going to move back and forth between government and industry."

> "I think the biggest change that we've seen in the information technology community is this integration that is occurring of information technology into the business fiber of everything that we do—which is producing a better government, a more efficient government, and a government that citizens can access and use on their terms.... We're opening the government up 24 hours a day."

About the CIO Council

The Chief Information Officers (CIO) Council was established by Executive Order 13011, Federal Information Technology, on July 16, 1996. A charter for the council was adopted on February 20, 1997, and later codified by the E-Government Act of 2002.

The CIO Council serves as the principal interagency forum for improving practices in the design, modernization, use, sharing, and performance of federal government agency information resources. The council's role includes developing recommendations for information technology management policies, procedures, and standards; identifying opportunities to share information resources; and assessing and addressing the needs of the federal government's IT workforce. The chair of the CIO Council is the deputy director for management of the Office of Management and Budget, and the vice chair is elected by the CIO Council from its membership.

Source: www.cio.gov

Simplifying and adding flexibility to the way in which government attracts, retains, and trains its IT workforce is important, but having good managers to guide their careers is just as important. Hobbs describes his philosophy for retaining and cultivating IT talent to managers: "Number one, make sure you nurture the folks who are there and help the folks there to move on." Doing so enables managers to promote when opportunities exist, provides new, challenging opportunities for employees to grow in different positions, and opens the door for new talent to backfill the positions that their predecessors have outgrown, he contends. Second, Hobbs encourages the use of spot rewards to recognize accomplishments. "My basic premise is the Olympics approach—reward the runner while the sweat is on their brow. Make sure that when people do good things, you reward them then, not later on down the road, when the significance of the act and the reward is disconnected." And he concludes: "Listen to the people you've got. They're the ones who do the work. They know it far better than you. Listen and learn and act upon what it is that you've learned. That's the advice I'd give to any manager out there that's trying to manage a workforce." ■

To learn more about the CIO Council, go to http://www.cio.gov. To learn more about the U.S. Treasury Department, go to http://www.treas.gov.

The Business of Government Hour's interview with Ira Hobbs is available via Real Audio on the Center's website at www.businessofgovernment.org.

To read the full transcript of *The Business of Government Hour's* interview with Ira Hobbs, visit the Center's website at www.businessofgovernment.org.

policy, including enabling agencies to better match salaries, allowing federal employees to carry retirement contributions outside of government, and broadening job descriptions so that the emphasis is on the functions being performed as opposed to where it is performed. By opening the system to a steady rotation of employees, Hobbs believes that the government can attract more people to fill critical positions.

Fran P. Mainella

Director

National Park Service, Department of the Interior

Preserving Parks Through Partnerships

The national parks are "the soul of America," says Fran Mainella. That's why the director of the National Park Service (NPS) considers the agency's mission to be so important. The NPS was created in 1916 to protect the country's resources and preserve the parks for future generations. The national park system includes both historical structures as well as parklands. Mainella estimates that over 270 million people travel the 29,000 miles of scenic roads and hiking trails each year. She is tasked with balancing accessibility to the nation's parks and protection of the natural environment. The future of America's parks, she contends, is contingent on partnership arrangements between the Park Service and the community.

The first female director of the National Park Service, Mainella began her career as a summer playground counselor at a state park. She came to the NPS from Florida, where she served as director of the Florida state park system. During her 12-year tenure, the Florida state park system was voted the best managed and maintained park system in the nation and received a prestigious Gold Medal Award, given by the National Sporting Goods Association and the National Recreation and Park Association.

The NPS relies on private-public partnerships and volunteers to preserve America's parklands and keep them open for the enjoyment of visitors. Since the inception of the NPS, more than half of the workforce has been private sector contractors. The combination of public and private sector employees creates a more flexible organization that readily adapts to changing environmental or seasonal needs. For example, the NPS can increase its staff to serve the influx of summer tourists or to restore parks after natural disasters, such as the hurricanes that ravaged the Southeast in 2004. Mainella appreciates the efforts of both NPS federal employees and private sector employees in contributing to the mission of the NPS. "They are the ones that help make sure that we achieve a 96 percent satisfaction level [with park visitors]. They are the ones who are able to welcome a visitor to the park, be it at the

> **CAREER HIGHLIGHTS**
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> - Director, National Park Service, U.S. Department of the Interior
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> - Director, Division of Recreation and Parks, Florida Park Service
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> - Outdoor Recreation State Liaison Officer, State of Florida
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> - Executive Director, Florida Recreation and Park Association
>
> - President, National Association of State Park Directors
>
> - President, National Recreation and Park Association

gate or at the booth …, lead you on an interpretive walk, or help make sure that our facilities are in good shape."

The oldest and most popular national park, Yellowstone, is an example where the competing demands of park visitors can clash with the needs of the environment. Yellowstone is one of the most vital and most traveled areas in the national park system. "It is an important area because of the diversity that it has; it represents the only place in the [continental United States] where there is a full complement of all the species of large mammals and large predators that carry out their roles in a complex ecosystem," says Mainella. For this reason, thousands of scientists, environmentalists, and researchers come to Yellowstone to study the land and its species in hopes of new discoveries in biology and medicine. Nearly 3 million tourists visit year-round to see such popular attractions as Old Faithful. Visitors may, however, inadvertently disturb the environment with noise and emission pollutants from cars and snowmobiles. Partnerships and cooperation between the

"I believe in a seamless network of parks—not just national parks, but state and local parks and private partnerships."

"Partnering with the community will mean the park resources are better protected, it means the visitors to the parks will have their needs reflected, and, in the long run, it's less time involved, it's more efficient and effective, because you reach out on the front side, not after you've made a decision."

10 Most Visited National Parks
(annual number of visitors in millions)

1. Great Smoky Mountains National Park	9.4
2. Grand Canyon National Park	4.1
3. Yosemite National Park	3.4
4. Olympic National Park	3.2
5. Rocky Mountain National Park	3.1
6. Yellowstone National Park	3.0
7. Cuyahoga Valley National Park	2.9
8. Zion National Park	2.5
9. Acadia National Park	2.4
10. Grand Teton National Park	2.3

Source: www.nps.gov/pub_aff/refdesk/

visitors and the Park Service help to minimize the impact on the environment.

In addition to striking a harmonious balance between the parklands and the visiting public, the NPS also forms strategic partnerships with surrounding communities to better preserve and protect parklands from threats such as invasive species. "Invasive species are usually non-native ... like the Melaleuca tree in Florida. Melaleuca was brought in from outside Florida. It grows so quickly, it doesn't allow anything else to grow around it," Mainella explains. "Native plants normally will hold the soil in place and then also let the native vegetation come forth." The Melaleuca tree and other invasive species eliminate the naturally occurring vegetation and endanger the health of the environment. Mainella and NPS employees work to educate communities to the threats of invasive species and join forces with their neighbors to

eliminate a species from a habitat. Without a strong partnership in the communities, an invasive species could easily cross borders from private lands back into the national park.

Mainella also attributes many of the NPS land management accomplishments to collaborative partnership arrangements between public and private employees within the NPS organization, between the park and its visitors, and also between the park and its neighboring communities. "I believe in a seamless network of parks—not just national parks, but state and local parks and private partnerships," Mainella says. "We're trying to make sure that as we move forward, that we are more proactive. Partnering with the community will mean the park resources are better protected, it means the visitors to the parks will have their needs reflected, and, in the long run, it's less time involved, it's more efficient and effective, because you reach out on the front side, not after you've made a decision."

"We believe working with the communities is absolutely critical," she adds. "In fact, we've developed a community toolbox, which is focused on consensus building and our techniques for public participation with communities and to help get organized and learn how we can turn visions into reality." ■

To learn more about the National Park Service, go to http://www.nps.gov.

The Business of Government Hour's interview with Fran Mainella is available via Real Audio on the Center's website at www.businessofgovernment.org.

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Michael Montelongo

Assistant Secretary of the Air Force for Financial Management
and Comptroller

Improving Financial Management

"In some ways, you can describe us as the largest airline on the planet," says Michael Montelongo, Assistant Secretary of the Air Force for Financial Management and Comptroller. "We have a fleet of … 6,000 aircraft, which is larger than … the fleets of Southwest, Northwest, Continental, United, American, and Delta Airlines combined." The Air Force has an annual budget of more than $120 billion, and it employs approximately 700,000 professionals that span active duty, reserve, guard, and civilians. As the Air Force's chief financial officer, Montelongo is committed to improving the financial management and analytical services to support the effective use of Air Force resources.

He recalls that early in the first term of the Bush administration, "the President and the Secretary [of Defense] laid out a vision when they came into office for a much more agile, nimble, flexible, lethal, and integrated force, supported by a business operation or a set of business operations that are just as agile, just as responsive to the war fighter." In response, Montelongo concluded, "If that's what the institution at large is trying to do, then it's imperative upon me and my financial managers to support that kind of change." And he tells his staff, "We have to be every bit as sophisticated in our financial service delivery as the weapon systems and the war-fighting concepts that we support."

To improve the Air Force's financial management, he is pursuing a three-pronged approach focused on systems, processes, and people. "Having integrated systems that talk to each other is tremendously important so that we are not doing what we're doing today, and that is relying on human interfaces to move information, to move data back and forth." In the future, he is optimistic that "I'm going to see people that are currently in the workforce who will look at me incredulously when I mention the term 'data calls.' " He describes "data calls" as the time spent collecting key financial information over the phone, by fax, or via e-mail. "They'll look at me and say, 'We don't do that around here; we just hit the enter key'— and, in fact, I can just hit this little switch here on my PDA

CAREER HIGHLIGHTS

- Assistant Secretary of the Air Force for Financial Management and Comptroller, Headquarters U.S. Air Force, Department of the Air Force, U.S. Department of Defense

- Sales Executive and Consultant, Cap Gemini Ernst & Young, LLC

- Director, Small Business Services, BellSouth Telecommunications, Inc.

- Congressional Fellow, 104th Congress, Washington, D.C.

- Special Assistant to the Army Chief of Staff, U.S. Department of the Army

- Battalion Operations and Executive Officer, and Brigade Operations Officer, U.S. Department of the Army

- Senior Analyst and Assistant Professor, U.S. Military Academy, West Point

and everything that I need is available to me." Montelongo envisions a time when his office can spend more time analyzing the data and putting together a course of action for decision makers as opposed to merely collecting data. The planned implementation of the Defense Enterprise Accounting Management System project, which is the department's standard general ledger accounting system, provides one tool that will help him to achieve this goal.

To serve its 700,000 constituents and to cut costs, the Air Force financial community is also changing some of its processes—differentiating its transactional financial services from its advisory ones. For example, the Air Force is encouraging airmen to use "myPay," a self-service tool that enables

"We have to be every bit as sophisticated in our financial service delivery as the weapon systems and the war-fighting concepts that we support."

> "Having integrated systems that talk to each other is tremendously important so that we are not doing what we're doing today, and that is relying on human interfaces to move information, to move data back and forth."

them to conduct personal financial transactions, similar to online banking, that in the past were done face to face. Montelongo estimates that moving from face-to-face transactions to the web saves upwards of $20 per visit. "Rather than defaulting solely to face-to-face delivery, which is very costly, let's use the face-to-face option for advisory services; in other words, the financial manager advising commanders and decision makers. But for routine financial management service delivery, we can do that with call centers, we can do more of that with the web," he explains. Other process imperatives include increasing the rigor of investment decisions through performance-based budgets; improving the accuracy and reliability of financial information by achieving auditable financial statements; and arresting weapon system cost growth by strengthening his unit's cost estimating capability. "That's how we're trying to streamline our service delivery model so that we're delivering just exactly what the Air Force needs from us, but at a much lower price point."

The third prong to the financial transformation is people. "If we're going to succeed at the kinds of things that I've been outlining ..., it's going to be because we have dedicated, committed, skilled, competent people that are doing the nation's work," he says. The Air Force financial management function is embarking on two human capital initiatives: "force development" and a Harvard MBA summer internship program. "We have embarked on what we're calling a force development process, meaning that we're now in the process of developing, training, educating, grooming, and growing staff purposefully," notes Montelongo.

"In addition to strengthening the folks that we currently have on the payroll and doing the kinds of things that I just outlined, we also have to be very mindful of bringing in new talent," he

says. To introduce young talent to public service, Montelongo organized an internship program for Harvard MBAs to work in his office over the summer. "Those young people roll up their sleeves, go in, and they really do nuts-and-bolts work with our people.... Our folks really marveled at the dedication and work ethic of these students. In turn, the feedback the students have given me, when they leave, is that this has been an experience of a lifetime." He adds, "We're looking to at least plant the seed in them that public service is an option that they may pursue in the future, and, in fact, the Department of Defense recently hired one of the interns!"

Montelongo is very confident that the financial transformation of the Air Force is on the right track: "This transformation effort has not been easy given the complexities of our business including operations overseas; but there is a strong belief and deep commitment among us that this transformation path is the right and necessary thing to do for our Air Force and our shareholders—the American people. Years from now when our financial managers are investing most of their time as strategic partners providing more sophisticated resourcing advice to our commanders and decision makers, we can take great pride that we served our country well and helped shape the future of the United States Air Force." ■

To learn more about the U.S. Department of the Air Force, go to http://www.af.mil. To learn more about the Department of the Air Force, Financial Management, go to http://www.saffm.hq.af.mil.

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Kimberly T. Nelson

Chief Information Officer and Assistant Administrator for Environmental Information

Environmental Protection Agency

Collaborating with States to Improve the Environment

"Everybody wants clean air, wants safe drinking water, wants land that's clean to live on, and wants to live in communities that are safe for our children to grow up in," says Kimberly Nelson, chief information officer of the Environmental Protection Agency (EPA). It's no surprise, then, that "the Environmental Protection Agency is an organization that most Americans recognize," she says.

What is unique about EPA, Nelson explains, is that much of federal environmental law is delegated to states and Native American tribal governments. For example, states have regulatory authority and reporting requirements for many air, water, and waste management programs. As a result, 95 percent of the information in EPA's computer systems comes from sources outside EPA. "For us, a large challenge is how we collect information from our state partners and our tribal partners in a standardized format that allows us to aggregate the information in a way that is valid, so we can get the national picture. A core part of the information we collect is from our state partners," Nelson says.

EPA has 18,000 employees in the federal government who partner with environmental professionals at the local, county, state, and tribal levels. This presents a significant coordination challenge for Nelson. "One of the things we try to do is to make sure that as decision makers across the country, we all have access to the very best information, because we're spending, cumulatively between states and EPA, over 20 billion dollars in taxpayer money." Nelson adds, "It's important to have the right information to make sure these dollars are being spent wisely."

To respond to this challenge, EPA created the Office of Environmental Information (OEI), which Nelson heads. The OEI is responsible for gathering, validating, disseminating, and reporting environmental information at the national level. Through the OEI, Nelson has implemented important process improvements to standardize data collection efforts,

CAREER HIGHLIGHTS

- Chief Information Officer and Assistant Administrator for Environmental Information, U.S. Environmental Protection Agency

- Co-Chair, Architecture and Infrastructure Committee, Federal CIO Council

- Executive Deputy Secretary, Pennsylvania Department of Environmental Protection

- Chief Information Officer, Pennsylvania Department of Environmental Protection

- Director, Program Integration and Effectiveness Office, Pennsylvania Department of Environmental Protection

improve data integrity, and reduce redundant tasks between the state and federal levels. First, says Nelson, "we worked closely with states and tribes on data standards, so that when we aggregate the data we are not mixing apples and oranges." The OEI defined important data elements, creating a consistent nomenclature to identify facilities, chemicals, biological standards, permits, and inspections.

Second, EPA, in collaboration with the states, created the National Environmental Information Exchange Network (Exchange Network) so that states and municipalities can use their current data collection technology and feed data directly to EPA. In the past, states often maintained two information systems of data. "If you have to maintain two different information systems, one for EPA and one for yourself," Nelson asks, "which one's going to have the highest quality data? The one you're using, not the one you're feeding to EPA." The Exchange Network eliminates these dupli-

"It is our lifestyle that has the biggest impact on the environment today, and that is hard to accept."

> "Even if every facility has a permit out there, it does not mean the environment is getting better. Even if every facility has been inspected, it does not mean that the air is getting cleaner. We need to begin to collect the information so that we ultimately understand the outcome, and we did not do that before because the laws didn't require that."

cate systems and empowers states to be the stewards of their own data. "They collected the data … and they keep it up to date and accurate and only provide access to EPA of the data we need," she explains.

Thirty-two states were linked to the Exchange Network by the beginning of 2005. Built into the central data exchange are the tools and technology to help ensure the highest quality of data. Through the Exchange Network, EPA can more efficiently use their stakeholders' data for regulatory purposes, creating more accurate reports and saving taxpayers' money by moving to an electronic environment.

The information provided by states, tribes, and local regulators is then aggregated by EPA to get a national environmental perspective. The Exchange Network transmits valuable pieces of information that EPA integrates as part of its Environmental Indicators Initiative. This initiative is the first time that EPA is reviewing the health of the environment over the long term. According to Nelson, the Environmental Indicators Initiative is a change in focus. "Many of the laws that were in place directed certain activities to take place, like to issue permits and perform inspections, and they were the things we had to report to Congress on. Even if every facility has a permit out there, it does not mean the environment is getting better. Even if every facility has been inspected, it does not mean that the air is getting cleaner. We need

to begin to collect the information so that we ultimately understand the outcome," says Nelson, "and we did not do that before because the laws didn't require that. We previously focused on what the laws required, and now it's important to focus on the bigger picture."

What impact will improved data collection and performance measures have on the future of the environment? Nelson believes EPA has made tremendous progress in accomplishing its mission. But the next series of improvements in environmental quality will require the involvement of every single person in the country. Cleaning up industrial pollution has been EPA's paramount undertaking for the last several decades. The agency has contributed to huge changes in the environment since the first Earth Day. "It is our lifestyle that has the biggest impact on the environment today, and that is hard to accept," notes Nelson. ■

To learn more about the Environmental Protection Agency, go to http://www.epa.gov.

The Business of Government Hour's interview with Kimberly Nelson is available via Real Audio on the Center's website at www.businessofgovernment.org.

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Rebecca Spitzgo

Program Manager, Grants.gov

Department of Health and Human Services

Granting Access to Applicants Large and Small

Several years ago, a person searching for a federal grant had to go to great lengths to find and apply for federal grants. Each grant-making agency, 26 agencies in total, had a different application process. This all changed with the creation of Grants.gov. "Grants.gov was part of the Public Law 106-107, which is a mandate to streamline and simplify the way the federal government does grants," explains Rebecca Spitzgo, program manager for Grants.gov. "It simplifies the grants management process by providing a central online system to find and apply for grants across the federal government."

The vision of the Grants.gov program is to provide a single website so that citizens see the same interface no matter which agency they are conducting business with across the government. "Now the grant community has a single site to research the 900 grant programs currently available and apply for nearly 360 billion dollars," says Spitzgo. The program makes the grant process quick, easy, and accessible for all applicants.

Spitzgo came to Grants.gov from the Department of Education, where she spent much of her career working with education grant programs. Based on her prior experiences, Spitzgo understood that the grant community, especially the smaller applicants without many resources, had special needs when it came to searching and applying for grants. "One of the things that we heard in our focus groups and our work with the grant community is that the smaller grantee is really struggling to get into the federal grant arena and they don't have [adequate] resources," Spitzgo says. "They don't have the grant writers. They don't have someone to go and look and find the grants for them. They often don't have high-speed Internet connectivity, so they're relying on telephone lines ... to submit their forms." Spitzgo and the Grants.gov team incorporated the grant community's comments into the system's design.

Grants.gov has two components to assist citizens with finding and then applying for grants. The "find" piece of the website

CAREER HIGHLIGHTS

- Program Manager, Grants.gov Initiative, U.S. Department of Health and Human Services

- Project Manager, Grant Administration and Payment System, and E-Grants Website, U.S. Department of Education

went into full operation in November 2003. Applicants begin the grant process by searching for potential opportunities by subject matter or eligible applicants. A synopsis of each grant includes information that people are typically most concerned with: the amount of money that is available, the purpose of the grant, and who is eligible. The "apply" piece of Grants.gov allows applicants to download an application package that includes all the forms and instructions. By downloading the package, applicants can then complete the forms offline and submit their application through the Internet when they are finished. Grants.gov notifies the agency issuing the grant so it may review the final application package and make awards.

Success of the Grants.gov program depends upon regular communication with the grant community through a variety of media. Spitzgo and her team take the Grants.gov message on the road through seminars and conferences to reach out to experienced and novice grant applicants. "We do a lot of presentations," she explains. "We go on the road to large conferences, as well as small ones, and we go to rural areas because we feel like that's where the message can make the biggest difference." The Grants.gov team identifies channel partners, or agencies and organizations that regularly communicate with the grant community. "We have worked with the grant-making agencies in identifying who their applicant community is and asked them for mailing lists … we look to leverage the relationships that we have," says Spitzgo. A third forum for communication is the Grants.gov daily e-mail noti-

"Now the grant community has a single site to research the 900 grant programs currently available and apply for nearly 360 billion dollars."

fication of published funding opportunities. Over 500,000 people have signed up for the free e-mail. Spitzgo describes the response she received from one e-mail subscriber: "I get my e-mail and I sit down with my coffee in the morning and I go through that e-mail, and within 15 or 20 minutes, I know everything the federal government has published about grants for the last day."

The response from the grant community has been much greater than anticipated. Grants.gov receives nearly 1.5 million hits on the website each week, and 1,000 potential grantees have submitted grant applications online. Grants.gov has drawn acclaim from industry trade groups as well. Both the National Grants Management Association and the FOSE Showcase of Excellence Award was presented to Grants.gov for its impact across the government in bringing a citizen-centric approach to electronic business.

As the managing partner for Grants.gov, the Department of Health and Human Services oversaw the task of launching the e-government initiative and cultivating it into a mature, independent program. "The original emphasis was creating [e-government initiatives] and making them succeed," Spitzgo says. "The next step … is institutionalizing these so this is the way we do business across the federal government. We don't want these initiatives to stop. We want them to become the recognized way to do business." ■

To learn more about government grants, go to http://www.grants.gov.

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Major General Charles E. Williams (U.S. Army, Ret.)

Director, Bureau of Overseas Buildings Operations

Department of State

Constructing Multipurpose Embassy Compounds

Terrorist attacks on United States embassies in Kenya and Tanzania in August 1998 tragically demonstrated the need for substantial investment in secure overseas facilities. Charles Williams, director of the Bureau of Overseas Buildings Operations (OBO) at the U.S. Department of State, describes the attacks: "We were hit hard, and we knew if we did not secure the facilities what would happen."

