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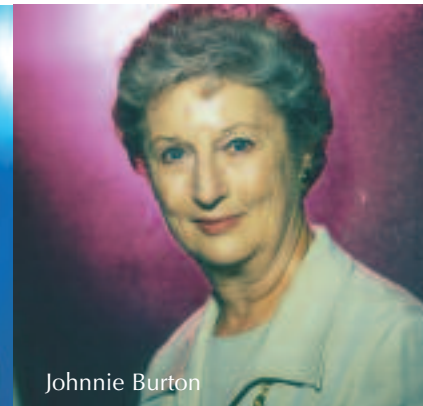
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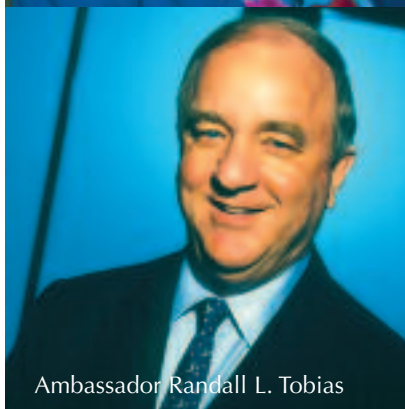
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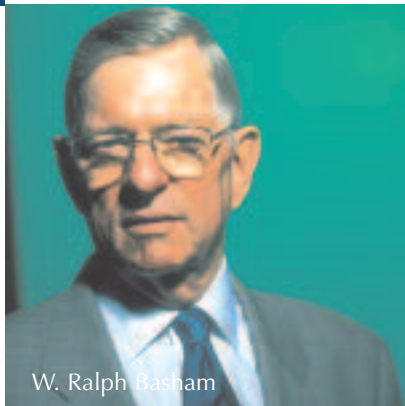of Government**

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By Albert Morales

Albert Morales is Managing Partner, the IBM Center for The Business of Government, and Partner and Practice Leader, Strategy and Change, IBM Business Consulting Services. His e-mail: albert.morales@us.ibm.com.

What the Response to Katrina Taught Us: The Need for Transformational Change

You did not need to be directly impacted by Hurricane Katrina to know that government's response to Katrina went terribly awry. The television images from New Orleans and the Gulf Coast spoke loudly. Hurricane Katrina exposed to the entire world that we, as a nation, were unable to respond effectively to a disaster of this magnitude. In general, government was a poor match for the challenges posed by Katrina.

It is clear that the response to Katrina was a systemic failure—with breakdowns at every level of government—local, state, and federal. Government in the past has shown that it knows how to do things by itself—when it has clear lines of authority. But when government requires working and collaborating with others—such as key organizations in the public, private, and nonprofit sectors—things start to break down. During the aftermath of Hurricane Katrina, agencies and levels of government found themselves trapped in their own functional (or, more accurately, dysfunctional) silos. They could not communicate, they could not function, and they could not respond in a coordinated fashion. Recent congressional testimony by key federal and state officials again demonstrated this lack of communication between levels of government.

The importance of collaboration is increasing. Today, fewer and fewer public services are delivered through a single hierarchical government organization. More and more, services are being provided by networks of public, nonprofit, and private service providers. Why? Networks of service providers provide government with the tools and flexibility to respond in ways that no one single organization can. This is particularly true in the case of emergency response, where the National Incident Management System (NIMS) recognizes that, for most major emergencies, a network will be required. This is typically called "interoperability"—the ability to seamlessly work together to solve problems.

The lesson is that fundamental transformational change is needed—in the White House, in Congress, in the Federal Emergency Management Agency (FEMA), in other federal agencies, and in state and local governments—if the United States is to have an effective response system to crisis. There is now a critical need to take a systemic view—and not narrowly address the problems of a single agency or an isolated set of actions. Emergency management requires coordination of a wide range of organizations and activities, public and private. Government has to transform the way it does business—how its work gets done—to more effectively deal with the challenges facing the nation. It means mastering new possibilities and addressing the vulnerabilities that come with an increasingly challenging world.

Hurricane Katrina was a galvanizing event. Learning from mistakes is never easy. Unfortunately, it is easier for lawmakers and policy officials to make marginal, incremental reforms. Strictly making incremental reforms would now be unfortunate because we know with certainty that we will soon again face another tragic event of one sort or another. But in an increasingly dangerous world, old ways of doing business in established, traditional ways are no longer acceptable. It is a matter of survival. This issue of *The Business of Government* contains a Forum titled "Transforming Government." Hurricane Katrina clearly demonstrated the need for transformation. We hope that this Forum will contribute to the current debate about what the government of the future might look like. ■

A Conversation with the Honorable Martin O'Malley, Mayor of Baltimore, Maryland

Earlier this year, Mayor Martin O'Malley made the following remarks at an IBM Center for The Business of Government event celebrating the publication of Managing for Results 2005, *edited by John M. Kamensky and Albert Morales.*

On Best Practices

I want to thank IBM for publicizing best practices in good government. This information is very helpful to those of us who have the honor, privilege, and responsibility of serving in government. It is very helpful to actually have a body of work that we can read and get a sense of how to move forward in this great adventure.

On the Power of Goals and Transparency

I want to throw out a few things to you that I hope you will keep in mind during my remarks. One is the power of goals. Human beings need to be challenged [and] they want to be challenged. They challenge themselves in their family lives with imagination and high hopes. And in our political life, people also want challenges. In city government, they might not enjoy our CitiStat sessions, but they do like challenges and goals. Second is the importance of openness and transparency. If we expect our government to make this world a better place, it's impossible to do that without openness and transparency.

On Baltimore

Baltimore is a city of 640,000 people and growing. [When I was elected in 1999], Baltimore had been designated by the FBI as the most addicted city in America based on drug-related emergency room admissions. The FBI had also designated Baltimore the most violent city in America in 1999. In the 1990s, we lost more of our private job base than any other major city in America, and more of our population than any major city in America. There were only two good things that came out of this. One is that there was only one way to go. The second is that the public is generally pretty receptive to the notion of innovation and trying some different things to get going in the right direction.

On the Origins of CitiStat

After winning the election, I remember going to the various department heads of major departments. I was talking to the head of public works. In the course of our transition discussion, I said, "Well, how many vehicles do we have in the city fleet?" On the council, where I had served for eight years, we kept hearing that we have all these costs with fleet, fleet management, and fleet maintenance. And the head of public works said, "5,500." I said, "5,500?" He then said, "6,000." I said, "This isn't a quiz show." He responded, "You know, every organization has some things they do well and some things they don't do well. We've really never done this fleet thing well." Well, what we found was that in our city, local government had been given a free pass on the sorts of things that if you did them in business, you wouldn't be in business for very long.

What [was] missing were some of the basic measurements for all sorts of important things that we do. One thing that I had seen during the time that I was on the city council was what New York City was doing under Police Commissioner William Bratton and Mayor Rudy Giuliani. They were doing what they called performance-measured policing: where you put the dots on the map, deploy the police officers to the dots, force everybody to share information, and coordinate and cooperate. They were forced to do it every two weeks. You would be amazed at how talented people can really solve problems when they're forced to talk to each other regularly.

I then received a tutorial from a great man named Jack Maple. Jack was the deputy commissioner of police under Commissioner Bratton. He was a lieutenant in their Transit Authority Police before Bratton recognized his talent and elevated him. Jack was a savant when it came to organizing human beings, and Jack taught me a great deal. His ambition, as was mine, was to take that same performance-measurement approach applied in New York in CompStat [their performance information system for the police department] and apply it to the other city departments in government. I wanted to meet every two weeks with my command staff and the departments and to start making real progress for the people we serve. There was no time to waste.

Some people might think we did this to be clever, in order to make it into *Managing for Results 2005*. The truth of the matter is, we did it to survive. We did it to stop the bleeding. We did it to attract people back to our city. Nobody—rich or poor, black or white, Democrat or Republican—wants to live in a city that's becoming progressively more dangerous, more dirty, and more unhealthy. There's not a whole lot of opportunity in a place like that for the next generation.

On the Early Days of CitiStat

We were moving from a spoils-based system of patronage politics to a results-based system of performance politics. What does that mean in practical terms? One example is when, in 1999, we learned that we could a get COPS [Community Oriented Policing Services] grant that would put 200 additional police officers on our streets. In a patronage style of politics, we would say, "Where are the people who helped me win the election?" You would then deploy the police officers where you felt that you needed to reinforce your political base. Under performance politics, you instead would deploy those 200 additional cops in the right places [in order to get results]. Seems simple.

We found that this was a revolutionary way to do local government. We deployed limited resources to where the problems were, regardless of the political persuasion of the people who lived there. If we had limited dollars for investment, we would deploy them to where they can have the greatest impact in terms of the additional private dollars that they could leverage.

We started with police. We built out a room for $20,000, used off-the-shelf software, and put up wallboard. I tell other mayors to make sure they put up a new wallboard and a glass partition, because people in these old departments and bureaucracies don't often see new wallboard, new partitions, and new paint. Next, we added the department of solid waste and wastewater. We then added all the various departments in city government, including human service and economic development areas.

On the Challenge of Implementing CitiStat

Old city government tenet number one was: "If the mayor really wants to know, we can find out, but we'll have to pull all of our other people off their jobs and it will take weeks." Old city government tenet number two was: "We'll get to that as we can, but it will take a few months because our budget was cut last year, implicitly, by you."

Number three: "Well, that's the way we've always done it," or "We're already doing that," or "We tried that and it didn't work." Number four: "I hope the city council forgets about this issue before the next budget time rolls around." When

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About Mayor Martin O'Malley

Martin O'Malley was elected mayor of Baltimore, Maryland, in 1999 at the age of 36, becoming the youngest big-city mayor at that time, as well as the youngest in Baltimore's history. He was re-elected in 2004. In 2005, *Time* magazine named O'Malley one of the five best big-city mayors in America.

In addition to his duties as mayor, O'Malley is also chair of the Board of Directors of the Baltimore Metropolitan Council, a member of the Advisory Board for the U.S. Conference of Mayors, and chair of the International Task Force for the National League of Cities.

Mayor O'Malley served as an assistant state's attorney for the City of Baltimore from 1988 to 1990. In 1991, he was elected to the city council representing the 3rd District, where he served until 1999. While on the city council, he served as chairman of the Legislative Investigations Committee and chairman of the Taxation and Finance Committee.

He received his B.A. from the Catholic University of America and his law degree from the University of Maryland. He attended Gonzaga College High School in Washington, D.C.

you look at most governments, performance measurement simply does happen very often. It either happens by crisis in the newspaper, or it happens in the annual budget process. So we replaced these tenets of city government with the CompStat tenets, which we stole—lock, stock, and barrel— from Jack Maple and the NYPD.

On How CitiStat Operates

We don't have ad hoc meetings and we don't do memos. It's all done during the CitiStat meeting in real time. Sometimes people even get up from the table, go find an answer, and come back. When we started, everybody had their own different software and they loved it. They had all these little silos and never shared information.

So [now] I'm not the only one getting asked every four years; they're getting asked every two weeks. And we show people how important it is. And it's measured on a biweekly basis. We check to see where we are in terms of last year.

On Monitoring Overtime in City Government

Woody Allen said 90 percent of life is just showing up. Our city workforce had a hard time with 90 percent of life. No one would get written up for chronic absenteeism and the like, so we had to untangle some of the mess. I had a solid waste head who I asked, "You know, if you have a hard time with people showing up for work, Joe, why is it that we can't find any record of you writing anybody up for not showing up for work?" He said, "Well, there is a rule that finance has which prevents us from doing it." And, eventually, we coaxed it out of him. Apparently, he thought there was a rule that if he eliminated a full-time position for chronic absenteeism, the city would capture it for budget savings. Or that he would be forced to fill it with a temporary person who might be inherently less reliable. So he never wrote anybody up. And then we wondered why we had a chronic absentee problem, which then drove the overtime problem, which then drove down productivity, which then made your citizens unhappy.

On CitiStat and Recreation Centers

Remember former Indianapolis Mayor Stephen Goldsmith and his managed-competition initiative in the 1990s? We haven't privatized recreation centers, but we have imbued them with managed competition. How? By measuring the performance of each recreation center and measuring each recreation center director against each other. These are the recreation center indicators: general appearance and cleanliness, bulletin boards, posted information, safety issues, financial records, program activities. Then they get a rating. Performance measurement allows you to celebrate the high performers, the people that get your organization tilting forward rather than leaning back.

On Rapid Deployment of Resources and Call Centers

Rapid deployment of resources is an idea we stole from Mayor Richard Daley in Chicago. This is the idea of one call center. It used to be in our city that if you wanted to get a pothole filled—we use potholes a lot as an example—we had [when I was a councilman] these sheets called "Where to call for help." And we had 143 phone numbers on it.