As the director of OBO, General Williams is responsible for the management of 16,000 properties in 260 countries around the world. His response to the critical and urgent need to secure current embassies and construct new ones has focused on the implementation of industry standards for construction and the development of collaborative arrangements with other U.S. agencies to completely redesign United States embassies.

The most immediate and visible change in embassy construction is the redesign and relocation of facilities in the host country. "We're not just building an embassy that is a [single] building; we're [now] building compounds or ... small campuses," Williams says. He recalls a time when embassies were traditionally built on "Main Street" in foreign capitals. Today, the U.S. is building facilities on 10 acres of undeveloped land, located away from downtown. The new design also includes measures for securing the perimeter. "We put all of the operating structures that are needed to run an embassy function on acreage enclosed in a very secure, blast-resistant wall," explains Williams.

The new and secure "embassy compounds" serve as operating platforms not only for the Department of State, but also for the Department of Agriculture, the Department of Homeland Security, and the U.S. Agency for International Development, among others. Collaborating with government partners outside of the State Department has become an essential part of Williams' strategy in building new embassies. As a result, the State Department instituted the Capital Security Cost-Sharing Program to pool resources of multiple agencies to improve

CAREER HIGHLIGHTS

- Director and Chief Operating Officer, Bureau of Overseas Buildings Operations, U.S. Department of State

- President and CEO, New York City School Construction Authority

- Chief Operating Officer, Toll Road Investors Partnership II

- Division Engineer, North Atlantic Division, Army Corps of Engineers

- Program Manager, Army Corps of Engineers (Ft. Drum)

- Appropriations Director, Department of the Army

embassy facilities. "Having a cost-sharing arrangement allows all of the tenants and partners that operate and use our platform to come together for a short period of time ... and provide resources so that we can build quicker," Williams notes.

As with any collaborative work arrangement, open communication and agreed-upon outcomes are critical for success. Williams seeks input from his governmental counterparts through regular facility council meetings, where he both updates his partners on construction plans and responds to questions. He notes that common questions pertain to construction timelines and equal access to facility resources. To address these concerns, Williams refers his constituents to standard embassy design templates. "We picked office building standards in the United States, and we sized all of our facilities against that standard," he says. Meeting and conference rooms are built to these specifications for use by all of the capital security partners, thereby minimizing favoritism for one agency over the other. He also points out, "These

"OBO enjoyed a 97 percent rating on its new secure facilities during the last rating period. This is one of the highest in the government for performance and effectiveness."

On the new and secure "embassy compounds" that serve as operating platforms not only for the Department of State, but also for the Departments of Agriculture and Homeland Security, and the U.S. Agency for International Development, among others: "Having a cost-sharing arrangement allows all of the tenants and partners that operate and use our platform to come together for a short period of time … and provide resources so that we can build quicker."

New Embassy Compounds Completed and Opened

- Abu Dhabi, United Arab Emirates
- Dar es Salaam, Tanzania
- Dili, East Timor
- Istanbul, Turkey
- Nairobi, Kenya
- São Paulo, Brazil
- Sofia, Bulgaria
- Tunis, Tunisia
- Zagreb, Croatia

Source: www.state.gov/obo/projects/

standard design products are … generically designed so that we can pull them off the shelf and site-adapt them to a particular region around the world." He uses the standardized procedures to set tenant expectations and to set construction deadlines with the contractors. This practice enables the United States to build a campus in two years versus the previous four-and-a-half-year timeline.

In addition to adopting a standard building template, Williams is implementing other management techniques that are prevalent in the private sector. Upon joining OBO, Williams developed a long-range strategic plan, which includes plans for embassy construction, and clearly defined the responsibilities for each manager. He then created the position of managing director, similar to a vice president in the private sector, to oversee construction of the embassies and be accountable for results.

By empowering managing directors, he practices a leadership trait learned from former Secretary of State Colin Powell: "[Powell] gives one big responsibility, and then he steps back and allows the manager that he has hired or entrusted with

that to do his or her job. I don't have to go to him and say, 'Boss, can I do this?' He doesn't want me to do that. He wants me to make it happen and then he holds me accountable for the results. That's what makes Colin Powell effective, and that's my construct of an effective leader." Williams and his staff regularly consult an industry advisory panel composed of senior private-sector experts. The advisory group has been indispensable in guiding the transformation of the embassy construction process, he says.

Williams' approach has yielded impressive results in embassy construction and within his organization. Within the last four years, OBO has increased its ongoing construction projects, from starting construction on one embassy project in a year to starting construction on 12 to 15 campus construction projects a year. In addition, OBO has over $4 billion of work under management as compared to $0.7 billion when Williams took the job in 2001. Yet the success of the OBO program is not measured in embassies alone. OBO received top marks from the Office of Management and Budget on the Program Assessment Rating Tool, or PART. The evaluation measures the accomplishments of an organization based on the goals it set forth to achieve. "OBO enjoyed a 97 percent rating on its new secure facilities during the last rating period," Williams notes. "This is one of the highest in the government for performance and effectiveness." ■

To learn more about the Bureau of Overseas Buildings Operations, go to http://www.state.gov/obo.

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Forum Introduction: The Second Term of George W. Bush

By Mark A. Abramson, Forum Editor

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Of the nine presidents who have led this country since 1960, only four (Nixon, Reagan, Clinton, and George W. Bush) were re-elected to a second term. To date, only two of them (Reagan and Clinton) completed eight years in office. Thus, George W. Bush is in a position to become only the third president in the last 45 years to serve two full terms.

Thus, our experience analyzing the success of management agendas during second presidential terms is limited. Richard Nixon had an ambitious management agenda to reorganize government in his second term, but he was forced to resign in 1974, midway through his second term. Ronald Reagan had his *Reform '88* management agenda, which resulted in some positive, although relatively modest, improvements in the management of government. While completing his second term, Bill Clinton spent much of his time embroiled in controversy and an impeachment process, which hampered full implementation of his administration's reinvention agenda. Gerald Ford, Jimmy Carter, and George H. W. Bush were all defeated and thus did not have second terms in which to pursue additional management reforms.

So the second term of George W. Bush offers a unique opportunity. As the first MBA president in the nation's history, President Bush demonstrated a keen interest in management and management reform during his first term. His President's Management Agenda (PMA) set forth an ambitious first-term agenda: strategic management of human capital, competitive sourcing, improvements in financial management, expanded electronic government, and budget and performance integration. Since the announcement of the PMA in August 2001, the administration has continued to enhance and expand upon its reform agenda. In 2002, the administration began using the Program Assessment Rating Tool (PART) to assess the impact of specific federal programs and activities. To date, over 600 programs have been assessed. In February 2004, the administration added "federal real property asset management" and "eliminating improper payments" as program initiatives of the PMA for designated agencies.

Clearly, substantial progress has been made in reforming, revitalizing, and improving the management of government during the first Bush term. Now the President and his administration have the opportunity to solidify, expand upon, and perhaps institutionalize historical management reform in his second term. But successfully implementing management reform will not be easy. This issue of *The Business of Government* contains a two-part Forum titled "The Second Term." The first part consists of three articles aimed at providing helpful insights to new appointees as they join the administration. Of the four second-term presidents noted at the beginning of this article, President George W. Bush has had the greatest turnover among cabinet secretaries. This turnover is likely to quickly filter down to the sub-cabinet level: deputy secretaries, agency heads, assistant secretaries, and their staffs.

In anticipation of this new group of appointees, the IBM Center for The Business of Government commissioned several studies to speed up the proverbial "learning curve" of appointees. The article "Getting to Know You: Increasing Understanding Between Appointees and Careerists," by Joseph A. Ferrara and Lynn C. Ross, presents myths that career civil servants and political appointees frequently hold about each other. It also offers "rules of engagement" for each to follow in order to quickly form partnerships that enable both to jointly produce positive program impacts for citizens. The article "Performance Management for Political Executives," by Chris Wye, offers a crash course for new appointees on the unique Washington world of performance management and acronyms such as GPRA, PART, and PMA.

The second part of the Forum focuses on the major challenges confronting the Bush administration in successfully achieving its management agenda. The first article in this section, "Looking Ahead: Drivers for Change" by Jacques Gansler, describes five external drivers that will push the Bush administration to continue to make major change in the management and operations of government: the national deficit, changing demographics, changing technology, changing security concerns, and widespread globalization. In his article, "President's Management Agenda: What Comes Next?," Jonathan Breul sets forth his view that the second term should be devoted to achieving what he calls "breakthrough improvements" in program performance and presents three keys to achieving them.

The remainder of the Forum focuses on the four management challenges facing the Bush administration in the second term. All four will be contentious and bitterly debated.

Challenge 1: Public-Private Competition. Of all the challenges, this is likely to be the most contentious (pay for performance will be a close second). In January 2005, five days into the second term, the administration asked Congress to remove a series of legislative restrictions that currently prohibit public-private competitions in several departments. Since the competitive sourcing initiative is included in the PMA, the IBM Center for The Business of Government has supported research to provide factual information and best-practice case studies on how government has actually fared in implementing public-private competitions to date. In their article, Jacques Gansler and William Lucyshyn provide clear evidence that competitions do, in fact, save the government money; that the government is increasingly winning a larger share of such competitions; and that there are clearly best practices in providing for "soft landings" for federal employees. One can hope that the debate over the use of public-private competitions will become more factually based, with less rhetoric, during the second term.

Challenge 2: Pay for Performance. In January 2005, the Department of Homeland Security announced proposed reforms of its personnel system. On the same day, the administration announced its plan to seek government-wide reform of personnel rules. These two announcements follow previous personnel reforms proposed by the Department of Defense. A key component of all these reforms is the dismantling of the General Schedule pay system and the movement to a pay-for-performance system. The Bush administration has clearly decided to make pay for performance a major component of its agenda for the second term. Once approved, the "action" will then shift to the actual implementation of pay for performance. To assist in that effort, the IBM Center for The Business of Government asked Howard Risher to conduct an extensive review of previous experience with pay for performance in both the public and private sectors. Risher concludes that while the transition to pay for performance will be rocky and difficult, the result is likely to be positive, with better agency performance in the long run.

Challenge 3: Government Reorganization. A third hallmark of the second Bush term is likely to be the reorganization of government. On the congressional front, the House of Representatives passed legislation in 2004 to give the president enhanced authority to reorganize agencies. The Senate, however, did not pass the legislation. The proposed legislation, set forth by Representative Tom Davis, is likely to be reintroduced this session, with a partisan debate ensuing over the value of such authority. On the executive-branch front, the administration proposed two commissions in its FY 2006 budget: a Sunset Commission, which would review all 1,200 government programs every 10 years, and a Results Commission, which would examine how agencies work together

The Biggest Secret in Washington

By Mark A. Abramson and Paul R. Lawrence

The article is adapted from Mark A. Abramson and Paul R. Lawrence, "The Biggest Secret in Washington," Chapter 1 in Learning the Ropes: Insights for Political Appointees *(Lanham, Md.: Rowman & Littlefield, forthcoming).*

Over 25 years ago, Hugh Heclo wrote a book called *A Government of Strangers: Executive Politics in Washington.* The book explored what Heclo called "the relatively unknown process by which high-ranking political executives and bureaucrats interact with each other in Washington." In describing the relationship, Heclo wrote, "… political executives typically arrive in office expecting to deal with 'Washington bureaucrats,' not people.… Signals indicating a lack of trust are readily apparent." Heclo concluded that the lack of an effective working relationship between political appointees and career civil servants often diminishes the performance of government.

Heclo ends his book with a series of structural recommendations, including the creation of a "Federal Service," aimed at improving this relationship. His proposed "Federal Service" resembles the Senior Executive Service (SES), which was created in 1978 (a year after the Heclo book was published) by the Civil Service Reform Act of that year. While the creation of the SES was, for the most part, a positive development in the evolution of the senior career civil service, there is widespread agreement that the reform has not fully lived up to its potential and has not significantly improved the relationship between political appointees and career civil servants.

So where are we today? Heclo's description of a "government of strangers" is still largely accurate. Each four years, a new group of political appointees arrives in Washington. The arrival of new appointees does not just occur at the start of an administration. It continues throughout the first term of a president as many political appointees experience "burn out" at the end of two years and either return to the private sector or accept another position within government. If a president has the opportunity to serve a second term (an opportunity experienced by only four of our last nine presidents), the turnover among political appointees in the second term is also considerable.

Of the four presidents since 1960 who have started a second term, President George W. Bush has had the greatest turnover among cabinet secretaries. That turnover has quickly filtered down to the sub-cabinet: deputy secretaries, agency heads, assistant secretaries, and their staffs.

In some instances, career civil servants do, in fact, know their new political appointees. With our tradition of "in and outers," many former political appointees return to government when their party returns to power (often in more senior positions). Career civil servants often have worked with their "new" political appointee in a prior administration. For instance, a small group of political appointees from the Jimmy Carter administration returned to government in the Clinton administration. The George W. Bush administration includes alumni from the Ford, Reagan, and George H. W. Bush administrations. In other cases, career civil servants might know the new political appointee from their professional community—for example, lawyers know lawyers, and transportation professionals know other transportation professionals, throughout the nation. But, for the most part, the imagery of a "government of strangers" is still very accurate.

Additional structural "solutions" to this fact of life of American government are unlikely. The United States will probably not adopt a parliamentary system of government anytime soon, along the lines of the United Kingdom system of "shadow cabinets" and "career deputy ministers." Thus, we are likely to continue with the "government of strangers" syndrome.

So what is to be done? One "solution" is relatively easy and straightforward. That solution is to acknowledge and publicize the biggest "secret" in Washington:

> *Political appointees and career executives need one another; neither group can succeed without the other.*

Their success is interdependent. There are few, if any, examples of organizations that have "succeeded" in accomplishing their mission without both "sides" working together as a team.

Political appointees cannot achieve their organizational priorities and goals without the support of their career staff. There are simply too few political appointees to get it all done by themselves (even though many teams of political appointees try hard to do so). Conversely, career executives lack the authority and "clout" to achieve organizational objectives without the full support of their political appointees. While one might find examples of career executives succeeding in achieving organizational goals without the support of the political hierarchy, those examples are few and far between.

During the 1980s, a British television show—*Yes Minister*—aired on U.S. public television channels. The comedy series presented stories about the relationship between the political appointee/minister (Jim Hacker, MP) and his senior careerist/permanent secretary (Sir Humphrey Appleby) in the United Kingdom Department of Administrative Affairs. There are several interpretations that one could make of the series. Based on several episodes, one could conclude that Sir Humphrey excelled at manipulating Minister Hacker and expanding his department's staff and budget, as well as his own power. But in other episodes, Minister Hacker successfully comes to the rescue of Sir Humphrey, whose attempts at bureaucratic aggrandizement often got him into trouble. A viewing of the entire series shows that Minister Hacker and Sir Humphrey developed a very close, interdependent relationship. Each needed the other—neither was powerful, influential, or smart enough alone to achieve his department's mission. The story of Minister Hacker and Sir Humphrey is repeated daily in federal office buildings throughout Washington. (In a sequel also shown in the United States, *Yes, Prime Minister*, Jim Hacker enters the fight for party leadership and becomes Prime Minister, and Sir Humphrey moves up the civil service hierarchy to become Cabinet Secretary. In the sequel, their interdependence continues as both find their mutual success closely linked to their working together.)

While Minister Hacker and Sir Humphrey showed the value of teamwork and partnership, the folklore of Washington is filled with stories of political appointees and career executives "at war" with each other. While such stories make for good gossip, the consequence of such "at war" situations is that those organizations will likely not succeed in accomplishing either their organization's mission or the goals of their president. The agencies that succeed are more often those in which political appointees have formed effective working relationships with career civil servants.

Washington folklore also abounds with stories in which career civil servants successfully implemented an administration's desire to "close down" or reorganize either their entire agency or programs within their agencies—actions clearly against

their own parochial interests. But the untold story of Washington is that civil servants, with effective political leadership at the top, will and have supported the directions and initiatives of an administration elected by the nation, be it Republican or Democratic. Civil servants do know that their job is to support the elected president and carry out his policies and programs (within the existing law, of course). There have been instances where civil servants have felt uncomfortable with an administration; many of them made the correct decision to leave government and continue their careers in the nonprofit or private sector, or to find another federal organization in Washington where they might be more comfortable.

Looking Ahead

As noted earlier, the George W. Bush administration now has the opportunity to become only the third administration in the last 45 years to complete a second term. Many of the appointees who have signed on to stay for the second term have indeed "learned the ropes" and in many cases now know how to work with career civil servants and engage them for maximum productivity. The next two articles are aimed at new political appointees who have been selected to join the administration and accomplish the President's goals and objectives for his second term. The message is clear: Creating productive partnerships with career civil servants is crucial to achieving those goals and objectives. ■

TO LEARN MORE

Learning the Ropes: Insights for Political Appointees, edited by Mark A. Abramson and Paul R. Lawrence, is the latest in the IBM Center for The Business of Government Book Series. It offers appointees advice for working with careerists, Congress, the media, and their own organization.

Contributors include Joseph A. Ferrara, Dana Michael Harsell, Judith E. Michaels, Lynn C. Ross, John H. Trattner, and Chris Wye. The book is scheduled for publication in May 2005. You can order it from online booksellers, including www.rowmanlittlefield.com, or by calling the publisher at: (800) 462-6420.

IBM Center for
The Business
of Government

Learning the Ropes:
Insights for Political Appointees

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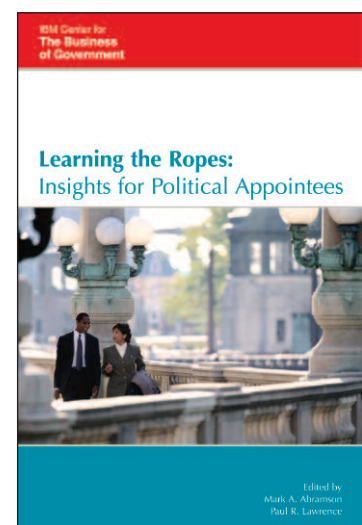
Getting to Know You: Increasing Understanding Between Appointees and Careerists

By Joseph A. Ferrara and Lynn C. Ross

This article is adapted from Joseph A. Ferrara and Lynn C. Ross, "Getting to Know You: Rules of Engagement for Political Appointees and Career Executives" (Washington, D.C.: IBM Center for The Business of Government, 2005).

At least since the passage of the Pendleton Act in 1883, which established the modern American civil service system, a certain level of tension and wariness has characterized the relationship between career civil servants and political appointees. Before Pendleton, the system of selecting officials for governmental positions was strongly driven by partisan politics. The view was that rotation in office was democratic—as Andrew Jackson said in 1829, "No man has any more intrinsic right to official station than another."

But over time the "spoils system" approach to government staffing could not be sustained because it was a highly ineffective and inefficient way to run a country. Not surprisingly, presidents wanted their patronage appointees to devote time and energy to political affairs and party building. The more routine yet important functions of government suffered. After elections, politicians were overwhelmed with ambitious office seekers. At the same time, particularly after the Civil War, the size and scope of the federal government was growing and its activities becoming more complex and sophisticated. Something had to give. Finally, in 1881, President James Garfield was assassinated by a frustrated job seeker, and Congress had no choice but to act.

By the time William McKinley became president in 1897, nearly 90,000 government jobs had been classified as civil service positions. Today, with the exception of a few thousand political appointments, most federal government positions are full-time career. At the very top of the civil service are the career senior managers and executives who have the most frequent interaction with the political appointees who come in with each new presidential administration. How well these two groups get along has a huge impact on how effectively the nation is governed and how successful the president is at accomplishing his policy agenda. This study is devoted to improving the working relationship between political appointees and career civil servants.

We examine the mythology surrounding political appointees and careerists. Anyone who has spent any time inside the beltway working in or with agencies of the federal government knows how powerful this mythology can be. The thing about myths is that they are more often based on exceptions than norms. It is not the boring, mundane, day-to-day reality that powers and feeds mythology; it is the fantastic and remarkable exception that gives rise to and sustains this kind of "conventional wisdom." Political appointees often cling to myths about career employees, just as the careerists believe in certain myths about the political executives, especially before they get to know each other.

Myths About Career Civil Servants

- Careerists are loyal to the previous administration.
- Careerists are not passionate about their work and they don't work that hard.
- Careerists are mostly interested in job security.
- Careerists always say no to new policy ideas.
- Careerists don't want their political bosses to succeed.

Myths About Political Appointees

- Political appointees are just interested in their ideological agenda and don't really care about being good organizational stewards.
- Political appointees are not really competent to do their jobs.
- Political appointees don't want careerists to give them information that contradicts their agendas.
- Political appointees (historically Republicans) don't like government employees.

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Both political appointees and career civil servants are critical to the success of any president's agenda. Working together, these two groups are responsible for executing and maintaining the federal government's myriad programs. These programs touch millions of lives. If relationships between political appointees and careerists are strained, their work naturally suffers. If their work suffers, the American people are not well served. Thus, our contention is that the quality of American governance is highly dependent on the ability of political appointees and careerists in the executive branch to work well together—by understanding and honoring each other's perspectives; by committing themselves to good management in the organizations of which they are a part; and by communicating with each other about roles, priorities, and objectives.

In this study, we provide lists of myths that can undermine a positive start to the political/career relationship. We also offer some rules of engagement for both groups. Here we provide our main findings, with related recommendations for establishing and maintaining effective working relationships in the future.

Finding 1: Myths are counter-productive.
• Myths about both political appointees and careerists are powerful, but they are based on exceptions rather than rules.
• Myths drive counterproductive behavior like distrust and secrecy.
• Myth-based beliefs inhibit communication between political appointees and careerists.

Recommendations
Having preconceived notions about anyone is not only unfair, it is also counterproductive to forging a productive working relationship. Suspend your suspicion and your belief in myths until you get to know each other. Assume the best until proven otherwise. Research shows that when political appointees and careerists settle into a working relationship, they usually have a very positive view of each other. Contrary to the well-worn proverb, when it comes to political appointees and careerists, familiarity breeds respect, not contempt. Given this, we recommend skipping right to the respect and forgoing the potentially myth-laden "getting to know you" phase.

Rules of Engagement for Career Civil Servants

• Be an expert in your field.
• Understand and embrace your role.
• Be patient during the transition period and cognizant of the political calendar.
• Learn about the professional backgrounds of political appointees.
• Be aware of the bigger political picture.