If you wanted to find out about potholes, you'd go over to "P," see "pothole," and dial 396-4125. And then citizens would call the mayor's office, and say, "I got this pothole here, Mayor. I voted for you. I think you're the only person that can turn our city around. I'm so proud of voting for you … and please fill my pothole." And then they would call the

council president's office and say, "I cannot wait until that idiot mayor is out of there and you become the mayor, because he can't do anything for me. I'm counting on you, Council President, to get my pothole fixed." And then they would call three council people and say, "The mayor didn't do anything for me and the council president didn't do anything for me for, either. I need you." They would then tell each one that they are their favorite and not to tell the others … and ask them to get their pothole filled.

And then if they were really serious about this, they would then call their Uncle Buck, who knew a guy named Dave that worked for transportation and try to get him to fill the pothole. And then they would call their cousin Jeanne, who used to date a guy named Jim that also worked for transportation. And then they waited and hoped that one of those trout made it upstream and filled their pothole. When it didn't get fixed, they were angry about the taxes they paid and angry about the unresponsive government. Then the whole process started all over again, which was a tremendous waste of time. That was the way we used to do things.

The other thing we used to do is that when we had a troublesome employee who was rude to customers and who we didn't trust out there in the public because of his lack of interpersonal skills, we brought him into headquarters where we could keep an eye on him. We set him inside the office answering calls from constituents and/or customers, and then we wondered why we had poor customer relations.

So we created a professional call center called 311: potholes, water complaints, everything. It was revolutionary for city government. You now had a professional, courteous person taking the call. It's just like any other professional call center. We give callers a service request number and a timeframe for closing out the request.

We then had a record of it and everybody knew about it. The 311 number is also an independent indicator of where service requests are coming from. This is not only a huge help for city government at the cabinet level, it's also a huge help for our supervisors, who never previously had a way to go online and prioritize the age of complaints and get things done.

We also implemented a 48-hour pothole guarantee. Former Mayor, Governor, now Comptroller William Donald Schaefer accused us of having no vision in this new administration. So we responded boldly with the 48-hour pothole guarantee. The department tried to stretch it out from 48 and go to 72 hours, but we wouldn't let them do it.

At CitiStat, we have little icons on a map showing where the potholes were. On each map, CitiStat participants can click on it and go see who got called, what time did they call, when was it coded out, and who was the supervisor on the crew that did the repair. None of that was in place four years ago. That's openness, that's transparency, that's responsiveness, and that's what's been driving us forward.

With CityTrack, we also call back customers. When there's not a whole bunch of calls waiting in the queue, we do 100 callbacks to our customers and say, "Calling from the Mayor's 311 Center. We wanted to know if when you called two weeks ago about your trash not being collected, did you get a courteous call? Did the trash department come back within the timeframe promised?" We then measure the various departments against one another in terms of how they rate on the survey for that week.

On Using CitiStat as a Dashboard

CitiStat meetings also provided us with a dashboard that tells us what things are moving ahead and what things we have to be mindful of. One such area is graffiti complaints. It helps to know where these things are happening and we can map them. Graffiti artists are all budding billboard executives. They know where the higher-volume traffic is. So we created a goal to get the graffiti off in 24 hours on high-volume streets. Guess what? They then moved to the lower-volume streets.

Looking at our CitiStat maps, we saw that our solid waste borders have been around since 1962. Obviously, the city's

"At CitiStat, we have little icons on a map showing where the potholes were. On each map, CitiStat participants can click on it and go see who got called, what time did they call, when was it coded out, and who was the supervisor on the crew that did the repair. None of that was in place four years ago. That's openness, that's transparency, that's responsiveness, and that's what's been driving us forward."

population and needs have changed over that course of time, but the borders had not changed. Another interesting thing we noticed about the old map was that it didn't have any names on it. It also didn't have any pictures on it; it only had numbers on it.

We ultimately changed the borders. It showed us that there was a lot of torque in the borders; obviously, they weren't fair. So we redrew them. Its task work, and you now see the names of the streets on the maps rather than just the numbers.

In the area of illegal dumping, we had three people that were in charge of enforcing our illegal dumping laws. None of them had guns, none of them had badges, and none of them had arrest powers. So we put them in with a new unit at the police department, and we started mapping it just like any other crime. As a result, we made a lot more arrests and reduced illegal dumping.

On CitiStat Site Visits and Aerial Photography

We do a lot of site visits in CitiStat as well. We have a little team, a couple of inspectors who go out. These digital cameras are great, because you can put them up on the CitiStat board. One picture was from a visit to a city garage where city employees could get their oil checked and gasoline, and also grill up some hamburgers and some chicken while they were waiting. This was an OSHA [Occupational Safety and Health Administration] no-no.

We also use aerial photography. This will tell us whether we missed a bulk trash collection. One photo came in on a certain date from this place with a carpet, grill, and AC unit. We knew the time the photo was created, when it was coded out, and who the supervisor was. We didn't have any of this five years ago. We didn't invent the software, but we invented the system that allows us to use it to inform the decision-making process.

On Lead Poisoning

We had one of the worst problems of lead poisoning of our children of any city in America because of our very old housing stock. Where you had violence, we also had lead poisoning at its greatest numbers. Is it poverty, or is it the lead poisoning? It is probably a combination of the two.

We have now achieved an 80 percent reduction in the number of children tested with a 0.15 in their system in just over a three- or four-year period of time. An 80 percent reduction. And most of it is simply by making government work again. Like Adlai Stevenson said, "Bad administration will kill good policy every time." This was good administration. It was challenging people, giving them high goals and measuring their performance. Who knows how many lives they've changed for how many generations?

On the Impact of Results-Based Management

Over time, we can now see how change happens. We've had, in a four-year period of time, the biggest reduction in overall violent crime of any city in America. We had the second largest reduction in drug-related emergency room admissions of any city.

The average sales price of our homes has gone from $69,000—I love saying this in Washington—to $131,000 a year, still a bargain. And we created 8,000 jobs last year, which was more than some of our neighbors in the surrounding jurisdictions. We have $7.2 billion in new construction going on now in our city. In the 1990s, with the exception of a couple of important publicly financed projects, private investment wasn't coming to Baltimore.