Rules of Engagement for Political Appointees

• Engage careerists and listen to their advice—even if you don't heed it.
• Treat careerists with respect.
• Learn the policy and organizational details of your agency.
• Set clear and achievable goals.
• Be willing to compromise on your agenda and admit your mistakes.
• Don't forget about the organization you lead.
• Communicate, communicate, and communicate with careerists.

Finding 2: Good management is important, and lacking.
• Both political and career executives care about good management, but both groups are critical of each other on this score.
• Both political and career executives want to partner on management issues, but that doesn't happen very often.
• Careerists want political appointees to be leaders; political appointees want careerists to show them the management ropes.
• Political appointees have a shorter-term perspective than careerists, but both groups care about the long-term health of the organizations for which they work.

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What Political Appointees Said About Careerists

First Impressions

"[At first,] they were skeptical of me and our agenda."

"Very risk averse."

"Seemed tentative and afraid to give their real opinions."

"Too much focus on process."

"I was at a research organization, and the staff was highly knowledgeable and motivated."

"I valued their input."

"They seemed very eager to please."

"Some of the careerists thought we were crazy!"

Later Impressions and Insights

"They wanted to play in the policy process."

"The civil servants really trained me."

"They really responded to good management."

"Most of them understood that I belonged at the table to fight for certain policies."

What Careerists Said About Political Appointees

First Impressions

"[During the transition] the transition team seems to be still in campaign mode, not governing mode."

"In some cases, their résumés did not match the job they were taking."

"Initially, there seemed to be a lot of tension and suspicion, on both sides."

"They [the appointees] weren't sure who to trust at first."

"[Political appointees] didn't understand the real limitations of what they could accomplish."

"Some appointees don't understand the culture or the politics of the department they are entering."

Later Impressions and Insights

"The person really grew into the job."

"They were more moderate in their opinions than I first thought."

"I was struck by how some of our appointees came to see the career staff in a positive light."

"Feedback is tough because many appointees do not want to make policy in an open forum."

Recommendations

Management should be an explicit priority and should be a team effort between careerists and political appointees. Collaboration should start with specifically defining management roles, setting management objectives, and talking about management philosophy (bearing in mind that actions will ultimately speak a lot louder than words). Political appointees should rely on the specific assets of career executives—for example, knowledge of the organizational politics and experience with the federal personnel rules. Careerists should rely on the expertise and experience political appointees bring from managing other organizations. Both groups should view themselves as organizational stewards, even as their time horizons are quite different.

Finding 3: Cultural clashes are inevitable but not fatal.

- Careerists tend to arrive at their positions through a system that values expertise, experience, and technical ability. They care about fair and open processes and the "means" through which things get done.
- Political appointees behave more like entrepreneurs, valuing innovation and quick action. The entrepreneur cares about the kind of change that is being made, or the "ends" of what gets done.
- Political appointees and careerists both value public service, but they define it differently. Careerists are there to do the nation's business; political appointees are there to determine what the nation's business should be.

Recommendations

Means and ends are both important to the American system of government. The ends represent the "what" (the substance) of public administration and the means represent the "how" (the process). The substance of public administration has its roots in electoral legitimacy, bestowed on each administration by the American people. But if substantive change is formulated or implemented without fair processes, it will not be considered legitimate.

The different perspectives of careerists and political appointees derive, in part, from the different systems in which they have matured. These systems define their roles, and role perceptions drive behavior. Both roles are critical, but they are also clearly different. The differences can only be reconciled by acknowledging their existence. Political appointees and careerists should make an effort to understand and respect the other's contribution to our system of government. Problems arise when one group misunderstands its role, usurps the other's role, or shuts the other out of decision making.

Finding 4: Communication is the key to success.

- Suspicion and distrust inhibit communication and learning.
- Unclear or unlimited goals, objectives, and priorities set the organization up for failure.
- Speaking truth to power serves everyone well.

Recommendations

Suspending preconceived notions facilitates more open communication, which is essential in forging a productive working relationship between careerists and political appointees. Each should make a concerted effort to get to know each other: Political appointees should read staff résumés so they know what skills and abilities the careerists bring to the work; careerists should learn about appointees' backgrounds so they can focus their efforts on filling in substantive gaps. Political appointees should communicate their goals, objectives, and priorities early and often. Similarly, political appointees should give careerists frequent performance feedback so mid-course corrections can be made.

Finally, we recommend that careerists continue (or start, if they don't already) to challenge political appointees' assumptions and hypotheses. This kind of dialogue is critical to good decision making, it personifies the role of the civil service, and most political appointees value the input. ∎

TO LEARN MORE

The Center report "Getting to Know You: Rules of Engagement for Political Appointees and Career Executives," by Joseph A. Ferrara and Lynn C. Ross, dispels common myths held by political appointees and careerists, and sets forth constructive "rules of engagement" that political and career executives can use to form productive partnerships.
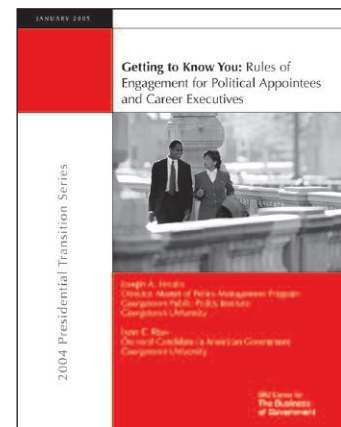
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- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

Performance Management for Political Executives

By Chris Wye

This article is adapted from Chris Wye, "Performance Management for Political Executives: A 'Start Where You Are, Use What You Have' Guide" (Washington, D.C.: IBM Center for The Business of Government, 2004).

Listening at the Front Lines

I was sitting at a table listening to a focus group identify the top challenges facing those charged with implementing the Government Performance and Results Act (GPRA). A professional facilitator was guiding the discussion; an assistant was recording the comments on a flip chart.

The group was not very engaged, and the comments were fairly ordinary. Some sounded like complaints: "We don't have the staff." "No one uses this stuff." "Our managers are not engaged."

Then someone said, "You know, our leader—the secretary—isn't interested in GPRA." Someone else said, "Same here." Another: "So, what's new?" And the dialogue took off: "You know, if anyone really wants this stuff to work, top leaders, especially the top political leaders, need to get engaged."

"And mean it," someone added.

A decade after the enactment of the Government Performance and Results Act, it is still clear—as it has been through the entire period regardless of the party in power—that political leaders have not really taken the act as seriously as they should.

It seems strange.

The law requires agencies to have a strategic plan, to establish performance goals and measures, and to report performance on an annual basis.

Isn't that what citizens should expect from the government that manages their tax dollars? And, as the top leaders in this government, directly accountable to the voting public, are not political appointees the ones most directly accountable for performance?

Why Should Political Leaders Care About Performance Management?

Political leaders are triply vested—as American citizens, appointed public servants, and members of an incumbent political party—with bottom-line responsibility for the performance of the policies, programs, and activities entrusted to their care. During their term in office, no other category of citizens carries a higher and more sovereign mission or holds a clearer and more complete responsibility for the performance of government.

The *only* way political leaders can reliably know whether the resources and activities entrusted to their care are being managed efficiently and effectively, having the desired impact, and providing the highest possible quality service—in short, improving government performance—is through *vigilant monitoring of information about performance*. In today's world, this responsibility is called *performance management*. Its central requirement is that there be sufficient, credible, useful, and timely information about the effects of government activities so as to assure full accountability, thus preserving the integrity of both the American democratic political process and the government through which its priorities are established and carried out.

Everyone—not "almost everyone" or "practically everyone" but literally everyone—who has assessed progress under GPRA has come to the conclusion that top leaders, by and large, do not take it as seriously as they should, and because they don't the program managers who report to them don't take it as seriously as they should.

The most recent review of progress under GPRA, the General Accounting Office's "Results-Oriented Government" (March 2004) concluded: "As we have noted before, top leadership commitment and sustained attention to achieving results … is essential to GPRA implementation. While one might expect

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an increase in agency leadership commitment since GPRA was implemented … federal managers reported that such commitment has not significantly increased."

Despite protestations to the contrary and specific initiatives—such as the President's Management Agenda and the emergence of the Program Assessment Rating Tool—everyone (career civil servants, political appointees, interest groups, oversight functions, knowledgeable citizens, and program beneficiaries) believes that top leaders are not doing what they should (and could) to lead the implementation of performance-based management.

Do top executives have a more fundamental responsibility than the performance of their agency, program, or activity? Is this responsibility more or less because the executive is a public servant? Is this responsibility more or less because the executive is a political appointee?

The Issues on the Ground

The purpose of this guide is to respond to some of the most frequently heard comments made by political appointees about GPRA and other related performance-based management issues on the ground.

The intent is to provide direct answers to questions, antidotes to discouragement, practical suggestions to solve problems, and, most of all, to highlight the obligation all political appointees have to render the best and highest service—performance—to their country and its citizens.

As the former director of the Center for Improving Government Performance at the National Academy of Public Administration, I had the opportunity to see and hear many of the leading experts and practitioners in performance-based management from this and many other countries.

And, as the former director of the Center's Performance Consortium—a membership organization made up of 30 federal agencies that fund an annual program of peer-to-peer exchange of practices—I had the opportunity to meet and

get to know many of the people involved in the implementation of the Results Act.

Members of the consortium normally were not the managers of programs or political leaders. They were the civil servants charged with preparing and submitting required plans and reports. Their work brought them into contact with the political appointees responsible for performance management issues. Typically, these were deputy assistant secretaries, some were assistant secretaries, and a few were deputy or undersecretaries.

It is the views of these political appointees as reflected in the comments of career civil servants who worked for them that are the focus of this guide. The issues are framed as they were reported—in the vernacular: "GPRA Is Just Paperwork," "Performance Management Is a Fad," "The Private Sector Is Different," "Congress Is Not Interested."

The issues have been culled from meetings, reports, workshops, and conferences sponsored by the Performance Consortium, as well as from conversations with individual consortium members—all over a 10-year period. The responses also have been taken from this dialogue. The formulation of neither the issues nor the responses as presented here represents a consensus or official view. The author alone is solely responsible for both.

A Few Answers Resolve Many Questions

This guide responds to a long list of issues, all of which are expressed in short phrases, as they would occur in daily conversation. The text that follows each issue statement presents contextual background and analysis, and concludes with several recommended responses.

The guide is not meant to be read serially. If it is read from start to finish, it will be found to be repetitive. It is meant to be used as a reference to locate responses—or, more properly, to prompt dialogue and jump-start thought and discussion—in relation to particular issues. The recommended responses given are intended as illustrative. Others can easily be imagined.

Recent Presidential Management Initiatives

In recent years, presidents of both political parties have pursued a "reform" agenda aimed at improving the management of government.

1993–2001, President Bill Clinton:
The National Performance Review

The National Performance Review (NPR)—later called the National Partnership for Reinventing Government—was led by Vice President Al Gore. NPR conducted a six-month review of the federal government, which provided the basis for hundreds of recommendations for improving performance by cutting the size of the workforce, eliminating management layers, and adopting performance-based management, and for changing the culture of the government. Under the leadership of NPR, cabinet agencies empowered reinvention teams, reinvention laboratories, experimentation, and cultural change by proposing new approaches, collecting useful examples, and launching demonstration projects.

2001–2004, President George W. Bush:
The President's Management Agenda
The Program Assessment Rating Tool

The President's Management Agenda (PMA) is intended to encourage a performance-based approach to management by identifying key priorities and closely tracking their performance. The PMA focuses on five priorities: the strategic management of human capital, competitive sourcing, financial management, electronic government, and budget and performance integration. Each initiative is coordinated by a government-wide leader, and all initiatives are monitored through a scorecard that assigns a red, yellow, or green light to indicate unacceptable, minimally acceptable, and outstanding performance.

The Program Assessment Rating Tool (PART) is an effort to leverage greater attention to performance-based management by using the budget to establish an effective link between the quality of information available on the performance of an activity or program and the level of resources devoted to that activity or program. The PART is a fill-in-the-blank survey designed to answer questions about four broad topics: program purpose and design, strategic planning, program management, and program results. Answers are scored, and a total score is given for each activity or program. The PART process is data centric: Success or failure, as evident in higher or lower overall scores, depends on the data (read "information on performance") available to answer each question.

Repetition is unavoidable. The concept of performance management is not complex; it is not rocket science. We may pose many questions and define many issues, but most can be addressed with a relatively small number of responses.

The central principles of performance-based management are the same for political appointees as for career civil servants. Both are *public servants*.

But there is one very important difference, and that difference is at the heart of what this guide is all about: As the highest-level leaders, political appointees have the highest level of responsibility for performance.

So, while the core principles for performance management are the same for both careerists and political appointees, appointees— being the top leaders—have the highest level of responsibility.

The following is a list of core performance management principles that reflect this higher level of responsibility:

- **Political appointees have the highest level of leadership responsibility** for assuming responsibility as individual public servants for the high trust inherent in their calling.
- **Political appointees have the highest level of leadership responsibility** for searching continuously for the highest-quality public service at the lowest cost.
- **Political appointees have the highest level of leadership responsibility** for using creatively whatever information can be found to improve programs.
- **Political appointees have the highest level of leadership responsibility** for doing something (to improve performance) in the face of all obstacles, as opposed to doing nothing.
- **Political appointees have the highest level of leadership responsibility** for placing boundaries on discouragement and moving constantly toward the high and noble goal of public service.
- **Political appointees have the highest level of leadership responsibility** for remembering that the money supporting public endeavors is not theirs but the public's, and that they are the trustees.

Neither career nor noncareer civil servants can promise or deliver perfect performance-based management. Management, almost by definition, is the art of the possible. Resources are scarce. Time is short. People are busy. No appropriation was made to support the implementation of the Government Performance and Results Act or most of the related performance-based initiatives.

But between doing nothing and doing everything, *something can be done*.

And, even with limited resources, some will do more and better than others. A few will do exceptional things.

Doing nothing or doing something with weak intent is not acceptable.

American citizens deserve your best effort. ■

TO LEARN MORE

The Center report "Performance Management for Political Executives: A 'Start Where You Are, Use What You Have' Guide," by Chris Wye, describes how political executives can overcome common problems in the design, alignment, use, and communication of performance measures and information. It also provides a meaningful rationale as to why political executives should care about performance-based management.
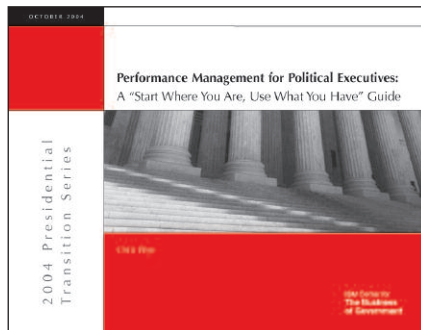
The report can be obtained:
• In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
• By e-mailing the Center at businessofgovernment@us.ibm.com
• By calling the Center at (202) 515-4504
• By faxing the Center at (202) 515-4375

Editor's Keyboard

a one-stop portal for citizens to both find out about and apply for government grants online. Patrick Donahoe detailed the efforts of the United States Postal Service to make access to postal services easier by creating increased online capability and placing Automated Postal Centers in post offices throughout the United States.

In addition to improving services to citizens, the public servants I have encountered also demonstrate dedication and commitment to investing in government's people. Based on her experiences throughout the world, Ambassador Prudence Bushnell described how she is translating her own experiences into courses aimed at better preparing Foreign Service officers for diplomatic service in the 21st century. Ira Hobbs recounted his efforts in leading the federal Chief Information Officers Council to develop new programs to train future government information technology specialists. Michael Montelongo related how he helped to create an MBA summer internship at Harvard University to provide business students firsthand experience in government and to entice them to consider public service after graduation.

Another valuable lesson that I have learned from my conversations with public servants is the importance of creating partnerships between the public and private sectors, and across levels of government. As director of the National Park Service, Fran Mainella outlined her vision of the future, in which citizens enjoy a seamless network of national, state, and local parks, and private partnerships. Kimberly Nelson described the creation of the National Environmental Information Exchange Network, in which states and municipalities contribute crucial data directly to the U.S. Environmental Protection Agency.

While there is little doubt that there is still much room for improvement in government, I come away from experiences at IBM and the IBM Center for The Business of Government heartened by the quality of our public servants and their dedication to serving the nation. Our nation is well served. ■

Looking Ahead: Drivers for Change

By Jacques S. Gansler

We asked Professor Jacques Gansler, Vice President for Research at the University of Maryland, to look ahead to the next decade and identify what major changes he foresees in the management and operations of government. In this insightful article, Professor Gansler identifies five drivers for change, as well as major changes likely to occur as a consequence of those drivers.

Centuries ago, Machiavelli wrote in "The Prince" that "there is nothing more difficult nor unpredictable than making change in government"; unfortunately, it is still true today. Resistance begins with members of Congress (who by necessity take a short-term and local perspective) and continues through the existing workforce (from the workers to the managers), and into the private sector (which wants to continue their current funding and thus supports the status quo). Nonetheless, there are significant changes underway in the world today that, I believe, will *force* dramatic changes in the U.S. government over the coming years. Specifically, I see five factors—all external to the government—that will, of necessity, require major changes in the government itself. These drivers are:

• The national deficit
• Changing demographics
• Changing technology
• Changing security concerns
• Widespread globalization

It is essential to consider each of these five external-to-government changes, particularly how they will affect the U.S government in the future.

Driver 1: The National Deficit

The number one problem for the nation in the coming years undoubtedly is the national deficit—which continues to grow (at $1.6 billion each day) and is likely to dominate all budgetary and programmatic impacts. Essentially all independent analysts—from David Walker, the head of the Government Accountability Office (GAO) to almost all of the leading economists—believe that there is no way we can hope to "grow our way out" of this deficit and that far more radical steps

will be required, on both the revenue and expenditure sides. In addition, the demographics (see driver 2) are such that the government's required increase in expenditures for programs such as Social Security and Medicare will only get much worse. And its need for expenditures for security (both domestic and international—see driver 4) is not abating; there is little hope for a repeat of what occurred at the end of the Cold War, when the government received a "peace dividend" of over a hundred billion dollars.

Overall, the budget deficit issue would not be as great a concern if it were not for the obvious need for significant increased expenditures in many other "discretionary" areas, such as education and national infrastructure revitalization. Finally, the budgetary problem is aggravated by the fact that the states are in equally bad shape. Thus, where in the past they might have counted on the federal government for bailouts to meet their social needs, this clearly will not be the case in the future. Thus, from a top-level, impact perspective, every government agency will have to figure out how to provide the *increased services* being demanded at dramatically *lower costs*.

Since the history and the literature on organizational change shows that usually some crisis is required in order to achieve successful change implementation—even when the need for such change is generally accepted—this "budgetary crisis" may well be the driver needed to overcome the institutional resistance to change that is inherent in all large organizations and that is amplified by the short-term perspective associated with an elected democracy.

Driver 2: Changing Demographics

On a national perspective, we are about to be hit with the retirement of the "baby boomers" and the associated increase in government payments for Social Security and Medicare. Of course, the initial concept behind the Social Security and Medicare programs was that the next generation would pay for their aging parents' generation. The problem here is that we now have a "baby bust" era in which fewer workers are coming along to pay for the large number of retiring workers; with improved longevity, the problem only gets worse.

Social Security and Medicare, as currently planned, are simply unaffordable and must be restructured. People will have to work longer and get fewer free medical benefits, but these are extremely difficult changes to introduce politically.

Changes that improve the effectiveness of the medical delivery system may be more tolerable and would directly affect the Medicare entitlement. One major change that is absolutely essential is a *total restructuring* of the medical payment system itself and the perverse incentives associated with it. We need a system that pays for prevention and rewards people for staying healthy, rather than paying benefits only after they are seriously ill. Another major step that the government can take toward a restructuring of the medical system in America is the introduction of a national medical information system—one that can be easily accessed through the Internet by patients, as well as hospitals and doctors. "Acknowledged" medical errors are the third largest killer of Americans (after cancer and heart disease), and it is estimated that well over 150,000 lives a year could be saved through the introduction of information technology into the hospitals. Using this technology to establish metrics that track the success rates of doctors and hospitals, and making such data available to patients, would provide market-based incentives throughout the system to significantly reduce error rates.

The other major aspect of demographics that will have a significant impact on the government is the aging of the government's workforce. More than 50 percent of federal workers will be eligible for retirement in the next few years. This trend could compel the public sector to take advantage of the benefits of competitively sourcing much of the non-inherently governmental work that historically the government has performed itself. In thousands of cases, at the federal level, as well as the state and local levels, when such commercial work has been allowed to be competed—through public/private competitions, competitive outsourcings, or competitive privatizations—performance of the service has dramatically improved while the cost of performing the service has been equally dramatically reduced, on average by 30 to 40 percent.

In 2001, an initial estimate was made as to how many government jobs are non-inherently governmental, and the conclusion was that over 850,000 positions could be competitively sourced. This alone—given the more than 30 percent likely average savings—would result in significant performance improvements with large cost savings. Thus, it only makes sense that if government services can be significantly improved while costs are reduced by one-third or more, then the fiscal crisis in the government will force this change to come about, in spite of significant resistance from the Congress, the government unions, and the government workforce. In fact, this

has been one of President Bush's five major management initiatives, and it is expected to continue in future years.

Driver 3: Changing Technology

It has been only a little over a decade since the Internet began to move into widespread application—first in the private sector and then slowly in the public sector. However, in the public sector it has not yet been taken full advantage of. The potential that e-government offers for dramatically changing both the quality of the services and the processes in which government services are supplied clearly needs to be realized.

When governments turn more and more to the use of e-government, processes themselves will have to significantly change to bring users directly into the end-to-end system—in order to both be responsive and provide the service at the lowest possible cost. And, second, there will be a shift from a hierarchical structure to a "network" structure. This will change not only the processes used but the whole organizational form and behavior required to move to an integrated network approach—within agencies and across agencies, from federal to state to local, and even on an international basis. In this networked structure, decisions can be rapidly made in a collaborative fashion, with far more information available to all required stakeholders, both inside and outside of the government. Government operations in such a networked environment—often interlinking the public, private, and nonprofit sectors—will surely have a dramatic impact on future government operations, as well as on the quality and speed of providing government services in the future.

Driver 4: Changing Security Concerns

While there are areas of savings that can be realized, we have to accept the fact that we are dealing with very expensive and likely continuing activities in the nation's "war on terror," both in terms of domestic security and foreign military operations. Today, U.S. military efforts account for over $450 billion a year, with domestic security costs adding another $40 billion a year. However, it is widely accepted that to fully protect the domestic arena alone (for example, nuclear, chemical, and biological facilities; power and water systems; financial systems; ports, railways, and airports) would cost between $300 and $400 billion a year. Given the financial crisis of the government, this level is certainly not going to be achievable. Yet we must recognize that terrorist threats of this sort are quite likely, and their impact (both physical and economic) will be compounded by the proliferation of weapons of mass destruction (biological, chemical, radiological, and nuclear).

Because security is certainly a high—if not the number one—demand of the public, it is clear that we are going to

have to pay for a significant level of both domestic and international security. But to be able to afford it, we will have to make major improvements in the efficiency with which security is provided. We've already identified one way—namely, the potential for competitively sourcing a large share of what the government currently does on a sole-source basis—and the potential savings in this area in the Department of Defense (DoD) is quite large. However, four other areas might hold significant cost savings in the security arena.

The first is in the area of logistics, where DoD spends over $80 billion a year and does not do a world-class job by any measure—in terms of responsiveness, reliability, flexibility, or costs. World-class commercial firms (for example, FedEx, Caterpillar, General Electric) provide *12-hour* domestic and *24-hour* worldwide deliveries, with extremely high confidence. By contrast, DoD takes *22 days* currently (when items are on the shelf), with an uncertainty of up to a year for delivery. This results in DoD carrying an inventory of over $60 billion. Applying modern information technology and modern logistics processes to DoD operations would result in dramatic improvements in maintenance and support performance, and significant reductions in logistics costs.

A second area for significant cost savings is related to the fact that the current technology for military operations, and the types of threats that we are likely to face in the future, demand far better, real-time intelligence as well as high-precision weapons delivery. "Network warfare" concepts—meaning the use of large numbers of distributed sensors fused together for better information through wide-band, secure, wireless networks—and sophisticated command and control systems, all combined with precision weapons delivery, should be the focus of our military investments in the future. With such network warfare—particularly utilizing evolutionary, or "spiral," development, and designing systems to be built for low production and support costs—great savings are possible in the older-style, large, expensive, self-contained weapons platforms (ships, planes, and tanks). Each of these will now be viewed simply as "carrier vehicles" in a network of sensors and precision weapons. While the number of these multiple sensors and precision weapons will grow significantly, the cost of the individual items (including the carrier platforms) will be considerably less, thus achieving enhanced military performance at significantly lower costs.

The third area for great savings is the move toward unmanned systems, or robotics. Not only can lives be saved by sending robots out where land or sea mines are suspected, or unmanned aircraft to be the first into battle over enemy territory, but the cost of an unmanned system is substantially less than that of a manned system (in most cases by more than an order

Changes Ahead for Government over the Next Decade

- Because of the looming budget crisis, every government agency will determine how to provide increased services at dramatically lower costs.

- The federal government will dramatically restructure the nation's medical system by the introduction of a national medical information system.

- Government will increasingly take advantage of the benefits of competitively sourcing much of the non-inherently governmental work that historically government has performed itself.

- Government will shift from a hierarchical structure to a "network" structure, with more information available to all government stakeholders, both inside and outside of government.

- The application of modern information technology and modern logistics processes to the Department of Defense (DoD) will dramatically improve maintenance and support performance, with significant reductions in logistics costs.

- Great savings will be available in DoD by using "spiral" development and designing warfare systems built for low production and support costs.

- Additional savings will be made as DoD moves toward unmanned systems, or robotics.

- All government decisions will need to be made with a global perspective explicitly in mind.

of magnitude). With changes in organization, doctrine, and tactics, unmanned systems can be effectively used in a full range of applications, from reconnaissance through logistics.

The fourth area for significant savings is in the weapons acquisition process itself. The commercial world has been using spiral development successfully for a number of years, particularly in the information systems area. In this approach, as technology is proven out, it is inserted in various "blocks" of a system as it evolves; so that instead of spending 20 years to develop a totally new weapons system at extremely high costs, the new system evolves over those 20 years with a new block coming out every three to five years. The result is much more rapid deployment, and with much lower risk, since the technology has been proven first and then inserted into the system. This will, of course, require a significant change in the defense budgeting process, the test and evaluation process, and the logistics support process. Again, and as expected, this change is receiving resistance in all these areas.

Finally, in order to significantly reduce defense system costs, it is essential that low production and support costs be

"designed into" future systems. This is the way the commercial world operates—achieving higher and higher performance at lower and lower costs, as opposed to the traditional defense result of higher performance at higher costs. Using advanced technology, and modern design and production processes, this paradigm shift can, and must, be realized if the nation is to have an effective, yet affordable, 21st century military.

In summary, for achieving an affordable security posture in the future, we must:

• Competitively source all non-inherently governmental work.
• Fully apply modern information technology and modern logistics processes.
• Design future operations and equipment around modern "network warfare" concepts and potentials.
• Fully utilize unmanned systems (robotics).
• Continue to transform the acquisition process (focusing on spiral development and cost-as-a-design criterion).

Driver 5: Widespread Globalization

The final external factor, which will have a significant effect on the government itself, is the fact that the world is going global—in industry, in finance, in knowledge, in terrorism, in environmental effects, and in health concerns, among others. In fact, it is hard to find an area in which globalization is not a dominant consideration. Pick up a newspaper today and the front-page article is likely to discuss the rise of India and China as global economic powers—and not just for low-cost goods, but as producers and consumers of high-quality, high-technology goods. Moreover, these are the most populous countries in the world and they are also both nuclear powers. Thus, in the coming years, all government decisions will need to be made with a global perspective explicitly in mind. The current tendencies of both the legislative and executive branches toward protectionism, isolationism, and unilateralism—either for alleged economic or security reasons—are counterproductive. Establishing trade barriers and "buy American" laws, restricting foreign students' attendance at U.S. universities, and other such actions are simply bad public policy. They tend to produce results that are counter to the public good. The Internet, high-speed global transportation, widespread technology proliferation, multinational corporations, and the fiscal and security interdependency of nations will all require that future policy decisions are made with globalization considerations as a paramount driver.

Conclusion

The system of checks and balances that our founding fathers set up for the U.S. government clearly has many advantages—and I would not give up a single one of them. However, it does provide for many institutional mechanisms (that have

evolved and been strengthened over the past 200 years) to resist needed changes when they come along. Given the fact that the world is changing rapidly today, in almost every sphere (economic, political, military, and industrial), it is clear that the U.S. government is going to have to change much faster than it has in the past. As this article has highlighted, the five areas outside of government that will drive this change are the national deficit, the changing U.S. demographics, the rapid changes in technology (particularly information based), the new security environment (both domestic and international), and the impact of globalization on every aspect of government operations. The result is that change in government, in reaction to these external shifts, is inevitable. The question is: Will it be done effectively, efficiently, and rapidly, or will resistance be great enough to delay and greatly complicate the needed shifts so that they are neither efficient nor effective?

I might observe, at this point, that there are other significant potential changes that I have not included here—such as initiatives focused on energy independence, clean air, global warming, fresh water, education, and drugs, among others. Major shifts in any or all of these areas would be both positive and highly desirable. However, the realistic budget pressures are more likely—over the near term—to result in initiatives in these areas that are primarily the focus of governmental speeches, with major investments put off until the longer term. However, predicting the future is a dangerous business, and one or two of these could definitely become an additional item to add to the above five areas.

In any case, effective change management requires, first, the recognition of a crisis—and I believe we are facing an economic one at this time. Second, it requires leadership for change—not just a single individual, but a whole leadership team. With our balanced system of government, this means leadership coming from both the legislative and executive branches in order to implement these essential changes. This is not a political statement; rather, it is a desire for whoever is in a leadership position, in either branch of the government, to step up to the realities of the need for change over the coming years. My hope is that this call will be heeded, and that in 10 years, when we look back, we will see the dramatic and positive results of these efforts. ■

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President's Management Agenda: What Comes Next?

By Jonathan D. Breul

We asked Jonathan Breul, Senior Fellow at the IBM Center for The Business of Government, to look ahead to the second term of the Bush administration and to identify what he thinks will be the major features of the President's Management Agenda (PMA) during the next four years.

Federal departments and major agencies made significant progress implementing the President's ambitious Management Agenda during the first term. With the start of a second term, the question is "What comes next?"

President Bush may have already pointed the way. During the campaign, he said: "The changed world can be a time of great opportunity for all Americans.... Many of our most fundamental systems—the tax code, health coverage, pension plans, worker training—were created for the world of yesterday, not tomorrow. We will transform these systems."

Such transformations will require significant alteration in the skills and behavior of federal managers throughout government, as well as operational and management improvements that will produce sustained, successful improvement in program results. The PMA will continue to play an important role in transforming the way government operates. According to the administration, the five PMA initiatives together "form a strategy to achieve *breakthrough*, not simply marginal, improvement in program performance. For example, the expansion of e-government will transform not only the agency's work and its people, but deliver greatly improved services to the citizen."

Breakthrough Improvements in Program Performance

Traditional methods of improving business processes are efforts for obtaining gradual, incremental improvement. In contrast, breakthrough improvement requires a commitment to setting the bar high—to what is theoretically possible. If you routinely increase program delivery statistics by 20 percent per year, a 50 percent increase would be a breakthrough. Developing a new service in three months would be a breakthrough if it normally takes you six. Breakthrough results always "seem" impossible at the time you commit to

them. If they seemed reasonable, they would not qualify as breakthroughs. Recent efforts to accelerate financial reporting are an example. During the first term, the Department of the Treasury was able to reduce its monthly closing time from over 20 days to three days. This breakthrough change was achieved over a short period of time.

Breakthrough improvement in programmatic performance will play out differently in each department and agency. The Department of Defense, for example, is already undergoing major transformation of both military operations and business functions to be more agile, network-centric, and integrated. The Social Security Administration is taking steps to cut by 100 days the waiting period for individuals who apply for disability benefits, speeding claims review and appeals decisions, and getting benefits to recipients more quickly. NASA is streamlining the agency to position it to better implement the Vision for Space Exploration in a way that is sustainable and affordable.

How do organizations achieve breakthroughs? First, they set the bar high, aiming for results that are not predicated on past performance. Second, they commit to results in advance, without knowing how to accomplish them and without a plan. This is the exact opposite of the "let's study this" syndrome. And, finally, they define outcomes that are concrete and measurable, and lead to a new level of performance.

Keys for Achieving Breakthrough Improvements

Departments and agencies now have the opportunity to harness the management improvements they have made to date and translate them into quantum leaps in service delivery and program performance. Here are three keys to moving forward in dramatic ways:

1. *Appoint leaders who are committed to breakthrough achievements.*
All relevant research and experience indicates that any attempt to achieve change and improve results will not succeed without leaders at the top who are personally commit-

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ted to change and who understand what is required in order to improve operating performance against mission. That means picking people who care and know how to undertake change in a disciplined, systematic, and sustained way. They should have previous successful experience leading, or helping lead, a change effort in a large public or private organization. They must be willing to commit up to 20 percent of their personal time at work, as well as the required resources, to lead a change effort that will achieve a significant and sustained quantifiable performance improvement.

2. *Implement the PMA in a fully integrated way.*
The five PMA initiatives were designed as a coherent set of mutually supporting efforts. In order to gain maximum effect, agencies should employ all five as a package of interconnected initiatives. Agencies need to employ the full range of performance enablers such as strategy, operations, people/organization, and technology in a fully integrated way.

3. *Link actions to improvements in mission and operating performance.*
Leaders must understand the need and importance of using the PMA to improve the operating performance of their department or agency against its mission. The five initiatives are not ends in and of themselves, but rather the means to achieve *breakthrough* improvements in program performance.

Management is the tool to make organizations capable of producing results. Change and innovation will be needed to create a different government capable of producing even greater results—indeed, quantum increases that the public will notice. In some cases this will entail radically rethinking operations and striving for step changes in performance. The optimal time to make good on such a commitment to transform government is at the beginning of the second term. ◼

President Bush on Management

It is not enough to advocate reform. You have to be able to get it done. And that's what we have done. When it comes to reforming schools to provide excellent education for all of children, we got the job done. Results matter. When it comes to healthcare reforms to give families more access and more choices, results matter. When it comes to improving our economy and creating jobs, results matter. When it comes to having a strong farm economy, results matter. When it comes to better securing our homeland, fighting the forces of terror, and spreading the peace, results matter.

President George W. Bush
Mankato, Minnesota; August 4, 2004

In every program, and in every agency, we are measuring success not by good intentions, or by dollars spent, but rather by results achieved. This Budget takes a hard look at programs that have not succeeded or shown progress despite multiple opportunities to do so. My administration is pressing for reforms so that every program will achieve its intended results. And where circumstances warrant, the 2006 Budget recommends significant spending reductions or outright elimination of programs that are falling short.

President George W. Bush
The Budget Message of the President, February 7, 2005

Government should always strive to serve the people with the best programs while making the most efficient use of public tax dollars. Launched in August 2001, the President's Management Agenda (PMA) set out to strengthen management practices and foster accountability so that government managers and their employees could better focus on and produce results. Federal managers now routinely ask themselves if the programs they manage are achieving results at a reasonable cost. If the answer is "no" or "we don't know," managers find out what the problem is and work to fix it. If the answer is "yes," they pursue ways to increase efficiency by replicating their success in new areas. The administration's efforts to improve government effectiveness and efficiency will allow departments and agencies to serve the American people better and with fewer resources. In each area of the PMA, the administration has established markers of success and goals for future progress.

Budget of the United States, FY 2006

Challenge 1: Public-Private Competition

By Jacques S. Gansler and William Lucyshyn

This article is adapted from two reports: Jacques S. Gansler and William Lucyshyn, "Competitive Sourcing: What Happens to Federal Employees?" (Washington, D.C.: IBM Center for The Business of Government, 2004); and "Implementing Alternative Sourcing Strategies: Four Case Studies," edited by Jacques S. Gansler and William Lucyshyn (Washington, D.C.: IBM Center for The Business of Government, 2004).

Competitive Sourcing: What Happens to Federal Employees?

Competitive sourcing has proven to be effective in improving the quality of government services while lowering the cost for taxpayers. While both the Clinton and Bush administrations have encouraged competition between in-house and contractor providers, federal employees and their advocates claim that competition with the private sector leads to massive government layoffs; and that has made many agencies reticent to undertake such initiatives. Although there have been previous studies on the impact of competitive sourcing on federal employees, they have been limited in number and scope.

This study examines the actual impact of competitive sourcing on employees through data provided by the Commercial Activities Management Information System (CAMIS), a database that tracks competitive sourcing initiatives in the Department of Defense (DoD), where the vast majority of competitions have occurred.

In examining DoD data, it is clear that much of the claims of the negative impact of competitive sourcing on federal employees are unfounded. Of the 65,157 civilian positions studied since 1995, only 5 percent were reduced through the involuntary separation of federal employees. Instead, positions were more likely to be reduced in the winning bids through the transfer of employees to other government jobs or through early retirement.

The CAMIS data also affirmed previous research on the benefits of competition, as estimated savings in the winning bids averaged 44 percent of baseline costs. Much of these savings were due to increased efficiency, as bids averaged 39 percent

> ### Understanding Public-Private Competition in Government Service Delivery
>
> The Bush administration has actively pursued public-private competition as a way to spark increased efficiencies in the delivery of government services that have a parallel in the private sector. Past studies show that competition—not necessarily who wins—results in large savings to the taxpayer. OMB reports that in FY 2004 alone, competitions led to $1.4 billion in savings.
>
> However, historically there has been substantial opposition to this approach. Much of the opposition centers around two issues: What happens to the public employees affected? And, do market-based acquisition strategies result in savings, better service, and effective performance?

fewer civilian positions than were initially studied for competition. And while contractors won a slight majority of these competitions (56 percent), the number of winning in-house bids has been rising steadily over the past few years. By 2003, in-house bidders won nearly twice as many competitions as contractors. This trend could reduce the number of involuntary separations, since an in-house win generally results in fewer employee displacements.

Though CAMIS data have demonstrated that only a small percentage of federal employees are involuntarily separated as a result of competitive sourcing, it is still important for government agencies to provide these employees with the resources necessary to transition to other employment. There are several "soft-landing" programs, such as explicit consideration in the competitive solicitation, career transition assistance, early retirement, and severance pay, offered by the federal government to assist employees. Thus, this study also includes case studies that illustrate how managers have used extensive planning and creative solicitation tactics to prevent unnecessary layoffs and minimize the negative impacts of introducing market-based government sourcing approaches on their employees.

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Findings

Finding 1: Competition results in savings.

The benefits of improved performance and cost savings from competitive sourcing are significant, affirming previous research findings. As demonstrated by the CAMIS data, competitions resulted in an average estimated savings of 44 percent of baseline costs, for a total of $11.2 billion. Much of this savings was derived from reducing the workforce—of the 65,157 full-time positions competed between 1995 and 2004, a total of 24,852 positions were reduced.

Finding 2: Involuntary separations are few.

The DoD data provide insight into the effects of competitive sourcing on the employment of federal workers, and demonstrate that in addition to achieving significant savings, DoD was able to minimize the negative impacts on employees—i.e., there has not been a large number of involuntary separations. As one would expect, however, the major organizational restructuring, whether the contractor or the in-house team wins, causes some disruption. Thus, it is important to consider the best process of executing these competitions without imposing undue harm on federal employees.

Comparing Concerns to Study Findings

Common Concerns

- The cost of government services will be higher.
- Large numbers of government employees will be involuntarily separated.
- Contractors have a significant advantage in competitions.

Study Findings

- Competitions resulted in an average estimated savings of 44 percent of baseline costs (with either improved performance or no decrease).
- Only an average of 5 percent of DoD jobs competed resulted in involuntary separation.
- Since 1999, in-house bids have increased their win rate and, by 2003, won nearly twice as many competitions as contractors.

Finding 3: MEOs are winning most of the competitions.

While in-house bids have won 44 percent of competitions held since 1994, compared to 56 percent for contractors, in-house bids have improved their win rate since 1999. By 2001, public and private wins were split evenly, and by 2003, in-house bids won nearly twice as many competitions as contractors. This trend could reduce the number of involuntary separations, as they were less likely to occur when an in-house bid won than when a contractor won.

Recommendations

Recommendation 1: Agency managers should continue pursuing competitive sourcing; the performance gains and cost savings, along with the small number of involuntary separations of government employees, clearly warrant it.

The benefits, in terms of improved performance at significant cost savings—on average 44 percent—warrant continuation. The cost in terms of negative impacts to employees is manageable and should not be used as a reason to forgo competitive sourcing initiatives. On average, a small percentage of the positions competed were involuntarily separated (average of around 5 percent, with typical numbers in the 3 percent to 8 percent range), and based on the trends with the in-house teams winning more of the competitions, that rate should decrease still further. In addition, claims of low employee morale due to competitive sourcing do not seem to be supported by available data. The Air Force and Army, both agencies practicing a large amount of competitive sourcing, were highly ranked by their employees in a list of best places to work in the federal government. Thus managers must assess the evidence in deciding on the merits of competitive sourcing.

Recommendation 2: Senior agency leadership, when planning for competitive sourcing competitions, should ensure that minimizing the potential impact on employees is identified as a high priority.

When managers prioritize the impact of competitive sourcing on employees and proper planning occurs before the competitions take place, the negative impact of competitive sourcing on employees can be minimized. NASA demonstrated that, by thinking strategically about its human resources, it could

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implement an effective outsourcing plan without any reductions in force. The agency was able to reassign affected employees to more core-level tasks, avoiding involuntary separations and improving performance. When the reduction of positions is inevitable, managers are provided with many incentives to encourage employees to voluntarily separate. With advanced planning, agencies can offer employees buyout plans, early retirement, and transfers to other government positions, avoiding involuntary separations.

Recommendation 3: Agency leaders and managers should know and use all the available tools, alternatives, and techniques to minimize any negative impact on separating employees.

Any initiative that results in employee displacement presents a management challenge to agency managers and leaders. Over the past 15 years (since the end of the Cold War), DoD has undergone a significant reduction in its civilian workforce—down 36 percent since 1988, a reduction of almost 380,000 people. Although most of these reductions were outside the context of competitive sourcing, DoD, as well as other agencies, has gained a large body of experience on restructuring organizations and separating personnel. OPM should sponsor the collection and analysis of this data; use this analysis for the development of lessons learned, best practices, and training materials; and make those available to agencies so that they can train leaders and managers. Leaders and managers must be knowledgeable of all tools, alternatives, and techniques available to them as they develop their sourcing strategies, selecting those that minimize any adverse impact to employees.

Recommendation 4: Managers can and should look at innovative ways to offer employees a smooth transition in the event of involuntary separation.

Many options exist for managers to provide a soft landing to displaced employees. While the federal government offers RIFed employees options such as priority rehire or career counseling, agency managers can expand these transitional benefits during the competitive bidding process. Examples demonstrate that when managers integrate plans to lessen the blow of outsourcing on employees with their plans to choose a high-performing contractor, employees benefit with contractual soft-landing provisions. In deciding on a bidder, managers can insist that contractors provide benefits to federal employees in the form of bonuses, comparable pay and benefits, and job offers.

Recommendation 5: Agency leaders and managers should continually communicate with both employees and external stakeholders.

Perhaps the most important element of the competitive sourcing process, like any major staff reengineering initiative, is for the senior leadership and managers to maintain open lines of communication with their employees and other stakeholders. The Commercial Activities Panel heard complaints from federal employees that the A-76 process was not "clear, transparent, and consistently applied" (Commercial Activities Panel, 2002). During the downsizing initiative of the Clinton administration, OPM noted that low morale of employees was often the result of a lack of communication between those making the decisions and the employees affected by them (Bandera and Chin, 1998). There is a clear need for extensive communication during the competition so that the process is transparent and all stakeholders—especially employees—understand how and why decisions are made. This should result in less overall resistance to the competitive sourcing process.

Conclusion

Because the opposition to competitive sourcing primarily derives from those who want to protect federal jobs, the ability to understand clearly how the process affects employees is crucial to defending the practice of competitive sourcing. This study has aimed to add a more quantitative dimension to the discussion of how competitive sourcing affects federal employees. To date, there has been a limited amount of research on the topic. The analysis of the CAMIS data contributes to an understanding, over a period of time, of the extent of positions reduced—both voluntarily and involuntarily—as a result of competitive sourcing. The data reveal that while large numbers of positions were reduced, a small minority of those positions represent involuntary separations.