One hundred million dollars! This is how much money we've saved, conservatively, over the course of doing this. We didn't do it to be clever. We did it to survive, keep our head in the fiscal air pocket as we tried to rebuild our city, and to make it a more attractive place. We have now had a lot of visitors from all over the place. We've gotten much better press outside of the Baltimore than we've gotten inside Baltimore.

Baltimore received the Gardner Award for customer relations management. We were the first public entity in the "large" category to receive that award. We're very proud of that. Our chief information officer is one of the top 100 in the country, and that was for the combination of 311 and CitiStat. We also won the Innovations in Government Award from the Kennedy School at Harvard University.

On Making CitiStat Work

None of this is easy. But all of it's very, very important. It's possible to do this because we had the courage to risk action on the faith that we can actually make a difference. Making a difference on some of the most intractable problems that confront us as a people—whether it's drug addiction, violent crime, lead poisoning of our kids, or underperforming schools.

My job is really the same job as every mayor in the world has. We all want to make our cities safer places, healthier places, better places for the next generation to grow up in, and places where people want to invest and create opportunity. That's why we are moving from a patronage, spoils-based system of politics to a results-based, performance system of politics. ■

TO LEARN MORE ABOUT CITISTAT

Visit the CitiStat website:

www.ci.baltimore.md.us/news/citistat/index.html

Read Center publications about CitiStat:

The Center's case study of CitiStat: **The Baltimore CitiStat Program:** Performance and Accountability *by Lenneal J. Henderson*
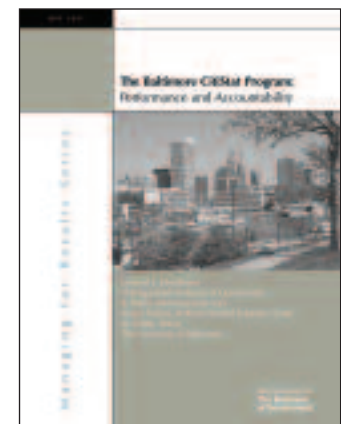
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The Henderson report, as well as other studies of performance management systems, also appears in *Managing for Results 2005,* *edited by John M. Kamensky and Albert Morales.*

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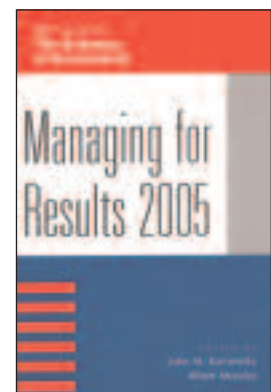
A Conversation with Clay Johnson III, Deputy Director for Management, Office of Management and Budget

The IBM Center for The Business of Government hosted a "Perspectives on Management" luncheon earlier this year with Clay Johnson, deputy director for management, Office of Management and Budget. Mark Abramson, executive director of the IBM Center for The Business of Government, and Jonathan Breul, partner and senior fellow, IBM Center for The Business of Government, moderated the session.

On the President's Management Agenda (PMA) in the Second Term

We have to make sure that the new team "gets it," just like the old team did. The new team must understand that it's still a priority for the president. The president will remind them [cabinet secretaries] of that at cabinet meetings, as he did in the first term, and in his individual meetings with each secretary. We have to make sure they understand the particulars and understand it's a priority.

Patrick Pizzella [assistant secretary for administration and management in the Department of Labor] sent me an e-mail yesterday talking about how political appointees at Labor needed to be brought up-to-date about what the President's Management Agenda was all about and what a particular agency's priorities were and what the government's priorities were. We're organizing to make sure that we get the word out. We cannot talk enough about the President's Management Agenda and what it specifically means for agencies.

The [PMA] is good for agencies and it's good for employees. [Everybody] needs to understand what's involved to be successful. The first-term team really got it, and they paid a lot of attention to it. There was really good execution. There is no reason why the second-term team can't get it as well. We're in the process of making sure they do.

On Reforming Civil Service

We'll be proposing legislation in the coming months and will be working with Congress to agree on government-wide civil service reform. There is some line of thought that believes that we should wait for the Department of Defense and the Department of Homeland Security for a couple of

years to see how successful they are or not. The point we are making with the leaders in the House and the Senate about civil service reform is that how well the Department of Defense does has no bearing on how well the Department of Interior will do.

The adoption of civil service reform at every agency is primarily a function of, first, how clearly we define what they have to do before they're allowed to convert over, and, second, how specific OPM [Office of Personnel Management] will be in their auditing of whether agencies have achieved that or not. Because a lot of training would be required to take place, it's going to take years.

Our argument to Congress is: Let's commit to do it now and let's pick a timeframe to do it in. Let's have a real live marker out there to motivate agencies to begin to do what they need to do and to be prepared to convert over to the requirements, to be set up by OPM to determine whether an agency is prepared or not. And when they are prepared, they can convert over. There's a good bit of receptivity, and we're in the process of now figuring out exactly what we want to propose, and we're hopeful that we'll be able to get that done.

On Competitive Sourcing

One reason I think it will play out successfully for all players—and it has to be good for everybody if everybody is a participant—is that there's so much money involved for everybody. It's a 6-, 7-, 8-billion-dollar-a-year opportunity for the taxpayer. And 6, 7 billion dollars is hard to find these days in tight budgets. And Congress, for one, would love to know where they could find 6 or 7 billion dollars that they can spend.

One of the things that the Office of Federal Procurement Policy is paying attention to is to make sure that there is a level playing field. In half of the [recent] competitions, there were no private sector competitors. We just did a study that showed that the more competitors that are vying for the work, the better the savings are for the taxpayer. This all makes sense, and the evidence is there.

Jonathan Breul (left) and Clay Johnson.

What we have to do is to make sure that agencies are doing the right thing. They have paid a lot of attention to making sure they're treating employees right. We now have to make sure that they're treating the private sector right.

There are things agencies can do to engender interest to make sure that they're getting competition. [For instance], they could send out draft proposals for competitions. There are checklists you can go through to see if you've done it right. So we're paying a lot of attention to what agencies need to do to make sure that there are plenty of private sector companies interested in doing the work. I think we're starting to master the employee part. Now we need to master the private sector part. I'm confident—because there's so much money involved—that we're going to get this right.

Congress still has their reservations about it, but it's hard to overlook the facts and it's also hard to stand up in the face of a presidential priority. The president would have vetoed the omnibus bill last year if Congress had left the competitive sourcing prohibitions in there. He would've vetoed that bill, so it's pretty hard for Congress to deny that.

We need to continue to find ways to do a better job. There are some agencies that do a wonderful job. Also, there's just so much evidence. [During] the first couple of years of competitive sourcing, there were very few facts out there. So everybody was grabbing anecdotes that fit their particular side of the argument. Over the last two years, we've gotten out of the anecdote business and gotten into the fact business. Now we say, "Here is evidence, here's what's really

happening; now, tell me this is wrong." It's hard to fly in the face of what are the facts. And the facts on this are good.

On Financial Management

There are many "reds" in financial management, because in a lot of cases you have [agencies facing tough management challenges] like NASA, the Department of Health and Human Services, and the Defense Department. For other agencies, they are also complex so that to get to yellow, you have to get a clean audit. To get to green, you have to then use the product of good clean audits to change your management practices. It's hard, and it's real black and white. You have material weakness or you don't; you have clean audits or you don't.

If we had said four years ago that all of the federal agencies will issue their audited financial statements in 45 days, nobody would have agreed with you. But we agreed that this was going to happen, and then we did it. Twenty-two out of 24 agencies this past year issued their audited financial statements in 45 days, which in private sector standards would've been unheard of three, four years ago.

On Comparing Government to the Private Sector

[Our recent progress] puts us on a par with the private sector. [It's often said] we want to run agencies like businesses. The business world isn't in great shape, either. I'm not sure we want to run the federal government like they do.

I remember when Mark Everson [former deputy director for management and presently commissioner of the Internal Revenue Service] and I were working on the Department of Homeland Security. Somebody suggested that we talk to Wall Street because they know how to merge companies. I said, "They know how to merge companies; they're successful 35 percent of the time. We have to be successful one out of one. We have to be successful 100 percent of the time. Why should we ask somebody who's successful 35 percent of the time how to do this?" I'm not sure we want to run the federal government like a business. We want to run it with a focus on results.

On Real Property Asset Management

I see great things happening here. All the agencies have come together and there is much enthusiasm. It's very infectious when all the real property officers in the agencies come together. They've been looking for an opportunity [to make real change] and they have been talking about doing something in real property for years. They have been waiting for somebody to do something with legislation. We looked at it

Working for America Act

This summer, the administration developed draft legislation to reform and modernize the civil service system on a government-wide basis. After working with congressional staff and chief human capital officers to identify needed reforms, the administration began seeking feedback on a draft "Working for America Act," which would require agencies to better manage, develop, and reward employees.

Under the draft legislation, managers would be required to do a better job of recognizing and rewarding employees for good performance. They would be expected to provide their employees candid, constructive feedback about performance on a continuous basis. Employees would be expected to be actively involved in how their goals are set up and how they document their performance rating.

Arguing that differences in performance are not now recognized in a meaningful way—with high and low performers both getting the same annual pay increases—much of a "fully successful" employee's pay increase would be based on factors reflecting changes in national and local market rates. The remainder of the pay increase would be based on an evaluation of job performance.

The legislation would provide for a phased implementation. Managers would need to have a system of goal setting and measurement that can make clear distinctions among levels of employee performance and results. Agencies would be able to use the new rules when the Office of Personnel Management certifies that they are ready, sometime between when the bill is enacted and January 2010.

and said, "You know, we really don't need legislation. We can do this with an executive order." This is what we did. All of a sudden, they were up and running. It's really exciting to see.

They're going to have their inventories [of property] by the end of this year. We said, "We want to know what you are doing, everybody to be operating in a professional fashion, and we want to identify the worst 5 percent of the inventory."

We think we own $300 billion worth [of property], although we're not sure. So 5 percent of that is $15 billion. Then we want a process to liquidate [the worst 5 percent] and create

a 15-billion-dollar pool of funds that can be used by agencies to update, upgrade, replace, modify, combine, or whatever they need to do. Now, we don't have enough money for maintenance. We just grabbed the number—the worst 5 percent—which creates a nice tidy little pool of $15 billion, and said, "Let's go do that." Our goal is to do it in four years and to create that pool of $15 billion at the end of that time.

On Erroneous Payments

We've identified the inventory, the $1.2 to $1.4 trillion whose programs have the risk of improper payments. Our improper payment error rate [appears to be] about $45 billion. And that is $40 billion in overpayments and $5 billion in underpayments, so it's a net $35 billion too much. Agencies have laid out their plans to eliminate those. We have said that in eight years, we're going to get rid of all improper payments. Not reduce them—we're going to eliminate them in eight years or so.

Agencies have their plans to reduce improper payments by several billions of dollars each year. In their plans, they must tell us where there have been and be very specific about their plans for [annual reductions]. This capability should grow as our ability to understand how you do that successfully becomes greater. We have identified what we need to focus on. We are developing strategies for doing it and agencies have implementing strategies. We have audit plans to determine the degree to which we're successful. We'll make corrective actions as we go along.

On E-Government

I think we have determined what we need to do technologically to create government websites. And we've gotten many agencies to be pooled together to create common sites to serve their common needs. We have pretty much done that. There are a few situations, however, where we're not quite where we need to be.

The challenge now is driving [up] usage. This is not "build it and they will come," or "build it and say we've done our part." Now it's: "We have invested hundreds of millions of dollars to create these sites, and now we need to drive up usage and drive the benefits into the user community—the taxpayers and the citizens."

It's been really interesting. We selected the 10 most highly functional websites. We have marketing meetings [with them] where we sit down with the website manager and talk about their goals and definitions of success. These are fascinating meetings. [It's useful] to state a clear definition of what we're trying to do and then talk about different marketing activities

to drive usage toward those goals and then hold people accountable for the extent to which they drive up usage.

In the case of IRS, the question is, what do we want usage to be in three years or four years? So let's drive it that way, because we save money—from an expense standpoint—when service levels are higher. It's a win, win, win deal. Our challenge is not to just let it happen, but to make it happen through a pretty aggressive schedule. That's what we're in the process of doing with all these initiatives.

On the Program Assessment Rating Tool (PART)

It's going great. The idea is that you determine whether programs work or not—sort of a novel concept. You [then] base your management decisions and your budget decisions largely on whether programs work or not. What I've been telling people is, "You can't have a performance organization and you can't really serve the taxpayer if you can't tell them whether things work or not."

Our goal is that we want programs to work. We want programs to be successful. We want employees to be successful. And we can't do any of that if we can't determine whether a program works or not. We can't tell employees whether they are part of a successful program if we can't tell whether the program works or not. It all starts with whether a program works or not.