This does not imply, however, that federal employees are minimally affected by competitive sourcing. Issues of low morale, insufficient staffing, and feelings of unfairness can still pervade a workforce affected by competitions. Thus, this study concludes with recommendations for those conducting these competitions—for federal employees to feel the process is fair, ensure that they are fully supported with training and that they can continue to work effectively to support their agency's mission—in either the public or private sector.

Promising Practices in Implementing Market-Based Acquisitions

Four case studies have been selected to illustrate different approaches to market-based government acquisition of goods and services. As such, they offer valuable lessons to both public agencies and private companies on various strategies and approaches that can be used to meet mission requirements and achieve modernization goals. The first case study, the National Aeronautics and Space Administration's (NASA) decision to outsource its computer desktop maintenance to private contractors, is a step by the agency to refocus its energies on "core" capabilities—freeing more technology staff to work on space exploration as opposed to support functions. The second case study illustrates the use of competitive sourcing by the Internal Revenue Service (IRS) as part of its overall effort to modernize the agency. The third case, Offutt Air Force Base's decision to place more than 1,500 positions at play through competitive sourcing, is an example of the military's efforts to put more active duty personnel into positions that are combat oriented, and thus reduce the number of service men and women assigned to essentially civilian tasks. The final case study, which adapts a form of public-private partnership for maintenance of C-130 aircraft propeller assemblies at Robins Air Force Base, describes one approach the Air Force uses to reduce costs.

Outsourcing: Outsourcing Desktop Initiative for NASA Results in Improved Service, Consistency, and Quality
Hoping to cut desktop computing costs by as much as 25 percent, NASA officials opted for an outsourcing strategy—an initiative to provide desktop computers, services, and maintenance for its employees—that would not only trim costs, but also promote interoperability across the NASA network as well as increase the quality of service.

The strategy appears to have worked. NASA estimates a 32 percent cost savings and substantial improvements in service delivery—a 99 percent service availability—and consistency across the agency. The services are also provided at a fixed price, so managers are able to see the actual cost of infor-

mation technology and can accurately budget it. Security has also been enhanced. Furthermore, employees have not been displaced by outsourcing of computer services; they have been shifted to core mission work. The program has achieved a level of legitimacy that enables the agency to expand on its initial success.

Competitive Sourcing: The IRS Improves Performance and Modernizes Operations
The Internal Revenue Service has used the competitive sourcing process to rethink its functions and modernize its business processes, resulting in substantial improvements in its delivery of services to the American taxpayer. The IRS deals directly with more individual Americans than any other government or private agency. The agency processes 13 million tax returns annually. It has approximately 100,000 employees and an annual budget of $10 billion. By many accounts, however, the agency was doing a terrible job in the mid-1990s. And the problems the agency faced in the late 1990s were widespread, deep, and complex, according to agency internal documents (IRS, 2001).

In the late 1990s, as the IRS began to take a serious look at its deficiencies, it concluded that the key to providing improved services was modernization. And the prime incentive to modernize was the mandate contained in the 2001 President's Management Agenda that required all federal agencies to apply competitive sourcing to their acquisition strategy.

Given its prior problems (and the need for change), the IRS was quick to adapt competitive sourcing to its overall modernization efforts—but with a twist. The focus of its modernization effort was to rethink "functions," not just existing activities. The agency chose not to rely on metrics such as the number of full-time jobs competed or the number of studies conducted; rather, it focused its attention on creating business case analyses and reassessing the overall functions of the organization. The case study details the process by which the IRS undertook this dramatic re-assessment and the results to date.

Two recent competitions are summarized that demonstrate the dramatic results that are possible. The Area Distribution Center (responsible for written and telephone requests for documents) competition was won by the government employee unit. Their proposal identified the surplus capacity produced by the shift to digital products, and will close two of three facilities and reduce the number of employees by 60 percent.

The Campus Operations and Support Competition, also won by the government employees, will re-engineer responsibilities and processes and reduce the support staff by a dramatic 78 percent.

Clearly, the presence of competition in these two IRS examples had a dramatic impact. Even though the public sector won (in both cases), the processes were changed and the resultant reductions in personnel were significant—60 percent and 78 percent respectively (the total savings should be even greater).

Competitive Sourcing at Offutt AFB—A Collaborative Public Sector Approach

The 55th Wing at Offutt Air Force Base decided to save on manpower resources by placing 1,500 jobs and a variety of base activities on the block for "competitive sourcing." After a 42-month competition, the government proposal was the winner, delivering a 58 percent decrease in manpower costs alone.

The Offutt proposal ensured personnel savings alone of at least $46 million annually. The private contractor's bid would have saved 42 percent. The number of jobs involved in the Offutt competition made it one of the largest and most successful of its kind.

Although there is a common misperception that contractors always win, this case again highlights that government employees can successfully compete with the private sector; the result is substantial savings in manpower while improving performance—all the result of introducing competition.

Public-Private Partnership: A Pilot "Virtual Prime Vendor" Contract to Supply C-130 Parts

The Defense Logistics Agency (DLA) selected a "Virtual Prime Vendor" to provide parts and consumables for C-130 aircraft propeller assemblies' maintenance for Robins Air Force Base, Georgia. Improvements in maintaining inventories have dramatically increased the efficiency of many private firms in recent years, but the government has been slow to adapt them to its logistics supply chain. Although efforts by the Department of Defense to expand the use of prime vendor contracts have been successful, that use has been primarily restricted to commercial supplies, such as food and medical supplies. DLA's contract with Hamilton Standard to supply components for the C-130 military cargo plane, under a virtual prime vendor contract, was the first attempt to apply the concept to a major component of a strategic weapons system. The lessons learned indicate that both the private sector and government agencies can benefit and create efficiencies of operation for each. Integrating government supply chains is no easy task because of their size, complexity, and overall importance. However, the contract for C-130 maintenance at Robins demonstrates that the virtual prime vendor model can work, even for large, complex weapons systems.

Recommendations

These four case studies reflect the growing sophistication of various acquisition strategies used by federal agencies, as well as the growing awareness that an effective way to achieve savings and better performance in the business of government is through the use of competitive market forces—in whatever form: outsourcing, partnership, or competition with the private sector.

It must be emphasized, however, that the ultimate goal is not simply to cut back costs or to reduce jobs and activities. It is to encourage government to adapt those principles that have created highly efficient and effective world-class businesses to the needs of the public sector. Specifically, to use competition to drive innovation: for better performance at lower costs. Such was certainly the case in the decision of the IRS to undertake the bureaucratic equivalent of a major restructuring. This does not mean, of course, that government should *become* business, but rather that it should look more like successful business enterprises—mindful of the need to emphasize enhanced service quality as well as cost savings. Some effective business solutions provide the direction for the public sector. Most important among these, perhaps, is the role of competition—when properly applied—in creating higher performance at lower costs.

Recommendation 1: Leadership

Agency heads must provide strong, long-term executive leadership; it is especially critical to obtaining and maintaining organizational support for the alternative sourcing strategies, as well as to changing a deep-rooted organizational culture.
An essential element in implementing a market-based acquisition strategy is leadership. In two of the case studies, for example, we see evidence that strong leadership in the competition phase produced a successful transformation. In the NASA case study, turnover in leadership threatened to dismantle the program. In the Offutt case, the outsourcing competition was directed by an Air Force lieutenant colonel who vowed that the base would do everything it could to avoid the problems that beset similar competitions at other Air Force installations. He was also committed to take the time to be "deliberate and thorough" in order to ensure that the whole process was completed without error. His leadership was essential to getting the job done—and done right. In order for alternative sourcing approaches to succeed, management support must exist at all levels of an organization and at every phase of the implementation.

Recommendation 2: Planning

Agency heads must ensure that there is adequate planning in order to reap the maximum benefits for alternative sourcing strategies.

When the agency involved decides that it wants to do a better job, more efficiently, at lower cost, it is well on the way to a successful acquisition strategy. For those who enter the fray simply to comply with regulations and are lackluster in their support, failure is much more likely. The planning phase is critical—from accurately and consistently categorizing positions when conducting the FAIR Act inventory, to identifying the functions to be competed, to developing a comprehensive business case analysis, and finally to identifying prospective contractors and approaches to solicit their participation. Thorough planning is the foundation that will support a successful agency program.

Recommendation 3: Change Management

Agency heads must recognize that alternative sourcing strategies will drive major changes (in many cases, changing the focus from being "doers" to becoming "managers of doers"), and they must develop approaches and incentives to manage the selected performance.

During the transition to outsourcing, senior managers should use incentives to overcome resistance from government users. In the NASA case, such incentives for personnel could have been especially useful because the goals and perspectives of the CIOs and the end users were different. Similarly, in those cases where the in-house team is the winner, dramatic process and personnel changes will be required, which will necessitate strong change management for a successful transformation.

Recommendation 4: Communication

Managers of agency sourcing programs must develop and maintain comprehensive communication with all stakeholders.

All successful programs have stressed the need for open and frank communication with those affected by these alternative sourcing programs. The communication program should work to demystify the process by providing information on the decision-making process, personnel decision options, and program timelines.

Recommendation 5: Follow-Up

Alternative sourcing programs must include an ongoing control function to ensure contracts and agreements are executing as proposed.

A critical aspect of any agency program is the follow-up, after the award, to ensure performance requirements are met. In the case of competitive sourcing with a public sector win, agencies must develop procedures to ensure that the government's most efficient organization is executed as proposed. ■

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IRS Progress Report from the Commissioner (2001). December, p. 2.

TO LEARN MORE

The Center report "Competitive Sourcing: What Happens to Federal Employees?," by Jacques S. Gansler and William Lucyshyn, analyzes the impact of competitive sourcing on federal employees by examining A-76 competitions conducted by the Department of Defense from 1994 through the first quarter of 2004. A key conclusion is that most claims of the negative impact of competitive sourcing on federal employees are unfounded.
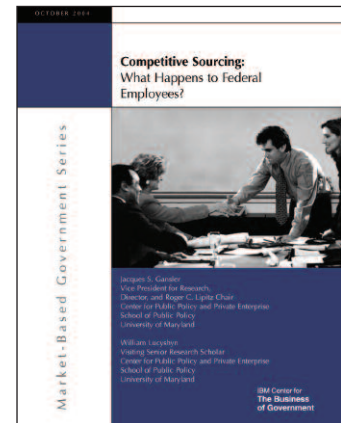
The Center report "Implementing Alternative Sourcing Strategies: Four Case Studies," edited by Jacques S. Gansler and William Lucyshyn, highlights how different organizations have implemented outsourcing, competitive sourcing, and public-private partnerships to achieve savings and better performance. The case studies involve efforts at NASA, the Internal Revenue Service, Offutt Air Force Base, and Robins Air Force Base.
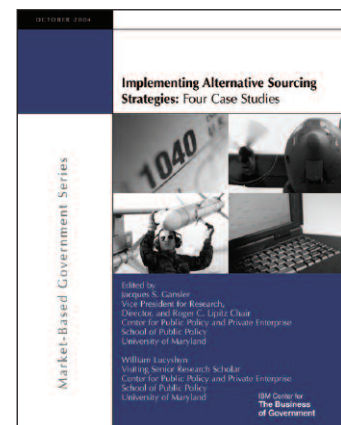
The reports can be obtained:
- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
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- By faxing the Center at (202) 515-4375

Challenge 2: Pay for Performance

By Howard Risher

This article is adapted from Howard Risher, "Pay for Performance: A Guide for Federal Managers" (Washington, D.C.: IBM Center for The Business of Government, 2004).

It is important to understand the broad discretion to plan a pay-for-performance policy in a salary system based on the broad-band concept. For years, corporate salary systems looked very similar across organizations. The system parameters reflected an off-the-shelf or cookie cutter approach. The similarities carried over to most of the components, including the formula linking salary increases to performance. While those traditional systems continue to be the prevalent practice, when a company now adopts a new salary system, it's likely to be based on broad banding. That is clearly the case with the federal government.

The shift to banding is simple on the surface, but the old rules no longer work as well. With a traditional salary range, employee salaries progressed to the range midpoint and above on a reasonably predictable schedule. Those practices do not fit a banded system. The goals of banding are to simplify salary management, reduce administrative costs, and make the system more responsive to change. The discretion to manage salaries within a broad band is simply incompatible with rigid, restrictive rules.

Salary management is always a problem—it involves ongoing decisions by managers in different work areas confronted by different circumstances. It is also a problem because those decisions impact employees, their careers, and their relationships with co-workers. In the end, it's the managers and employees who have to live with a new salary system. In an environment where the concept of salary management is new and managers have no prior experience, it will not be easy to achieve this level of comfort, but that has to be the goal in planning and implementing a new system. For a new system to succeed, managers need to be comfortable with their role and with the support they can anticipate. That makes it essential for them to play a role in the planning and implementation.

The Starting Point: Developing Agreement on a New Direction

The switch to a pay-for-performance policy is much more likely to be accepted and successful if managers and employees understand why the change is necessary, what they can expect, and what steps are planned to ensure it is fair and equitable. They also need to understand the problems with the current policy. Most employees will go along with changes that are intended to benefit the organization.

The goal of the initial discussions is gaining agreement on the problems, the basic approach, and what the agency expects to accomplish. This is a new arena for federal agencies, so it may be too soon at this stage to develop specific program goals or to announce plans to employees.

The discussions should cover at least these basic issues:

- Will the pay-for-performance policy be limited to salary increases, cash awards, or both?
- Is the purpose to motivate employees to reach higher levels of performance? Should awards be limited to employees who exceed expectations? All "fully successful" employees?
- Is there a reason to develop a specific plan to reward team or group performance? Who should participate?
- Are we ready to link pay to the agency or program goals? Do employees understand our goals? Do we need to do a better job of communicating results?
- Is the purpose to provide a focus on organizational goals or individual performance goals, or both? Do employees have an adequate "line of sight" to our goals?
- Do employees understand current reward practices? How do they view those practices?
- Are we investing enough in cash awards? Are the awards going to the right people?
- Do we adequately understand the impact of current reward practices? What practices should we continue? Are the practices complementary?
- Is the current performance management system ready for the new policy? Do managers have the skills to be effective

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in performance management? Is the process credible to employees?

- Does the agency use non-financial rewards effectively? Should we broaden our use of non-financial rewards?
- How should we evaluate the effectiveness of the new policy?

The answers will serve as the foundation for planning the work necessary to support the change in policy. It is essential that top management agree on the answers so they can communicate their solid support.

Principles of Effective Reward Management

Despite all the research and the experience of the past half-century, employers are still learning how to manage employee reward systems. Realistically, pay policies need to reflect the philosophy and values governing employee relations, and those considerations are tied up in the emerging work paradigm. As the paradigm has changed over the past decade or so, our view of rewards and their role in the management of people has also changed.

There are several principles that emerge from this experience. Reaching agreement on the principles makes it much easier to reach agreement on the specific system design parameters. Since the experience was primarily in the private sector, the principles need to be translated into practices adapted to fit the federal environment. The "fishbowl" nature of government and the rights of employees make it even more important to be consistent with the principles.

Principles Related to Managers and Their Role

The performance of employees at all levels and the management of rewards needs top management support. Someone at the highest levels should be the champion for the new policy. Top executives should be vocal in their support for the change in policy. Managers need to know the leaders want the policy to succeed and are solidly behind the change.

In a well-managed organization, the long-term viability and success of the company is a much higher priority than individual performance. The performance measures that drive exec-utive rewards should reflect that reality. Managers in businesses are rewarded for the company's continued success. That is a purpose of the balanced scorecard. It is also a reason for granting executives both long-term and short-term (annual) financial rewards. Government should consider this idea.

Rewards for managers should in part be based on how well they manage employee performance and handle reward decisions. Organization performance depends on employee performance, and that makes it a priority for managers. That should be true at all levels of management. Linking rewards to their efforts will reinforce the importance.

Employee rewards should be planned and managed as a management tool. The purpose is to influence employee performance, and that is best understood and handled by the responsible managers. There is a need for oversight review and for guidelines, but only frontline managers are in a position where they can determine how to manage their people.

Award levels or amounts should reflect the level of effort or accomplishment. This necessarily involves the judgment of responsible managers, governed by guidelines and budgetary controls. Managers need a degree of discretion and sound judgment to determine appropriate awards. They also need training and guidelines to maintain consistency and equity. The rules should be clear and not overly explicit. Managers are inevitably going to reach somewhat different conclusions, and that prompts the need to develop guidelines governing the amounts that can be awarded. Rigid rules, however, would undermine the manager's role.

Principles Related to the Management of Performance

Managers and employees who are involved in an operation are in the best position to develop performance plans and measures. When they are involved in the process, they are much more likely to buy into and support performance plans and standards.

Employees normally want to see their organization succeed, they want to feel like they work for a successful organization, and they are interested in playing a role in making it a success. They can be trusted to assume a conscientious and serious role in developing performance plans.

The management of rewards should have a clear and explicit linkage to the management of performance.
It is not practical to separate rewards and performance management. Performance planning and measurement is integral to both. The rewards should be used to recognize accomplishments that go beyond expectations or work situations that were unexpected.

In the federal context, base salaries are intended as the reward for meeting work expectations. That suggests that added rewards should be limited to employees who exceed expectations.
Performance expectations are based on an employee's position description and the duties that are understood to be part of the job. Supervisors should be accountable for discussing job duties and reaching agreement with subordinates on expected performance levels.

Employees are more motivated when they have a good "line of sight" understanding of how their work efforts contribute to an organization's success.
The phrase "line of sight" was coined to refer to an employee's ability to understand how their contribution is related to organization or group goals. Generally that is best accomplished with cascading, interlocking performance goals and frequent communication of results.

The standard practice with corporate incentive systems is to tie payouts to specific performance goals and measures and to what are often mathematical links between performance levels and payouts.
This makes it possible for plan participants to estimate their year-end awards as the year progresses. When payouts are directly related to the attainment of performance goals, people like to track progress toward the goals. That provides a focus and certainty for employees participating in the plan. The best incentives provide a reason to focus on goals.

Some performance results flow from team or group efforts and some from individual work efforts. Rewards can and should be used to reinforce both.
Cash awards need to be made consistently to the employees responsible for results. People tend to behave based on the way they are rewarded. If teamwork is desired, then rewards should be based on team performance. Team awards have proven to be powerful incentives in certain situations. The balance of the two is a key design issue.

Principles Related to Reward Management
When rewards are linked to specific results, it sends a powerful message related to management's priorities.
Employees perform at higher levels when they know what needs to be accomplished. That is consistent with goal-setting theory. The impact of the linkage is well established.

The "rules" for earning awards need to be transparent and managed consistently. That applies to the reasons for the awards, the amount of the awards or the basis for determining the amounts, and the timing of the awards. That is consistent with expectancy theory as well as equity theory.
Employees need to know what they can expect if the awards are to be viewed as "fair." Managers need to be able to explain and defend all awards. If there is a perception of inequity, and rumors can be as powerful as facts, it can undermine the view of awards.

The receipt of an award should follow the accomplishment in a timely manner. That is consistent with reinforcement theory. However, businesses have learned that employees are realistic and do not expect to be rewarded immediately or on every occasion.
Cash awards in the corporate world tend to be made at the end of the fiscal year or at scheduled, regular intervals. In that context, of course, awards depend largely on year-end financial results. The smaller peer or thank-you awards should follow the event, or employees may forget the reasons. However, if employees know their work efforts will be recognized and rewarded at some date, the timing is normally not an issue.

When special projects and crises require unexpected attention, and an employee has to put in extra time or defer normal work duties, it may be that the unexpected work effort justifies special recognition, time off, or a tangible award.
These situations should be outside of the scope of the normal duties in an employee's position description. They cannot always be reflected in individual performance plans. However, the choice between simple recognition and a cash award is important.

Employees are naturally looking for fairness and equity and are therefore interested in information related to award recipients and the amount of awards.
When information is not made public, it triggers concerns about the reasons. When awards are justified, there is little reason to keep the decisions confidential. Public recognition will, for most people, enhance the impact of an award. Employees need to be confident the decision process gives everyone similar opportunities.

Implementing Pay for Performance over the Next Four Years

We asked Howard Risher, author of the Center's recent report "Pay for Performance: A Guide for Federal Managers," to look ahead to the challenges facing the government in implementing pay-for-performance systems during the next four years.

Pay for performance will contribute to better agency performance. The evidence from other sectors is solid: People perform at higher levels when they are rewarded for their accomplishments. The change will continue to be controversial and there will be bumps in the road, but I believe it continues to be in the best interests of government.

Despite the concerns expressed by a few critics, the track record starting in 1980 with the "China Lake demonstrations" and the growing number of demonstrations after China Lake have been positive. The only agency with pay for performance that has generated much controversy over the past decade has been the Federal Aviation Administration (FAA). However, in a recent speech, Administrator Marion Blakey cited its policy as one of the reasons FAA has "become a front-runner among executive agencies in the race to 'green' on the goals spelled out in the President's Management Agenda."

Significantly, the critics tend to focus on implementation concerns. They focus on the way new policies have been rolled out, not the idea of linking salary increases and performance. In columns, such as Steve Barr's "Federal Diary" in the *Washington Post*, the focus is on perceived implementation problems. Few, if any, of the people who take the time to write defend the current General Schedule (GS) and its step increases based on longevity.

One argument that surfaces is that while pay for performance is consistent with values in the private sector, it does not "fit" government. The counterargument is that employees in all sectors need to understand what's expected and the standards or criteria that will be used to judge their performance. Pay for performance sends a message—"this is what management considers to be important"—that helps all employees focus their efforts. They also need feedback if they are going to improve. That argument is completely relevant to the public sector.

The change in the federal pay system will likely trigger short-term problems, but they should be transitory, largely predictable, and above all manageable. This, after all, will be a very complex organizational change—a change that is far more difficult and sensitive than rolling out, for example, a new procurement policy. Individual managers will have to develop new skills and make decisions that will not always be popular. The change will affect their relationships with their employees.

To make managers and employees more comfortable with the change, both should play a role in planning the new systems. But there also should be policy issues—the phrase "management prerogatives" is often used—that are not subject to debate or negotiation. For example, the decision to adopt a new policy has to be a management decision. There is no room for debate on implementing the system; that is a yes/no decision. Issues like performance standards and schedules, however, can be discussed as management needs to be certain new policies actually meet the needs of the organization.

An old story from the China Lake demonstration highlights one of the truths. The switch to broad banding and pay for performance was a radical change for any public agency in the 1980s. It was a bold change and one that must have triggered high levels of anxiety. The story is that the commanding officer called his reports into a meeting and said, "If you have any questions, now is the time to ask. When you leave this room, you will be supportive of what we are trying to accomplish." Leadership is rarely that strong in civilian agencies, but it is important for people to know top management is committed to making the new policy a success.