We have assessed programs that account for 60 percent of government spending. We'll do another 20 percent this year, and the final 20 percent next year. We're over 50 percent now. There's been more discussion related to performance up on Capitol Hill with the 2006 budget because a majority of the programs have performance information associated with them.

Agencies are getting it. Things are starting to happen. Program performance is starting to improve. One of the things we are working on is a website designed for the American people, for the citizens and taxpayers, which says: "Here's how we're spending your money. These are the 1,200 programs or so through which we spend all your money. Here is how we're spending it. Here's how every program defined its outcome and efficiency goals. Here is how they performed relative to these goals. Here's how they performed last year, and here's their plan for performing better next year." So let's make it more readily available and put it in lay terms. Let's tell the people how we're spending their money.

PART Wins Innovation Award

In July, OMB's Program Assessment Rating Tool (PART) was awarded the prestigious Innovations in American Government Award, administered by the Ash Institute for Democratic Governance and Innovation at Harvard University's Kennedy School of Government. In commenting on the award, President George Bush said, "I congratulate the hard-working employees at OMB for winning this award and implementing our management agenda. Taxpayer money should be spent wisely or not at all, and I am proud of the progress we have made to improve management and focus on results. We are changing the way the federal government thinks about program management and budgeting. We still have work to do, and improving the effectiveness of government and providing good value to taxpayers will continue to be a top priority of my administration."

The idea is lots of transparency and lots of accountability. We can use that to drive performance. This is beginning to happen. [It's been slow] to get members of Congress to make budget decisions based on it. That's the last bastion. The leadership gets it, the rank and file don't. [We hope] to make it better politically for members of Congress to focus on performance and fiscal discipline. It's not where it needs to be now, but I think it can be changed.

On Results and Sunset Commissions

The idea behind the commissions is to put the Congress and the executive branch together on record as saying, "Results matter." Right now, there's really no mechanism that says "no kidding, we're serious about this." I think 26 of the 50 states have some form of a sunset commission. The idea of a sunset commission is that every 10 years, you have to come before your judge and jury and say, "Here is why I should continue to exist. Here is what I've been doing in the last 10 years, and here is why I should continue."

Very few things go away as a result of a sunset commission, because the fact that you know you are accountable and going to be held formally accountable every 10 years [forces] you to get your act together way before you have to come before judge and jury. If there are some changes to be made, it's usually made way before the sunset commission calls you to come up.

About Clay Johnson III

Clay Johnson III is the Deputy Director for Management at the Office of Management and Budget, a position he has held since June 2003. In this role, he provides government-wide leadership to executive branch agencies to improve agency and program performance.

Prior to his current appointment, Johnson served as the Assistant to the President for Presidential Personnel. In that position, he was responsible for identifying and recruiting approximately 4,000 political appointees, including senior officials, middle managers, and part-time board and commission members.

In 2000, he served as the executive director of the Bush-Cheney Transition. From 1995 to 2000, Johnson worked with Governor George W. Bush in Austin, Texas, first as his appointments director and then as his chief of staff.

From 1992 to 1994, Johnson was the chief operating officer for the Dallas Museum of Art. He was president of Horchow Mail Order and Neiman Marcus Mail Order. He also has worked for Citicorp, Wilson Sporting Goods, and Frito-Lay. Johnson helped create the Texas State History Museum and was an adjunct professor at the University of Texas Graduate School of Business. He has served as president of the Board of Trustees for St. Mark's School of Texas, and as a board member of Equitable Bankshares, Goodwill Industries of Dallas, and the Dallas Chapter of the Young Presidents' Organization.

He received his undergraduate degree from Yale University and a master's from MIT's Sloan School of Management.

The results commission is [also aimed] at programs that involve multiple agencies and multiple committees in Congress. We hope that they will take a hard look—in total—at what do we need to do to make more sense of spending on these 30 programs or 50 programs. So the idea is, let's create a commission when these situations exist with multiple committees and multiple agencies. We would define these crossover kinds of issues, come forward with a proposal, then create a committee that would review our proposal, and pass it back to us with their input. We'd submit it to Congress, and Congress approves it on an expedited basis.

Congressman Brady has submitted a sunset commission idea. Senator Brownback has submitted a results commission proposal. There are other proposals up there. I'm confident we will figure out how to bring all these proposals together and go forth with Congress on something. I think that will help get [some] momentum behind this focus on performance and get both the executive and legislative branch officially on the record that results really do count.

On Making Government More Performance Oriented

The key to getting anything done [in Washington] is that a very important person has to want it to happen. In some cases, it's a piece of legislation, and it has to be a very important person in Congress that wants it to happen. In management, it has to be the senior person in an agency. Or in the president's case, if it's government-wide, the president has to want it to happen. I guarantee that if the head of an agency doesn't want management to improve, it's not going to happen. And, conversely, if the head of the department wants it to happen, you don't need a chief operating officer to make it happen, because it will happen. I've learned it has to be a priority, and it has to be clear that it's a priority for the top person in whatever the relevant organization is.

If you want to be successful in getting things done, several things have to happen. You have to have a real clear definition of what success is. Real clear. You have to then have a clear action plan for getting there and know who's going to do what to whom. There has to be clear accountability: who's responsible for each one of those action items and by what date.

Another key factor is that all of this has to be unconditional. It can't be, "Well, if nothing else is going on, this is what we're going to do." Clarity, clarity, clarity is essential. You can't have enough clarity. You have to have clarity of purpose, clarity of action steps to get there, and clarity of accountability—and all of that's unconditional. If you have those four things, there's success 100 percent of the time on the management front.

On the President's Management Council (PMC)

The PMC involves typically the chief operating officers of the agencies; it's almost always the deputy secretaries. It works like the Chief Financial Officers Council, the Chief Information Officers Council, and the Acquisition Council. It gets all the people with similar issues together, and it's a great vehicle for talking about what's working, what's not;

setting priorities; getting people to rally around a particular opportunity you might have, to learn from each other.

Most learning curves, as the consultants in the room know, are not straight lines. They are parabolic. They accelerate, and it's because when you learn what works and what doesn't work, you get smarter at a faster and faster rate, and that's what the councils are there to make sure happens. The PMC is a great vehicle for doing that, just as it is in CIO land and in the CFO world.