It should be emphasized that implementation of pay for performance is a management problem, not an HR problem. The success of the new policy depends on managers across the organization. HR needs to provide support—new performance management systems, communications, training, and coaching—but managers have to be held accountable for managing the pay and performance of their people. HR will in most situations have to champion the needed changes, particularly in regional offices. In the end, however, the goal is to improve performance, which makes this a management problem.

The recent changes in the Senior Executive Service pay and performance regulations have started the ball rolling. The practice model promulgated by the new regulations may also serve agencies well at lower organization levels. Experience with the new requirements should open the door to better practices throughout an agency. The new model will also make results and better performance a higher priority.

The transition to pay for performance will not occur overnight and will not be easy. It will require time, probably the remainder of the next four years. There is now a clear record to know what works and what does not. There have been mistakes made in prior implementation. Agencies hopefully have learned from those experiences. The GS system is no longer meeting the needs of government. There is no need for continued debate. Now is the time to turn to implementation.

These principles are intended for use in evaluating current award practices and considering future changes. Proposed reward practices should be evaluated in light of the principles.

Planning a Pay-for-Performance Salary-Increase Policy

The planning starts with the budgeted funds available for salary increases. Presumably those decisions will be made above the agency level. Salary management, then, is the process for allocating the funds set aside for increases across an organization and to its employees.

With a dynamic workforce, people retire or terminate, new people are hired, and others promoted or transferred to new positions. The movement of people in and out and across the organization affects salary planning and management since people who are new to a job are generally paid less than those with more tenure. Moreover, when someone starts a new job it is a common policy to defer salary increases until the completion of the first year in the position. All of that can and should be considered in salary planning.

In addition, if the salary system is aligned with market pay rates, someone annually needs to analyze salary survey data to determine salary increases in the labor market over the past year. Market increases depend on the balance of supply and demand for specialized occupational skills, which explains the focus in surveys on selected "benchmark" positions, defined with common occupational duties. The Bureau of Labor Statistics has historically collected the market data used to adjust federal salaries, although there are many other salary surveys. Whatever the source of the data, it is used to determine the percentage increase needed to maintain the planned alignment.

The pay-for-performance policy, then, governs how the budgeted funds are allocated among those employees who are eligible for an annual increase. The policies are based on a simple idea: The policy specifies the increases allowed at each performance level. The increases are normally determined as a percentage of salary, so the funds are allocated pro rata to managers based on aggregate staff salaries.

Through most of the 1990s, budgets for salary increases in the private sector averaged 4.0 to 4.5 percent annually. Recently with the recession, they have fallen to the 3.5 percent range annually.

The surveys of salary budget plans compare with the total of the salary-increase funds under the GS system for: (1) the general increase, (2) the locality adjustments, (3) the step increases, and (4) any Quality Step Increases. The GS system adjustments are based on surveys of salaries and salary-increase rates in the non-federal sectors, but there is a delay of over a year, so the increases are not on the same timetable.

For planning, the average increase should be linked to the average rating. For example, if the average rating is 3.2 (on a 5-level rating scale) and the budget is for 4 percent, it would be reasonable to allow a 3.8 percent increase for a 3 rating and a 4.4 percent increase for a 4 rating. That is a well-established planning idea.

The other planning step governs the allowable increases at each rating level. It's based on an assumption—that the distribution of ratings for the coming year will be essentially the same as the previous year. That information is available in personnel files. If, for example, 20 percent were rated as a 5 last year, it is assumed for planning that a similar percentage will be rated at that level in the coming year.

The two planning steps in combination make it possible to specify tentative salary increases at each rating level and, using the expected distribution of ratings data, to estimate the weighted average increase. If the estimate is higher than the budgeted percent, one or more of the increase percentages will have to be lowered. If it's too low, they can be increased. It's trial-and-error to make the weighted average equal to the budgeted increase. There is no completely defensible approach to plan increases.

The salary-increase policy specifies the allowable increase at each rating level. It is common to give managers and supervisors some flexibility by specifying a range of increases at each level. For example, the increases for a 3 performer might be 3.5 to 4.0 percent, and for a 4 the increases might be 4.1 to 4.6 percent. At the highest rating level, the range of increases might be the widest to provide greater latitude.

A key question is the increase permitted for the lowest-rated employees. The common answer in the private sector would be no increase. It is important to keep in mind that any funds allocated for increases to poor performers come out of the budget for high performers.

Managing Annual Salary Increases

This new responsibility managing salary increases will change every manager's role and his or her relationship with direct reports.

For many, this will not be an easy transition, but there are a growing number of managers in federal demonstrations who have learned to handle the changes. Many at China Lake are second generation. There are of course millions of supervisors

outside of government who have also learned to manage this responsibility.

For reasons that are buried in history, federal employees assume they will be worse off under a pay-for-performance policy than they are under the General Schedule and its step increases. This perception should be addressed in all discussions about pay for performance. Very few employees are performing so poorly that they will be denied increases. For the high performers—and every agency will define that differently—their salary will go up more rapidly than under the GS system. For most employees, their annual pay increases will effectively be the same as in the past. Employees need to understand that.

This is also not about making employees work harder. That's a misconception. The prospect of rewards should provide a focus to work efforts. It's the old "You get what you pay for [or reward]" argument. Supervisors need to keep in mind that employees will want to understand what they need to accomplish to earn increases.

It's sometimes argued, "All my people are good employees and deserve a pay increase." That should not be an issue. Pay-for-performance policies are commonly planned so virtually every employee gets an increase. But in every group a few people stand out who accomplish more than others. A basic problem with the GS system is that everyone is paid on the same basis, regardless of contribution. The goal in pay for performance is to recognize the stars and grant them increases higher than the norm.

There is also a concern that it will undermine teamwork. If that were a real problem, industry would share that concern. Teamwork can be one of the criteria for evaluating employees. If true teamwork is important, it can be reinforced with team bonus awards. Our sports teams are proof that stars can be rewarded without undermining the performance of the team.

It's essential that all employees understand what they can expect. That communication is basic to the new policy. The organization has to take the lead, but supervisors should discuss the new policy with their staff. Developing a shared understanding of how the change in policy will be handled is a key step.

The new policy will make it much more important to develop effective performance management practices. Pay for performance will quickly become a problem if supervisors do not approach their responsibility for defining and communicating performance expectations as a priority. Ideally those expecta-

tions and year-to-date progress should be the subject of several discussions throughout the year.

Regardless of how an agency decides to assess performance, it will be up to each supervisor to work with his or her people to discuss and reach agreement on what's expected. That's performance planning. The more specific the planned performance levels, the easier it will be to avoid problems. Solid plans make it easy for employees to track their progress throughout the year. There should be no surprises in the year-end ratings. When ratings are based on verifiable performance criteria, they are more defensible.

Ratings have been inflated in many agencies for years. Part of the problem is that under the GS system, the ratings have carried no consequences. That history is now baggage that will affect the new policy. Research shows that in the typical work group, only 15 to 20 percent of the people are truly star performers. There is no "right" distribution of ratings, but a goal is to make them more realistic.

Most employees are doing their jobs and meeting expectations. Of course, planned performance levels may be high. Of course, employees are working hard. But their performance does not

TO LEARN MORE

The Center report "Pay for Performance: A Guide for Federal Managers," by Howard Risher, provides timely advice to federal managers involved in the planning and implementation of pay-for-performance systems. It examines arguments for and against pay for performance, reviews various approaches, and discusses the challenge of implementing such systems.
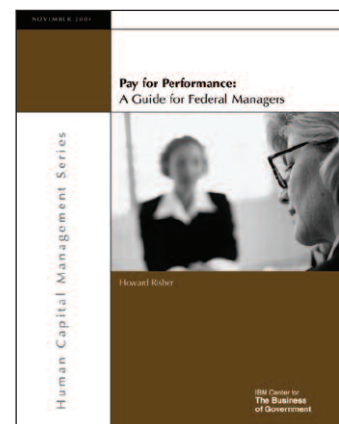
The report can be obtained:
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Forum Introduction: The Second Term of George W. Bush
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to implement programs and recommend ways to improve interagency efficiency. To better understand the history of reorganization, the IBM Center for The Business of Government asked Hannah Sistare to review government reorganization strategies in the 20th century and to speculate on what approaches to reorganization might be most appropriate for the 21st century. As debate rages over the creation of two new presidential commissions and the merits of enacting additional presidential reorganization authority, Sistare offers two other options for government reorganization: virtual reorganization through e-government and virtual reorganization through coordinating councils.

Challenge 4: Managing for Results. Last—less contentious but equally challenging—is the holy grail of performance management: managing for results. During its ill-fated second term, the Nixon administration attempted to implement Management by Objective (MBO) throughout government. Ford showed renewed interest in MBO toward the end of his term, but did not have the opportunity to implement such a system in a second term. As noted earlier, the Bush administration has made great strides in using the PART system to focus agency attention on results and performance information. In their article, based on their book *Managing for Results 2005*, John Kamensky and Al Morales describe steps in creating a managing-for-results culture and present lessons learned about using managing-for-results systems. Based on government's extensive experience with performance management systems over the last 40 years and its own experience during the last four years, the Bush administration now has an excellent chance to create a lasting managing-for-results culture throughout government.

So the stage is now set for the second term of the George W. Bush administration. During his first term, the President showed much interest in management reform and aggressively pursued a management reform agenda. The second term offers the President a unique opportunity to further build upon and solidify his agenda. If he succeeds, the management of government will be dramatically different in the 21st century from the way it was during much of the 20th century. Over the next four years, the IBM Center for The Business of Government will continue to support research on management reform in government. We hope these studies will further clarify the debate and provide additional information and evidence of what works and what does not. ■

stand out from their peers—that's the key. Employees need to be told that they are solidly doing their jobs. They deserve and should expect an average increase (based on the salary-increase budget for the year).

Under the GS system, the step increases were sometimes referred to as "living and breathing," so any linkage to performance is a change. A goal is to end the entitlement thinking. The typical employee should still expect increases, but the old way of thinking very definitely needs to change.

Inflated ratings really do not benefit anyone in the long run. The dollars available for increases are not going to increase. Inflated ratings cannot raise the average; it simply means the increases for the true star performers have to be held down.

An idea that has recently gained acceptance to address some of the problems is the so-called "calibration committee." Supervisors recommend ratings to a committee of fellow supervisors. It's the job of the committee to consider the ratings across the organization and decide which employees truly are stars and which are the few whose performance is below acceptable levels. This idea, which has worked very well in several of the demonstrations, makes it easier for everyone.

The initial round or two of ratings and increases will trigger a few problems. Employees are accustomed to the GS system and will be anxious about the change. That would be true in every organization. Investing the time to define expectations and to discuss performance concerns will reduce the problems. Each supervisor has to assume responsibility for helping his or her people understand the new direction.

This new role will require the development of new supervisory skills. Agencies will need to provide training, but it's more than skills. The policy requires agencies to focus on the communication of performance issues. This will change the organization culture, and that needs to be managed. Supervisors should look to their leaders to develop an integrated set of tactics to support this change. The stage needs to be set. ■

Challenge 3: Government Reorganization

By Hannah Sistare

This article is adapted from Hannah Sistare, "Government Reorganization: Strategies and Tools to Get It Done" (Washington, D.C.: IBM Center for The Business of Government, 2004).

The Imperative to Reorganize

How the government is organized plays a critical role in the nation's ability to meet its responsibilities. This was amplified by the recent public hearings of the commission investigating the September 11 terrorist attacks. Over two days of hearings in March 2004, commission members and witnesses noted ways in which changes in government organization could improve many aspects of the nation's intelligence capabilities and defensive strength. Witness after witness gave testimony to the importance of the organization of government—including the harm that could come from ineffective organizations that did not share key information—and the benefits that could be gained from heeding the need to combine or coordinate agencies with common missions. Secretary of Defense Donald Rumsfeld asked "whether it might be appropriate for the various departments and agencies to do what the [military] service did two decades ago: give up some of their existing turf and authority in exchange for a stronger, faster, more efficient government-wide joint effort?" (Rumsfeld, 2004).

The importance of the organization of the departments and agencies of government was addressed extensively during the deliberations of the second National Commission on the Public Service, chaired by former Federal Reserve Board Chairman Paul A. Volcker. Commission Chairman Volcker shared his view that the lack of mission cohesion across government was having a significant effect on the job satisfaction and performance of federal workers. Since job satisfaction and performance were two of the driving forces behind the creation of the commission, commission members were determined to address the question of government organization from the outset of the commission's work.

A survey conducted by the Center for Public Service at the Brookings Institution showed that in the year following September 11, 2001, employees at the Department of Defense had the highest sense of job satisfaction among federal civilian workers (Light, 2002). Analysis of the survey results indicated that despite the increased public attention to and demonstrated appreciation of the government workforce following September 11, the morale and job satisfaction of non-defense employees declined. Defense Department employees, however, had measurably higher morale and job satisfaction. They reported the strongest sense of working toward a clear mission and, importantly, the ability to contribute to that mission's success.

The fact that mission fragmentation and program overlap impedes the ability of federal workers to perform effectively has long been argued. The Government Accountability Office (GAO) addressed this issue in a series of papers that were summarized in a March 2004 report on results-oriented government:

> Previous GAO reports and agency managers identified several barriers to interagency coordination. First, missions may not be mutually reinforcing or may even conflict, making reaching a consensus on strategies and priorities difficult. In 1998 and 1999, we found that mission fragmentation and program overlap existed in 12 federal mission areas, ranging from agriculture to natural resources and the environment. Implementation of federal crosscutting programs is often characterized by numerous individual agency efforts that are implemented with little apparent regard for the presence of related activities. Second, we reported on agencies' interest in protecting jurisdiction over missions and control over resources. Focus group participants echoed this concern, noting that there can be "turf battles" between agencies, where jurisdictional boundaries, as well as control over resources, are hotly contested. Finally, incompatible procedures, processes, data, and computer systems pose difficulties for agencies to work across agency boundaries. For example, we reported how the lack of consistent data on federal wetlands programs implemented by different agencies prevented the government from measuring progress toward achieving the government-wide goal of no net loss of the nation's wetlands (GAO, Results-Oriented Government).

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The Volcker Commission concluded that more focused missions could improve the effective implementation of public policy, reduce waste of limited resources, and enhance national security. For the government workforce, an enhanced ability to carry out organizational missions would also greatly improve job satisfaction and morale.

Coincidentally, as the commission began to look at the benefits that could be derived from government reorganization, the public debate over creation of a new department dedicated to homeland security gained momentum. As it evolved, the organizational concept for homeland security, and the operating flexibilities that were provided for the new department, were very much in line with the commission's thinking and recommendations. The creation of that department also demonstrated that the road from a good concept to an actual reorganization is an extremely difficult one. The purpose of this study is to examine that challenge of reorganization and to provide a series of options for policy makers in both the executive and legislative branches and other interested parties as they consider how to bring various reorganization options from concept to reality.

What Is Reorganization?

A traditional definition of reorganization as it applies to the federal government is to rearrange elements of government's physical structure, functions, and accompanying resources. Thus reorganization encompasses moving an agency, its responsibilities, and staff from one department to another. It also encompasses combining agencies, creating a new department out of existing agencies, and giving an agency independent status by separating it from its department. This is sometimes pejoratively referred to as "moving the boxes around," though clearly the impact on programs and performance can be profound. Rarely does reorganization involve terminating a program or agency, though that is often a stated goal of a reorganization.

In this study, government reorganization is defined broadly for purposes of discussion. It includes physical movement, including consolidation, of agencies and programs, as well as elimination of an agency or program. In addition, any dis-

cussion today of reorganization encompasses the issue of how the transformed organization's personnel and human resource (HR) systems will be designed. These issues have become so intertwined with the debate over reorganization that they are now an integral part of it. For example, congressional consideration of the Department of Homeland Security authorization featured extensive debate over the new department's proposed personnel system. The earlier decision to create the Transportation Security Administration was almost derailed over how to resolve the debate over personnel issues. The Department of Defense has also received congressional approval to change its personnel and human resource system as part of its overall transformation effort.

Government Reorganization for the 21st Century

In the 21st century, policy makers and influencers have several paths to choose from in any effort to bring about organizational change in the federal government.

Path One: Virtual Reorganization Through E-Government

The growth of Internet communications spawned a movement to create virtual reorganization through the vehicle of e-government. Former General Services Administration (GSA) Administrator David Barram (1997–2000) led the agency into the modern IT age. The President's Management Council partnered with Internet entrepreneur Eric Brewer to develop Firstgov.gov, a web-based portal for the federal government. Brewer's Fed Search Foundation developed and donated the search engine for the new portal, which was launched on September 22, 2000. Barram expressed the view to the author at the time that the "virtual reorganization" brought about through e-government would eventually "make the physical reorganization of government unnecessary."

For some purposes, this prediction is proving true. Firstgov.gov's goal of creating "a citizen's portal" to the federal government holds the potential of virtually reorganizing the government's cacophony of programs for the public. It can be utilized to make government more user-friendly by giving citizens quick and easy access to all programs in a given area—such as all federal education grant and loan programs—wherever they may be located. For example, recreation.gov creates a virtual

organization among dozens of federal and state agencies that provide outdoor recreation opportunities. A visitor to this "virtual agency" can make reservations at a national park or a Forest Service campground, find out what the weather might be at that location from the Weather Service, download a map from the Geographic Survey, and more. Another web portal, export.gov, has both an electronic as well as a physical presence. Small businesses can find information and conduct some transactions via the portal but they can also visit Export Assistance Centers, which bring together staff from several federal, state, and nonprofit agencies in storefront offices around the country to provide seamless support to small businesses wanting to do business overseas.

Over time, more governmental functions will probably be organized around services and results that citizens see as adding value to their lives, and no longer by the traditional agency or program approaches. This can be done electronically, and does not require the "heavy lifting" that traditional reorganizations of agencies have required in the past.

The ability to use e-government as a means of addressing the internal goals of reorganization—be it managing better, saving money, or enhancing visibility and clout—is in the early stages of development.

Path Two: Virtual Reorganization Through Coordinating Councils
The creation of coordinating councils is a second path of virtual reorganization available to those seeking to realize the benefits of reorganization. Peter Szanton, former associate director of OMB, has made the argument that presidents consider process change as an alternative to the arduous effort required to actually implement structural change. Weighing the costs and benefits of each approach, he concluded that the policy coordination benefits that can be achieved through combining agencies can be achieved almost as well—and considerably more efficiently—by changing the process by which the separate departments interact (Szanton, 1981). An example of process change is the creation of coordinating councils.

There are several levels of organizational change between the creation of coordinating councils and actually combining agencies or programmatic activities. In recent years, presidents and Congress have created "councils" to coordinate policy across agencies, including the CIO (Chief Information Officers) Council, the President's Management Council (Deputy Secretaries/Chief Operating Officers), the CFO (Chief Financial Officers) Council, Federal Acquisition Council (Chief Acquisition Officers), and most recently the Chief Human Capital Officers Council. Various offices within the Executive Office of the President, such as the Domestic Council, the

National Security Council, and the Office of the National Drug Policy, perform coordinating roles. Clearly at some point this coordination reaches the definition of structural change—perhaps when coordinating councils become offices with their own budgets.

One approach now being discussed by management experts within and without the federal government is to establish issue-based cross-agency coordinating bodies. Thus an alternative approach to combining all federal food safety programs into a new agency is to establish a coordinating council of food safety programs to improve communication and the achievement of federal policy goals in protecting the public. Following such an approach in 2003, Representative Mark Udall (D-Colo.) introduced legislation authorizing the Secretaries of Agriculture and Interior to create a cooperative community protection and forest restoration program.

Path Three: Reorganization by Commission
Executive Branch Created
Creating a commission by executive order is a path open to a president contemplating organizational change in the government. This approach does not require the time, negotiation, and compromise required to secure congressional legislation. The president has it within his authority to assign groups of individuals within or without government the task of studying government organization and making recommendations for change. He may staff internal groups with personnel representing various agencies, as was the case with the National Performance Review, and be directly involved in the nature and direction of their activities. External groups may be funded privately, as was the Grace Commission. The amount of influence and control that the president will have with an external commission will depend significantly on his relationship with those he chooses to serve on it.

A president may combine federal and private sector experts in a single body, thus increasing communication between those who are directly familiar with government programs and management and those who bring an outsider's view. In such cases, complying with the applicable federal ethics regulations and securing appropriate funding will make the organizational task more complicated and may lead a president to seek congressional authorization and appropriations for the commission.

Legislative Branch Created
Using the legislative process to create a commission continues to be an option, and a popular one, for members of Congress who want to address government organization. As noted earlier, bills were introduced in 2003 in both the House of Representatives and Senate to create commissions to examine government agencies and programs. The commissions were

charged with reporting on the need to realign or eliminate unnecessary functions.

As with an executive-created commission, establishing a commission through legislation provides an opportunity to assemble a group of experts who have the time and expertise to focus specifically on their assigned task and report back with their recommendations. Congress then has the benefit of their considered analysis in determining how to address their problems.

However, for a commission to serve its full potential, Congress must leave it free to make its own recommendations. Policy makers need to be willing to fill commissions with independent-thinking experts and give them free rein to debate and make recommendations on the important issues before them.

Path Four: Reorganization via Legislative Authorization
Standing Reorganization Authority
Reinstitution of the president's long-held reorganization authority is another path through which executive branch reorgani-

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Where to Get Started

Given the historical difficulty of bringing about reorganization, two ways in which those undertaking this challenge can get started are:

Enhance the institutional capacity of government to determine where organizational change would improve government performance and then to plan for it. The success of each of the paths to reorganization can be enhanced through the establishment within the Executive Office of a permanent staff with expertise in government organization. A commission, presidential administration, or congressional committee considering reorganization would benefit from this group's expertise. A carefully considered and well-vetted plan is more likely to be enacted and to produce sound results than one created in the heat of a crisis. Given the critical role that responding to a crisis has played in bringing about government reorganization, being prepared on several fronts when the inevitable crisis does strike will allow policy makers to select the most promising approach.

Make reorganization an ongoing process. The reorganization process could proceed more smoothly if it were a regular part of government operations. New reorganizations should be undertaken before policy makers forget all the mistakes of the previous ones. There are reorganizations that are limited in scope and are demonstrably needed that should be obtainable if a focused, thoughtful, inclusive effort is made.

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zation can be implemented. The Bush administration testified in support of the Volcker Commission recommendation for renewed presidential reorganization authority in April 2003 (Dorn, 2003).