On Government Reorganization

The commission would be a mechanism that would allow us to look at ways to combine programs. We're trying now with Congress to work through the community economic development programs. There are 30 some odd programs. We think 16 or 17 of them ought to be combined and be done differently. We could get much more return for the taxpayer with the money we spend there, much more community and economic development, if we mix it up a little differently. In the absence of a sunset commission, we're finding some difficulty. Congress is trying to run off in a lot of different directions and preserve their little fiefdoms.

There are opportunities, I think, to combine some things. But we're not interested in reorganization for the purpose of reorganization. It takes something like the security of our homeland to get enough momentum behind something to create the Department of Homeland Security.

So there are no secret reorganization ideas we're waiting to unveil in the second term. There are some opportunities, I think, to combine some programs which would cause them to work better that we might pursue, particularly if we had a sunset commission. But there are no "grand" reorganization ideas out there that we're pursuing.

On Goals for 2008

I think we are in the process of forever changing the way the federal government works. I mean we: political appointees *and* careerists. In 2008, I think we will have the opportunity to say to the American taxpayer: "You send us a lot of money every year, and we spend it on 1,200 or 1,300 programs. We want to be held accountable to you for ensuring that every program gets better every year. So the money you send us, I'm going to make sure it's spent more effectively every year. Every program gets better every year."

To do this, we will have to do all the things that the PMA is about. You have to have a defined outcome. You have to have an efficiency goal. You have to have good, accurate, timely financial information. You have to have civil service reform. You have to have managers that are good at helping their people get better every year. You have to have good performance evaluations. You have to have ways of reducing your commercial expenses with competitive sourcing. We need to be good at investing billions and billions of dollars in IT that help us get better at that. And we need to be good and really intelligent about the way we budget, and the way we manage our people and focus on results.

The sum of all of this is the ability to say to the taxpayer that every program gets better every year. And [it must be] transparent: Here's a listing of every program, and here's how it did every year, and here's the plan for how it's going to perform next year. And if you don't like the way it performed, here's who you can call, here's who you can write, here's who you can complain to. And if it didn't work, here's what the issue is. So we would like to think that we [will] have as much transparency with all of our 1,200 programs as we have with the President's Management Agenda.

Here's what's green, here's what's yellow, here's what's red. It's not going to be all green. But shame on us if we're not trying to turn the whole thing into a field of green, and shame on you, the taxpayer, and shame on Congress if they aren't getting a little exercised when there's too many reds. That's where I think we can be, and it's not decades away. I think it's a handful of years away. And the things that we need to be working on to make that happen, agencies are working on now.

The reason they're working on it now is because it's good for agencies. Agencies are now better performers, which means they're better places to work. The only way an agency gets to be better at performing is if it's better at developing their people professionally. People can't work any harder, but they can work smarter, and they can work in better concert with IT investments.

If we can do that, and we have those environments, they're better places to work, we could hire better people, we can perform better, we can deliver that promise to the taxpayer, and that's not pie-in-the-sky stuff. We can lay out the detailed action plan that I am talking about and detailed accountability at every agency to make that happen. And that's what I think all the federal agencies are in the process of now doing, and it's darned exciting. ◾

A Conversation with the Nation's First Homeland Security Team

In May 2005, eight former leaders of the United States' first Department of Homeland Security (DHS) came together to discuss their experiences. In a panel session hosted by the IBM Global Leadership Initiative and American University's Institute for the Study of Public Policy Implementation, the panelists reflected on the challenges they faced running DHS and the lessons learned. These lessons have relevance beyond homeland security—for anyone in the public or private sector who is managing and leading an organization in a time of crisis and change.

The session was moderated by David Abel, partner for homeland security at IBM Business Consulting Services, and Robert Tobias, director of the Institute for the Study of Public Policy Implementation at American University, and introduced by W. Scott Gould, vice president, public sector strategy and change, and head of the Global Leadership Initiative, IBM Business Consulting Services.

Creating the Organization

The Department of Homeland Security came into existence on March 1, 2003, and was simultaneously a merger of existing federal agencies and a start-up of several new programs and offices. At the time of its inception, many outside observers predicted that DHS would fail to integrate effectively, citing the statistic that 60 to 70 percent of large mergers in the private sector fail to create shareholder value. Two years later, DHS is still a work in progress and is moving toward integrating and building the organization. What did the leadership of DHS do to make this progress?

Governor Tom Ridge: From day one, we understood that creating the department was never about building something large. A lot of people focus on the size of the department. That was not the design; it was about solving something that needed fixing as quickly as possible. It took several decades of organizational and legislative tweaking to create the

The speakers at the panel session were:

- **Governor Tom Ridge,** former Secretary, DHS

- **Admiral Jim Loy (Ret.),** former Deputy Secretary, DHS

- **Asa Hutchinson,** former Undersecretary for Border and Transportation Security, DHS

- **Lt. General Frank Libutti (Ret.),** former Undersecretary for Information Analysis and Infrastructure Protection, DHS

- **Sue Mencer,** former Director, Office of Domestic Preparedness, DHS

- **Susan Neely,** former Assistant Secretary for Public Affairs, DHS

- **Robert Liscouski,** former Assistant Secretary for Infrastructure Protection, DHS

- **Duncan Campbell,** former Chief of Staff, DHS

Department of Defense that we know today, starting with President Truman and the National Security Act. But after 9/11 we did not have time to tinker.

So from day one, March 1, 2003, we took on the job of making America safer and pulling together these different agencies and public servants—extraordinary patriots all—working in them. From day one, we began pushing our borders out as far as possible. We began integrating all those internal business functions that are so important for us to be an effective agency—procurement and payroll, personnel and finance, information technology. From day one, this leadership team took on the responsibility of creating a new 21st century department that would have a culture of integration, communication, and information sharing.

Admiral Jim Loy: The first order of business, as the secretary mentioned, is to recognize that there was a starting point. It was prescribed in the law, approved by the president, and we were challenged to go set up that organization and put it into practice, which we worked diligently to do.

I think most of the tragedies in our nation's history have been followed by an emotional piece of legislation that is created in a condition of urgency. But it doesn't quite get it right the first time. And then over the course of the ensuing five to 10 years, there are opportunities to take stock of where you are, learn lessons from that experience, and make adjustments as appropriate.

Robert Liscouski: The challenge here was building a national culture for security across 22 different agencies. This was not, first and foremost, a matter of building a department that was going to quickly solve all of our problems by itself; this was about building a department that could lead the process of integrating security into the mind-set of people and institutions around the country.