Because the political climate today does not bode well for Congress granting the president unfettered, broad authority to reorganize government, new approaches are needed. The political battles attendant to the creation of the Department of Homeland Security and the new Department of Defense personnel system left many in Congress wary of allowing expedited consideration for presidential reorganization plans. One new approach gaining increasing attention is the creation of a legislative framework for future reorganizations.

Time and Scope Limited Authority
An alternative to granting the president government-wide reorganization authority is for Congress to limit the authority in time and scope, as was the case to one degree or another in all of the authorities enacted in the last century. Thus a president's authority to propose a reorganization plan could be limited to a particular department or to agencies with related program responsibilities. It could be restricted to recommending program realignment, but not termination. The authority could be effective for a single Congress. Again, Congress could set time and scope limited authority.

Department or Agency-Specific Authorization
Perhaps the most direct path to bringing about organizational change in government is through the passage of a legislative reorganization act. Other than for those reorganizations authorized by presidential reorganization authority, this is a means by which any actual movement or consolidation or termination of government agencies and programs is accomplished. The initiative for the legislation may come from members of Congress, the president, a commission, or non-governmental interests. To work its way through the legislative process, the legislation will require a well-considered plan, concurrence by those directly affected, and political support strong enough to override what opposition remains.

Next Steps
Government organization is clearly important to the performance of government. There are steps policy makers can take now to address today's needs for organizational reform.

Presidential reorganization authority can be advanced through a new approach that is garnering broad interest. This approach involves resolving some of the issues that have proved divisive in recent reorganizations by settling them in advance. For example, establishment of a government-wide personnel policy to underlie any reorganization plan would remove

a leading issue of concern. It would also provide what many now see as a needed framework as agencies continue to be granted new personnel and management flexibilities. The Government Accountability Office, the National Academy of Public Administration, and the National Commission on the Public Service Implementation Initiative are working together to develop a model framework.

The House Government Reform Committee, under Chairman Tom Davis and Subcommittee Chairwoman Jo Ann Davis, has held several hearings on reinstituting presidential reorganization authority during the 108th Congress. The Bush administration testified in support of this effort, as did Comptroller General David Walker. Thus there is opportunity for this reform if a suitable framework can be devised.

Another positive development is the effort in the House to rationalize jurisdiction over homeland security agencies and issues. In 2003, the House created a Select Committee on Homeland Security, which included in its membership leadership of some of the many committees and subcommittees that currently have a piece of the jurisdiction. Currently the Select Committee is conducting legislative oversight of the new department. Still undetermined is whether the House will reorder its committee jurisdiction to permanently institutionalize the new committee's authority.

To further address this issue, Congress could establish a joint committee to examine its committee structure and recommend a realignment of jurisdiction along mission-centered lines. Special transition provisions could be employed to mitigate any significant change in the scope of responsibility of individual members. For example, when the Senate reorganized its committee system in 1977, folding the Committee on Post Office and Civil Service and the Committee on the District of Columbia into the Governmental Affairs Committee, the Senate amended its standing rules to provide that the former chairmen and ranking members of these committees be allowed to serve on the Governmental Affairs Committee in addition to the other major committee assignments to which they were entitled (U.S. Senate Standing Rules).

Finally, policy makers could start on a limited, specific reorganization, on which considerable work has already been done: the federal food safety system. This issue has been studied in past Congresses by the Senate Governmental Affairs Committee and recently by the House Government Reform Subcommittee on Civil Service and Agency Organization. The Government Accountability Office issued a report on March 30, 2004 (GAO, Federal Food Safety and Security System), calling for fundamental restructuring, and GAO testified on June 1, 2004, that change in the current organizational scheme could greatly increase government's performance in protecting the public health and safety. If this reorganization can be tackled successfully, it might open a path for others to follow. ∎

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TO LEARN MORE

The Center report "Government Reorganization: Strategies and Tools to Get It Done," by Hannah Sistare, presents various approaches to how government can undertake reorganization initiatives. It examines historical driving forces and re-organization strategies, and identifies four strategies to bring about organizational change in the federal government in the 21st century.
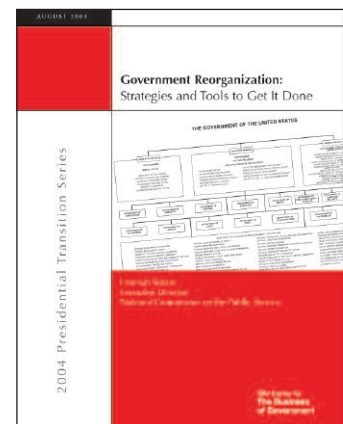
The report can be obtained:
- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
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- By calling the Center at (202) 515-4504
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Challenge 4: Managing for Results

By John M. Kamensky and Albert Morales

Introduction

The intent of those involved in drafting the Government Performance and Results Act (GPRA) of 1993 was that the new law—which created a reporting framework for federal agencies' performance information—would spark a results-oriented approach to managing. The fear, though, was that it instead would become a huge paperwork and compliance exercise, producing plans and reports that no one would read or use. As one observer noted, "there is a risk of GPRA becoming a hollow, paperwork exercise, requiring reporting that is unrelated to the real work of Congress and the agencies" and that is not timely for decision makers and too voluminous to be useful. The intervening years have not conclusively resolved these fears (Breul, 2003).

However, recent trends seem to be encouraging that governments at all levels are becoming increasingly results oriented. For example, a landmark 10-year retrospective of the implementation of GPRA by the U.S. Government Accountability Office (GAO) notes that GPRA focuses on results, service quality, and customer satisfaction, and that it is intended to improve congressional decision making by providing more objective information on achieving goals and on the relative effectiveness and efficiency of federal programs and spending. It concludes: "Ten years after enactment, GPRA's requirements have laid a solid foundation of results-oriented agency planning, measurement, and reporting that have begun to address these purposes" (GAO, 2004).

However, the head of GAO, Comptroller General David Walker, cautions: "We are now moving to a more difficult but more important phase of GPRA implementation, that is, using results-oriented performance information as a part of agencies' day-to-day management, and congressional and executive branch decision making" (Walker, 2003). That is what this article addresses—the use of performance information.

There has been a steady shift in conversations among government managers from "how do we create useful performance measures?" to "how do we use performance measures to better manage?" As a result, there is progress being made in moving from the first challenge—creating a capacity to measure—to the latter—using the measures to create a culture shift in public agencies to manage for results.

While there is progress, continuing the shift to a managing-for-results culture is still a major challenge: How do you shift from creating a *supply* of performance information to creating a *demand* for performance information? Part of this is being addressed by the U.S. Office of Management and Budget (OMB) with its introduction of performance budgeting and its Program Assessment Rating Tool (PART), both of which supplement the GPRA reporting framework. Another part of the "creating a demand" strategy is being addressed by the introduction of new personnel rules across the federal government that transform its performance management system for individual managers and employees from one that pays on the basis of individual longevity and performing tasks to one that rewards employees more for their contributions to their organization's performance and results—in short, managing for results!

What Is "Managing for Results"?

"Managing for results" is shorthand for a conceptual framework that reflects a fundamental change in the management cultures of governments around the globe. In an ideal world, it is a culture that is fact based, results oriented, open, and accountable.

Three years ago, the IBM Center's book, *Managing for Results 2002*, outlined four cutting-edge challenges: (1) involving customers, stakeholders, and employees; (2) increasing the use of performance information to get results; (3) achieving crosscutting outcomes; and (4) changing the fundamental jobs of individuals, organizations, and institutions. Since then, there has been uneven progress—but progress nonetheless. By 2005, it has become clear that successfully addressing the challenge of using performance information is the key to catalyzing progress in the other three challenges.

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Creating a Managing-for-Results Culture

Step 1: Start with a Personal Commitment

During the evolution of GPRA's implementation during the past decade, Christopher Wye served as director of the National Academy for Public Administration's Performance Consortium, composed of performance planners and measurers for major federal agencies. In that role, Wye found that a key motivator for improved performance was not the statute but rather the public managers themselves. In his IBM Center report "Performance Management for Career Executives: A 'Start Where You Are, Use What You Have' Guide," Wye starts with the premise that "most civil servants want to do what they are doing ... they want to make things better in their communities and country. They want the best and highest performance for themselves and their fellow citizens." With that premise, he sets out to "provide simple, practical, timely, low-cost strategies to help translate theory into practice." He continues by noting that "the standard is not the perfect but the possible.... The absolutely unacceptable response to the call for performance indicators is to do nothing."

Wye writes, "The successful manager of the future must understand and accept some level of responsibility for all parts of the service delivery process, extending from inputs to outputs and outcomes." This "logic model" for the service delivery system defines the sequence of individual parts of the process leading to an outcome. The measures of progress, therefore, have to be useful to the program manager. He concludes: "GPRA's primary goal is to improve management.... Its intent is to help program managers improve program performance by giving them a primary role in deciding what pieces of information ... they need to manage their programs.... the test of validity is whether information tells managers whether they are on or off course."

Step 2: Be Clear in What You're Trying to Do

Many managers firmly believe that, to manage for results, you start with measuring performance. The aphorism "you get what you measure" seems to be a key driver in getting results. But you may not get what you want if you are not clear, from

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> ### Creating a Managing-for-Results Culture
>
> **Step 1:** Start with a Personal Commitment
>
> **Step 2:** Be Clear in What You're Trying to Do
>
> **Step 3:** Create a Supply of Performance Information
>
> **Step 4:** Create a Demand for Performance Information

the very beginning, what you want. Endless stories can be told of managers creating measures and getting results very different from what they intended. For example, one agency set measures on their call-center employees that tied their bonuses to how many calls were answered each hour. Employees would take calls and hang up quickly, so they could take more calls. This increased the number of calls answered and the number of bonuses paid, but did not achieve what the managers intended.

Harvard's Robert Behn, a noted observer of public managers, knows how important it is for managers to be clear about what they want to achieve. He wryly notes: "All of the reliable and valid data about performance is of little use to public managers if they lack a clear idea about how to use them or if the data are not appropriate for this particular use" (Behn, 2003).

He defines eight basic purposes of performance measures: "As part of their overall management strategy, the leaders of public agencies can use performance measurement to (1) evaluate; (2) control; (3) budget; (4) motivate; (5) promote; (6) celebrate; (7) learn; and (8) improve.... The public manager's real purpose—indeed, the only real purpose—is to improve performance."

However, most managers are inundated with performance measures, in part because they don't have a clear idea of what they need, so they collect what they can get. But, a measure that is appropriate for one purpose may be com-
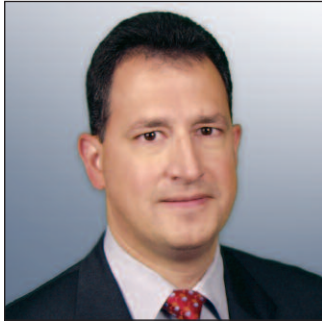
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pletely useless for another. Behn continues: "Before choosing a performance measure, public managers must first choose their purpose.... different users want different measures because they have different purposes ... but it is the nature of the purpose—not the nature of the user—that determines which characteristics of those measures will be most helpful." Even when managers must respond to measures imposed by outsiders, "the leaders of a public agency have not lost their obligation to create a collection of performance measures that they will use to manage the agency."

Generally, a manager's "purpose" for collecting performance information is defined in his or her organization's strategic or operation plans—if they are written in a way that allows measurement. While plans and measures are only the "supply" of performance information, they create the capacity for managers to manage for results. And, to the extent that a performance measurement system is not relevant to managers, the measures will be treated as a compliance exercise.

Step 3: Create a Supply of Performance Information
As noted by GAO and others, steady progress has been made in the creation of useful performance information, as well as its use. Albeit uneven across government agencies, it is progress, and the results of this progress have been encouraging. For example, GAO's 2004 survey of federal managers reports that 55 percent of managers have access to program outcome measures—an increase from 32 percent when first surveyed in 1997.

The increased availability of useful performance measures is bolstered by the findings of a 2004 IBM Center report, "How Federal Programs Use Outcome Information: Opportunities for Federal Managers," by Harry P. Hatry, Elaine Morley, Shelli B. Rossman, and Joseph S. Wholey. They describe how 16 federal programs have successfully used performance information to inform management decisions and improve program performance. They begin with the premise "that a major use, if not the major use, of regularly collected outcome information should be by program managers themselves to improve the effectiveness of their programs." They describe a common

view "that federal program managers and their staffs have little authority to make changes" in response to poor performance. However, they conclude that the examples they reviewed "make a real case that program managers have sufficient responsibility, if not the actual authority, to make many changes" in program operations. They found that many program managers use more performance information in their day-to-day decisions than is commonly recognized. Hatry et al. identified two dozen different uses of outcome information as a result of their case studies. In many of these cases, the program managers had not made the explicit connection between their decisions and the performance information they had available; nevertheless, the information did serve as a backdrop to their decisions.

In addition to development of the capacity and the availability of performance information for managers, there is a steady improvement in the quality and quantity of performance information being reported to Congress at the end of the fiscal year for decision making and accountability purposes. In fact, the Office of Management and Budget has directed agencies to speed the reporting of their performance information after the end of the fiscal year so it will be available when budget decisions are being made. The GPRA statute requires reports to Congress six months after the end of the fiscal year. OMB has administratively accelerated that deadline to six weeks after the end of the fiscal year, beginning with the conclusion of fiscal year 2004. A number of agencies have already met that new deadline when issuing their 2003 and 2004 annual reports. The annual scorecard by George Mason University's Mercatus Center on the quality of federal agencies' performance reports shows widespread improvement, even as they accelerate their reporting. The Mercatus Center reports the greatest improvement has been in "articulating outcome goals and identifying changes to improve performance in the future" (Mercatus Center, 2004).

Another recent IBM Center report, "E-Reporting: Strengthening Democratic Accountability," by Mordecai Lee, looks beyond traditional approaches to performance reporting. Lee examines the use of e-reporting as a tool for ensuring greater transparency

and accountability for agency performance to citizens. He maintains that "public reporting is an important part of the performance measurement process." Lee found that "agencies are stretching the potential of e-government technology to provide information the public can use as well as accomplishing accountability to the citizenry." Likewise, the IBM Center report "The Baltimore CitiStat Program: Performance and Accountability," by Lenneal J. Henderson, finds that this framework "has stimulated the accumulation of previously unavailable data regarding the operation of the municipal government" and made this information directly available to citizens. Though the framework was initially developed to help city managers improve operations, making it available on the web has created a new "civic communications tool."

Lee concludes that "the tool of managing for results can be used not only for internal organizational and control purposes, but also for democratic accountability" to the citizens affected by the performance of specific programs. While public managers have traditionally avoided public release of management-level performance information, Lee contends that "good efforts at democratic accountability lead to good things for government agencies" because citizens see themselves as being invited to participate in the oversight of programs that affect them directly.

Step 4: Create a Demand for Performance Information
In addition to steady progress in the use of the existing tools of managing for results—namely a variety of statutory frameworks created in the 1990s—several administrative steps have been taken to expand their reach. The most notable have been OMB's leadership in integrating performance into the budget and its creation of the Program Assessment Rating Tool (PART). In addition, recent civil service reform changes in the Homeland Security and Defense Departments have placed a greater emphasis on the individual employee's role in improved organizational performance. Taken together, these efforts have begun to shift the managing-for-results dynamics from GPRA, which provides a "supply" of performance information, to a "demand" for information by program managers.

The IBM Center Report "Linking Performance and Budgeting: Opportunities in the Federal Budget Process," by Philip G. Joyce, defines a comprehensive framework for performance-informed budgeting that looks at opportunities for use of performance and budget information at each stage of the budgeting cycle—from budget preparation to budget approval to budget execution and eventually program evaluation. He concludes that the further development of performance-informed budgeting should "focus less on the Congress and more on how performance information can influence the management of resources within the executive branch."

New OMB budget requirements create a bridge between executive branch and congressional users, but with a heavy tilt toward executive branch use. For example, in its annual budget guidance to agencies in July 2003, OMB declared that "beginning with the budget for FY 2005, agencies will prepare a performance budget in lieu of the annual performance plan" (OMB, 2003). OMB defined a "performance budget" as consisting of:

> a performance-oriented framework in which strategic goals are paired with related long-term performance goals (outcomes) and annual performance goals (mainly outputs). The strategic goals span a number of agency programs and operations and may span different agency component organizations. The long-term and annual performance goals are usually program-specific and can be grouped and displayed by program.... agencies are encouraged to align resources at the performance goal level. Resources should be fully costed, with centrally funded administrative services and support allocated to the programs.

The fiscal year 2005 budgets submitted by agencies to Congress in early 2004 were the first comprehensive submissions of a performance budget organized around agencies' strategic plans that were integrated with the GPRA-required annual performance plans.

Parallel to its performance-budgeting initiative is OMB's Program Assessment Rating Tool, or PART. This diagnostic questionnaire is used to rate selected programs. It contains general questions around four broad topics (program purpose and design, strategic planning, program management, and program results). OMB says it "will use these assessments to help make budget decisions as the budget is formulated." OMB rated 20 percent of agency programs beginning in 2003, rated another 20 percent in 2004 and in 2005, and plans to continue the process until all major programs (around 1,000) are completed. PART begins to change the way federal managers think about their responsibilities; it places the burden of proving effectiveness on their shoulders.

In addition to OMB's emphasis on linking organizational and program performance to budget, the Office of Personnel Management (OPM) has been leading the charge to link individual performance to organizational and program performance as well. To date, OPM has championed legislative reforms that explicitly link senior executives' pay increases to organizational performance and supported statutory changes separating the Department of Homeland Security, the Department of Defense, the National Aeronautics and Space Administration, and the Securities and Exchange Commission from the overall civil service system to allow a greater link

between pay and performance. GAO examined this approach in high-performing organizations that were early adopters of this approach and sees this trend as a way of " … fundamentally changing their cultures so that they are more results-oriented, customer-focused, and collaborative in nature.… high-performing organizations have recognized that an effective performance management system can be a strategic tool to drive internal change and achieve desired results" (GAO, 2003).

Lessons Learned from Pioneers in Using Managing-for-Results Systems

From the beginning of the managing-for-results movement in the United States in the early 1990s, a series of implementation challenges have yet to be resolved. The early years of GPRA implementation focused on creating the overall goal-setting, performance-measurement, and reporting framework. Today, the challenges are centered more on the use of performance information. The federal government, states, and localities are making progress, but they still face some common challenges in making their "managing for results" systems work:

- How do federal managers obtain and use information from grantees and other third parties to leverage performance?
- How do program managers set reasonable performance targets?
- How do federal managers lead when the federal government is a minority partner in solving a major public challenge?
- How much should elected leaders emphasize performance versus performance measures in the budget process?
- How do senior leaders create a governing structure that integrates performance information and strategies horizontally across agencies and levels of government to achieve a common outcome?

A series of IBM Center reports, compiled into the new book *Managing for Results 2005*, addresses these issues and provides lessons on what works and what to avoid.

Lesson 1: Foster the Availability of Information, Then Use It to Leverage Third-Party Performance

One of the biggest challenges federal agencies face in managing for results is when they must rely heavily on third parties—such as state and local governments—to deliver on results the federal agencies are held accountable for achieving.

One chapter, "Strategies for Using State Information: Measuring and Improving Program Performance," by Shelley H. Metzenbaum, sets the stage when she notes "states resent efforts by the federal government to influence their goals and their performance levels." She uses a series of case studies to describe the dynamics that occur when federal agencies must work with states to achieve common outcomes. She says success "depends on agency skill in balancing the use of three

tools it has at its disposal: measurements, mandates, and money." She found that federal agencies that use performance measures to create information useful to their state partners are more likely to build more valuable measurement systems than those that are used primarily to enforce accountability with federal requirements.

Lesson 2: Set Performance Targets—But Recognize the Effects of External Factors

Setting goals, measures, and outcomes is relatively simple. The challenge for most organizations is agreeing to specific performance targets to be achieved in the coming year. This is the point when managing for results shifts from being a theory to reality, especially if these targets are tied to budget resources and individual performance assessments. However, the targets have to be realistic, or the system will be ignored.

Carolyn J. Heinrich, in another chapter, examines the dynamics of what happens when a federal agency sets performance targets for a state-administered program under the Workforce Investment Act (WIA). She found that setting performance targets is a key task that determines the nature of incentives in a performance management system. However, in WIA, the performance management system did not adequately account for changes in external conditions, such as a recession. At the same time, federal managers created targets that assumed continually improving performance levels, and funding levels were tied to these performance levels. As a result, the performance measurement system became increasingly disconnected from reality, and state-level program managers began

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Lessons Learned

Lesson 1: Foster the Availability of Information, Then Use It to Leverage Third-Party Performance

Lesson 2: Set Performance Targets—But Recognize the Effects of External Factors

Lesson 3: Use Collaboration and Performance Management to Mutually Reinforce Action and Results

Lesson 4: Emphasize Achieving Performance Over Meeting Targets

Lesson 5: Create a Management Framework to Drive Results

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to game the system to avoid sanctions for not meeting goals that were increasingly impossible to meet.

Heinrich concludes that performance measures should provide feedback to managers and staff about the effectiveness of their activities in improving service quality and client outcomes. Using target setting and a financial rewards/sanctions approach can be effective only if there are ongoing and systematic adjustments in performance targets to account for factors outside the control of program managers. This implies a continued role for state and local program managers in providing input into the performance target-setting and adjustment processes. Setting performance targets may be good accountability, but a poor way to manage for results.

Lesson 3: Use Collaboration and Performance Management to Mutually Reinforce Action and Results

One of the biggest challenges facing public managers is that they oftentimes can influence only a segment of a major outcome that needs to be achieved. How can you solve problems when the power and capacity to address them is widely dispersed? This is probably most acutely visible in environmental challenges, which respect no organizational or man-made geographic boundaries. In another chapter, Mark T. Imperial provides insights from three frontline cases in an area noted for complexity—managing watersheds. He describes how collaboration across agencies and non-governmental groups can be an explicit governance tool for achieving outcomes no one of those groups could achieve alone.

His insights and recommendations are increasingly applicable to a wide range of public managers because successful managers are increasingly finding that to deliver results means having to work in a collaborative setting where they may have influence, but not necessarily control, over the outcome.

Imperial concludes that to do this, "managers are relying on two mutually reinforcing strategies to improve network governance"—collaboration and performance management systems. When taken together, the tools of collaboration and performance management systems can serve as strong motivators for action and results in addressing complex public challenges.

Lesson 4: Emphasize Achieving Performance Over Meeting Targets

In another chapter, "Using a Performance Budgeting System: Lessons from the Texas Experience," Joe Adams comes to a similar conclusion as a result of a performance measurement system that may have gone awry. Adams describes how the Texas state budget and evaluation system does actively engage its Legislature in managing for results. Over the past decade, Texas has integrated performance measures directly into its

appropriations process, assuming that using performance measures produces better performance. The Legislature has become heavily involved both in setting performance measures as well as defining specific strategies and performance targets that should be pursued to achieve program goals. The Texas budget does not fund agencies and programs so much as it funds specific strategies and targets to be pursued by different agencies. This is a radically different approach from what most states (and the federal government) use. But does it work?

Adams found that narrowly defined performance measures have been added over the years by the Legislature or as a consequence of requirements embedded in various federal grant programs. As a result, "the addition of multiple layers of related measures became a kaleidoscope of differing perspectives, endlessly fascinating yet analytically baffling and ultimately distracting." He also found that the Texas Legislature was less engaged in understanding agencies' performance than in whether agencies were complying with the targets set in appropriations legislation. Adams concludes that performance measurement systems "should emphasize performance, not just meeting targets." He also found that it is essential to define what it is that drives performance first, before adopting measures, by designing a flow chart or logic model of performance. This is best done in the context of executive agencies, not a legislature that is in session only 140 days every other year and is pressed for time to deal with policy issues, with little time to address micro-level performance.

Lesson 5: Create a Management Framework to Drive Results

Having useful and timely information available to a network of users is just a start. Organizations have to integrate the data into their day-to-day operations, and this sometimes requires changing the organizational structure. Successful outcome-oriented organizations have developed a management structure that capitalizes on the performance information collected so the information is analyzed and can be used by managers in real time to improve performance and achieve results. We first described such a management structure in place in New York City's police department in *Managing for Results 2002*, called CompStat (O'Connell, 2001). This approach has been replicated in other policy arenas and other communities around the country. One of the more comprehensive applications of this approach is in use in Baltimore, Maryland. In *Managing for Results 2005*, Lenneal Henderson describes how Mayor Martin O'Malley is using CitiStat to manage for results.

The Baltimore CitiStat approach serves both as a management tool as well as a civic engagement device. Henderson notes, "Staff use computerized information networks to collect biweekly data from city agencies, to generate analyses of

agency performance trends from those data, and to develop geographic information data," which are then used to adjust performance or develop a new tactic to address challenges. For example, CitiStat helped manage a 25 percent reduction in the number of children with elevated lead levels in a two-year period. Henderson also notes that CitiStat has evolved, as well, into a locus of useful intelligence about government operations for many businesses, state and federal agencies, and civic, community, and educational organizations.

The CitiStat approach creates "on demand" performance information that, along with the appropriate management framework, seems to have potential applicability in many other policy arenas at all levels of government.

Conclusions

The U.S. federal budget deficit and the impending retirement of the baby-boom generation will create enormous strains on government as we know it. This will create increased pressures to better manage for results. Some useful lessons learned in the IBM Center's research can inform future directions in three areas that public managers will face:

- *Developing new tools for achieving performance, such as performance budgeting.* Other tools being used increasingly include performance contracts, performance grants, and better understanding of the full cost of delivering services. In each case, an underlying capacity for success seems to be a technology system that enables the collection, processing, and display of real-time, "on demand" information relevant to program managers.
- *Developing new management frameworks for getting results, such as Baltimore's CitiStat.* The use of logic models and collaborative networks seems to be gaining increased use as policy makers and managers increasingly demand results that no one agency or level of government can provide.
- *Ensuring senior leaders create a demand for performance, action, and results.* Wye and Behn both stress the importance of leaders who go beyond promising performance to delivering results. Increasingly, citizens expect results. While government planners, performance measurement experts, program evaluation specialists, and budgeters can—and have—created a supply of performance information, it is senior leaders, such as Mayor O'Malley in Baltimore, who use it effectively and create a demand for more. ■

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New from the Center: Recently Published Reports

## 2004 Presidential Transition Series
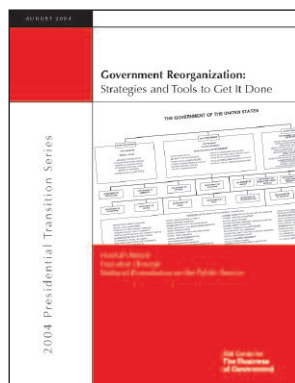
Government Reorganization: Strategies and Tools to Get It Done
Hannah Sistare

This report provides various approaches to how government can undertake reorganization initiatives. It identifies four historical driving forces for reorganizations: to make government work better, to save money, to enhance power, and to address pressing problems. The report then examines four principal reorganization strategies that policy makers have used in the past: commissions, presidential reorganization authority, executive-branch reorganization staff, and congressional initiatives. Four strategies to bring about organizational change in the federal government in the 21st century are then identified: virtual reorganization through e-government, virtual reorganization through coordinating councils, reorganization by commission, and reorganization by legislative authorization.

Performance Management for Political Executives: A "Start Where You Are, Use What You Have" Guide
Chris Wye
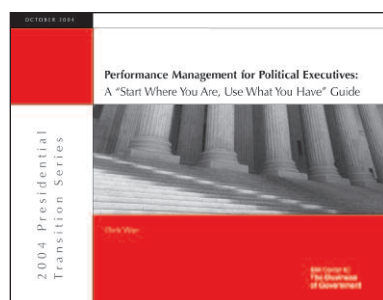
Wye describes how political executives can overcome common problems in the design, alignment, use, and communication of performance measures and information. The report links performance-based management to the higher calling of public service and provides a meaningful rationale as to why political executives should care about performance-based management. In the past, political appointees have traditionally focused primarily on the political agenda, without much attention given to management responsibilities. The report offers specific advice on actions and approaches career executives can take to address management challenges. This guide serves as a companion to Wye's report "Performance Management for Career Executives: A 'Start Where You Are, Use What You Have' Guide."

Becoming an Effective Political Executive: 7 Lessons from Experienced Appointees (2nd edition)
*Judith E. Michaels*
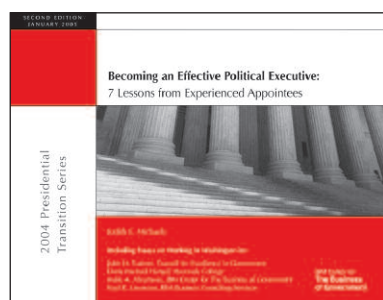
This report was prepared to assist new political appointees as they enter the political world of Washington, D.C. The study is based on two surveys of previous political appointees, as well as personal interviews with nearly 50 former political executives from both Democratic and Republican administrations. Their experiences have been distilled into seven key lessons: turn to your careerists, partner with your political colleagues, remember the White house, collaborate with Congress, think media, pace yourself, and enjoy the job. The report also includes four essays on working in Washington: "Working with the Congress" and "Working with the Media" by John H. Trattner; "Working with Career Executives to Manage for Results" by Dana Michael Harsell; and "Working to Transform Your Organization" by Mark A. Abramson and Paul R. Lawrence.
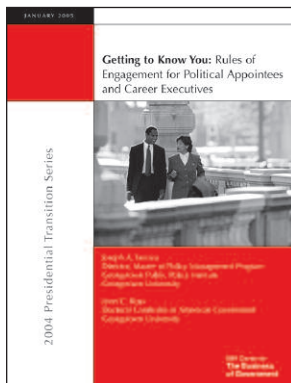
Getting to Know You: Rules of Engagement for Political Appointees and Career Executives
Joseph A. Ferrara and Lynn C. Ross

Ferrara and Ross dispel common myths held by political appointees about careerists and by careerists about political appointees. One such myth about careerists suggests that they are loyal to the previous administration. A myth about political appointees implies that they care only about ideology and not about organizational stewardship. The report sets forth constructive "rules of engagement" that political and career executives can use to form partnerships in achieving the administration's program and policy objectives. Rules for engagement for careerists include knowing their jobs and developing their expertise. For political appointees, rules include engaging the career staff and listening to their advice. The report is based on conversations conducted by the authors with both political and career executives.

Collaboration: Partnerships and Networks Series
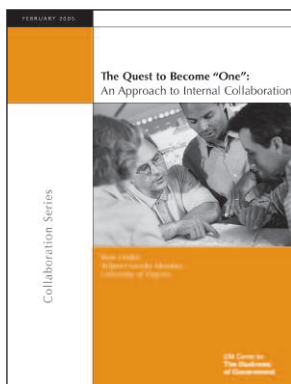
**The Quest to Become "One":** An Approach to Internal Collaboration
Russ Linden

This report examines the efforts by three federal organizations—the Department of Veterans Affairs, the Department of Transportation, and the National Aeronautics and Space Administration—to change the behavior of those within the organization to move in greater concert toward the achievement of organizational goals. The three initiatives—*One VA*, ONE DOT, and One NASA—were each unique and faced distinct challenges. The report examines what it means for a federal organization to become "one," the hurdles each agency faced, and which strategies appear to work well. The author shares lessons learned from each initiative and suggests strategies for enhancing "oneness" in federal organizations.

E-Government Series
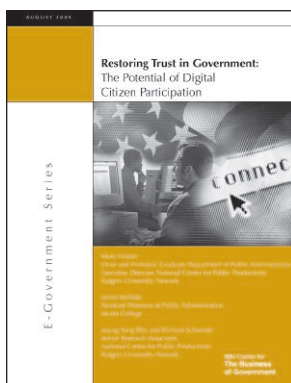
Restoring Trust in Government: The Potential of Digital Citizen Participation
*Marc Holzer, James Melitski, Seung-Yong Rho, and Richard Schwester*

Three case studies illustrate how government organizations are now using technology to enhance citizen participation. The report addresses a fundamental challenge of government in the digital age: How can individuals engage in a two-way dialogue on public issues without relying on interest groups or other intermediaries? Technology has created new tools for allowing citizens to more meaningfully participate in a dialogue with their fellow citizens and their government. In an increasing number of cases, these tools have been successfully employed and are improving the quality of public decisions. This report describes three of those efforts and offers lessons to policy makers and government executives on ways they can increase the voice of citizens in the decision-making process.
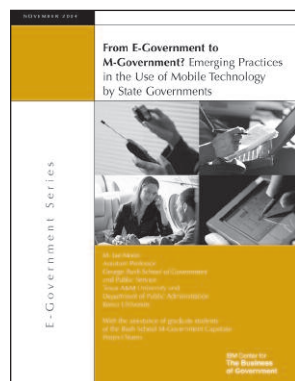
From E-Government to M-Government? Emerging Practices in the Use of Mobile Technology by State Governments
*M. Jae Moon*

Adding to our expanding knowledge base and understanding of e-government, this report focuses on the potential of m-government (the use of mobile technology) to improve and enhance government services. The report broadly defines m-government as government's efforts to provide information and services to public employees, citizens, businesses, and nonprofit organizations through wireless communication networks and mobile devices such as pagers, PDAs, cellular phones, and their support systems. Through case studies of best practices in m-government and two surveys, this report finds that mobile technologies can dramatically improve the delivery of emergency and public safety services.
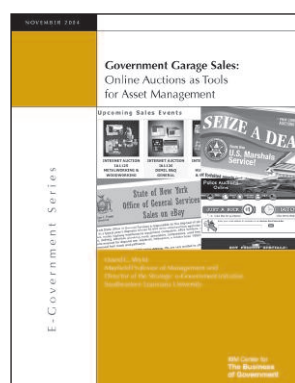
Government Garage Sales: Online Auctions as Tools for Asset Management
David C. Wyld

This report presents examples of how government agencies are succeeding at selling both everyday items and high-end goods via online auctions. It provides a comprehensive review of online auction sales by discussing the theory and practice of auctions. Five case studies of how online auctioning is now being employed are presented: eBay and the Public Sector; the Department of Defense and Liquidity Services, Inc.; Bid4Assets—Taking Tax Sales off the Courthouse Steps; Property Bureau—Transforming the Police Auction; and the Demolition of Three Rivers Stadium. This report concludes with lessons learned and provides a road map that government executives can use in making decisions about the management of surplus, seized, or forfeited assets in the public sector via online auctions.
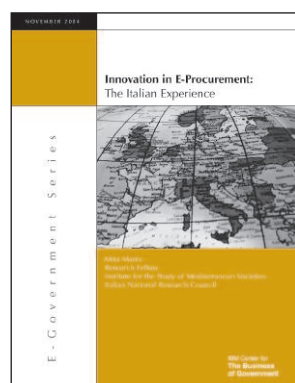
Innovation in E-Procurement: The Italian Experience
Mita Marra

Italy's new public procurement system, created through Consip—a public company owned by the Italian Ministry of Economy and Finance—is the focus of this report. Consip created a new information technology platform and new operational procedures for public acquisitions that included an electronic catalog, online auctions, and an electronic marketplace. Working as a public company, Consip was designed to minimize red tape, recruit a highly educated workforce, and be more responsive to clients. This report finds that public agencies' use of new procurement procedures appears to have achieved many of their intended results. It concludes with findings and recommendations for Consip itself and for other countries currently transforming their public procurement system.

Human Capital Management Series
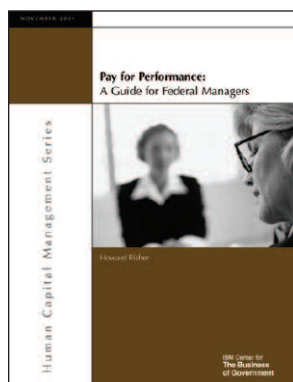
### Pay for Performance: A Guide for Federal Managers
Howard Risher

This report provides timely advice to federal managers involved in the planning and implementation of pay-for-performance systems. It examines arguments for and against pay for performance, reviews various approaches to pay for performance, and discusses the challenge of implementing such systems. It also provides a framework for developing and evaluating specific pay-for-performance policies and management practices. A series of recommendations for the future are presented: building support and "ownership" for the policy change, defining goals, preparing and supporting managers in their new role, enhancing employee understanding, assessing performance management system considerations, anticipating problems, and managing incentive bonus awards and non-cash awards.

Managing for Performance and Results Series

Performance Management for Career Executives: A "Start Where You Are, Use What You Have" Guide (2nd edition)
Chris Wye
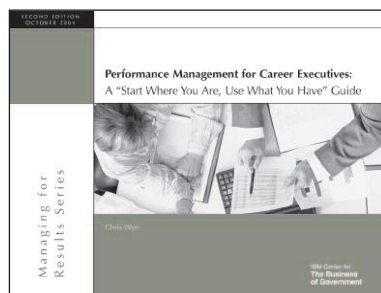
This report describes how career executives can overcome common problems in the design, alignment, use, and communication of performance measures and information. It provides a series of antidotes to the cynicism and fatigue frequently felt by career executives in regard to performance management. The report offers specific advice on actions and approaches career executives can take, and urges career executives to use goals and performance measures as critical aspects of their work. This guide serves as a companion to Wye's report "Performance Management for Political Executives: A 'Start Where You Are, Use What You Have' Guide."
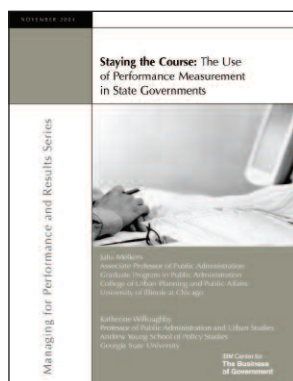
Staying the Course: The Use of Performance Measurement in State Governments
Julia Melkers and Katherine Willoughby

This report provides an overview of performance management at the state level, and how state budgeting systems have evolved to now incorporate measurement of program activities and results. It describes why performance initiatives continue to be touted by both legislatures and central leadership in the states. The report describes which components of performance measurement and performance-related initiatives have been most useful in the states. The authors also identify key trends. First, the integration of performance-based budgeting efforts has occurred along with other public management initiatives such as strategic planning. Second, states now appear prepared to stay the course and continue to enhance their performance management systems for broader application.

Market-Based Government Series

Competitive Sourcing: What Happens to Federal Employees?

Jacques S. Gansler and William Lucyshyn

By examining all A-76 competitions conducted by the Department of Defense from 1994 through the first quarter of 2004, this report analyzes the impact of competitive sourcing on federal employees. The authors present three major conclusions. First, most claims of the negative impact of competitive sourcing on federal employees are unfounded. Second, the data affirmed previous research on the benefits of competitive sourcing. Third, the study found that since 1999, in-house bids have increased their "win rate," and that by 2003, government won nearly twice as many competitions as did private sector contractors. Four case examples illustrate how managers have used extensive planning and creative bid solicitation techniques to minimize negative impacts during the separation of employees.
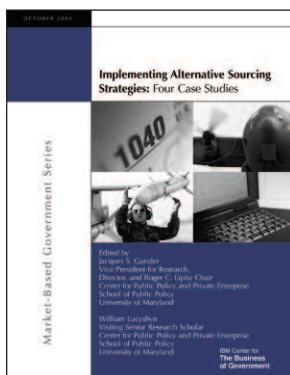
Implementing Alternative Sourcing Strategies: Four Case Studies

Edited by Jacques S. Gansler and William Lucyshyn

Four case studies highlight how organizations have implemented outsourcing, competitive sourcing, and public-private partnerships to achieve savings and better performance. First is NASA's initiative to outsource its computer desktop maintenance to the private sector. The second illustrates the use of competitive sourcing by the IRS as part of its effort to modernize. The third, Offutt Air Force Base's decision to compete more than 1,500 positions, is an example of the military's efforts to shift more active duty personnel from support to combat-oriented positions. The fourth, a form of public-private partnership for maintenance of C-130 aircraft propeller assemblies at Robins Air Force Base, demonstrates the Air Force's commitment to reducing costs to make funds available for military modernization.
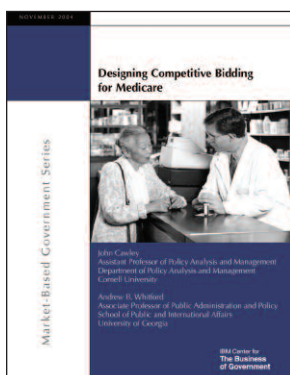
Designing Competitive Bidding for Medicare

John Cawley and Andrew B. Whitford

This report provides a case study of how one government agency—the Centers for Medicare & Medicaid Services (CMS) in the U.S. Department of Health and Human Services—has been mandated by Congress to begin competitive bidding in 2006. The mandated bidding process is a market-based approach to setting payments for the managed-care portion of Medicare. The report describes the basic features of any competitive bidding process, and outlines lessons from three systems of competitively bidding healthcare markets by the U.S. government: for health insurance for federal employees, for military dependents and spouses, and for durable medical equipment. The report offers strategies that federal agencies can use as they move to market-based government.

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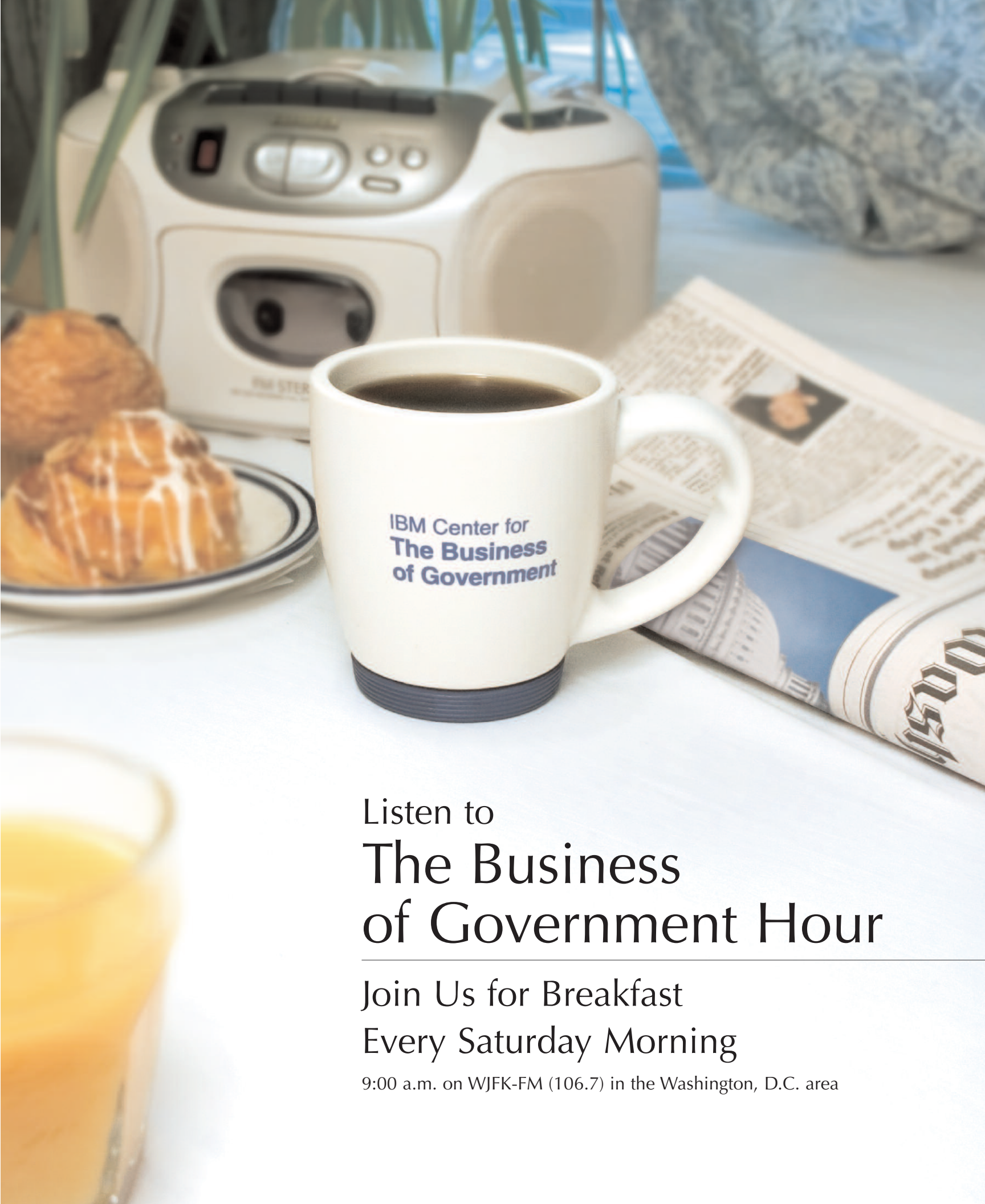
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