Governor Ridge: All of us understood that homeland security was substantially more than just a new federal agency. We were charged by the president and by Congress with integrating an entire country. We were charged with making the fullest protection of our people the highest priority of the nation. Now, how do you begin to fulfill such a daunting mission? How do you ensure that the organization is attending to the nation's security needs? How do you make sure our critical infrastructure is secure? How do you equip and train first responders to make sure they can safely and effectively perform their responsibilities in the event of a disaster or an attack? How do you convey threat information quickly and accurately between governments and to the public and the private sector?

Managing Change and Empowering People

The Department of Homeland Security became the second-largest federal agency in terms of employees on the day it was created, trailing only the Department of Defense. Coming from several previously independent agencies, these people brought unique agency cultures, personal incentive structures, management systems, and operating procedures to the department. The leadership team of DHS faced the challenge of integrating these disparate agencies and aligning them with the broader mission of the department.

Duncan Campbell: The department was created to consolidate 22 agencies and focus on homeland security issues. With that came systems and with that came people. And the

Susan Neely and Governor Tom Ridge.

agencies—very proud agencies, with 200-year histories in some cases—each brought a distinct culture and sense of pride. When you put a new department together, you want to build a single Department of Homeland Security culture, and make sure all of those agencies felt that they were part of a new single team—one team, fighting one fight. You didn't want to throw out the best parts of each agency's unique culture and tradition, but you wanted to bring all of that together under a new Department of Homeland Security culture. That was our focus and our goal.

We also inherited dozens of legacy systems, and integrating those is something that is going to take some time. It's going to take resources. It's going to take effort. And it comes from the leadership at the top. Secretary Ridge and Deputy Secretary Loy set that agenda at the top and drove it down through the department. This is not going to be fixed overnight, but if you set the right tone, if you set clear goals at the top, and if you bring the leadership and the rank-and-file employees together to create a common sense of purpose and ownership, then you can make this happen.

Lt. General Frank Libutti: The organization does need to be aligned functionally, and at the same time it also needs to define clearly its roles and missions, establish the responsibility for each, and design this in a way consistent with the department's role in the interagency process and with external stakeholders. This is very critical and very challenging. When you bring various organizations together

and you say we're now "one team, one fight," you also need to clarify who has lead responsibility when old missions now overlap in areas like law enforcement and critical infrastructure protection.

Asa Hutchinson: Clarity of mission is critical. When you look at the 22 agencies that came on board in the department, there was obviously much overlap in many areas. The reorganization took place, but many of the old ways and the old turf battles still exist. And you've got to have strong leadership, strong support for the defined mission, and you have to drive that every day.

One of the things that this department will be judged by is how effectively it integrates its core functions, including risk analysis and information sharing. I think that the chief information officer (CIO) has to have a high position in the department and has to have direct access to the top leadership. Secretary Ridge and the deputy secretary worked on this, but I think a clearer statement would give the CIO greater authority to integrate the department's IT.

Developing Partnerships and Communicating with Stakeholders

Despite its large size and scope, the Department of Homeland Security is not alone in its responsibility to protect the nation from a terrorist attack. Hundreds of thousands (if not millions) of law enforcement officials and first responders—firefighters, emergency medical personnel, police officers, and many others—work around the country in state and local jurisdictions. The private sector owns and controls many critical and high-risk assets. More broadly, the government has a role in reaching out to the entire citizenry and educating people about how to prepare for and respond to acts of terrorism. And the international dimensions of terrorism require outreach across U.S. borders to key partners and allies.

Governor Ridge: When DHS was created, we immediately recognized that to fulfill our mission we had to have partners—that you couldn't secure and integrate the country staying inside the beltway. You had to reach out. Securing the country couldn't be the charge of one single federal department. We could lead the effort, but we needed partners. So we took the old government model and turned it on its head. We created a new 21st century model, a new paradigm about how to work together with a broad set of partners and deliver better results. Everyone here will admit that there is more work to do, but this is a significant accomplishment of which we are proud.

The central philosophy behind this way of working is partnership. There is no other department whose federal mission requires closer partnerships with state and local officials and with the private sector than the Department of Homeland Security. Many cabinet agencies have national missions, but no other department's success is more dependent on the success of its partnerships with state and local governments, and with the private sector, than the Department of Homeland Security.

Immediately after DHS was created, we began working with the governors, mayors, and private sector leaders to improve coordination and delineate chains of command. We have a large shared agenda, ranging from sharing and responding to threat information to building up emergency preparedness capabilities. We have shared leadership, shared responsibility, and shared accountability.

We became the first department after 9/11 to talk about the threat of terrorism to the public, to other government entities, and to the private sector. And it wasn't easy. There was no playbook, because it hadn't been done before. But we did pioneer the way. We took the responsibility and we created systems that do just that: the Ready campaign, the Homeland Security Advisory System, the National Response Plan. We established a well-defined course of coordinated communications at every level. We always approached threat communication responsibly and wisely.

Susan Neely: We made a start with the Ready campaign and in our national partnerships with the Red Cross and other organizations that have a long-standing history of engaging the public around preparedness. But the torch needs to be passed now very clearly to the local level. As members of the public, who do we really get counsel and advice from, and get motivated by? It's the leaders in our community, it's our friends and neighbors, it's our schools, and it's where we go to work. So I think that is where the focus needs to be. It's about leadership—and leadership starts with the principal of a school, or the mayor of a town, or the executive in a business.

The Department of Homeland Security needs to serve as the catalyst to get people to pay attention to this issue. It has a huge bully pulpit, and it has the relationships around the country. DHS can be the catalyst to get people to pay attention to the importance of citizen involvement in preparation. It is not an afterthought; it is something that should be a core part of the preparedness strategy.

Citizens should be factored into the same strategy that is being developed to coordinate first responders—and not as an afterthought. We should be testing citizen preparedness, not just having citizens serve as make-believe victims, but also testing whether a neighborhood can be evacuated— looking at whether people can receive and follow instruc-

(From left to right) Bob Liscouski, Sue Mencer, Asa Hutchinson, and Bob Tobias.

tions from a transistor radio, or other means, and then get out of town taking prescribed routes. All of this should be integrated. That is where I think DHS can serve as a catalyst.

Governor Ridge: The ability to build these strong relationships is our greatest accomplishment. Some of them are new and some are old. They build upon previous relationships across state and local governments, and the private sector. And the department is building bridges within the broad international community, because at the end of the day, terrorism is a global scourge and a global challenge—and we need global partners.

It's this bridge building, this process of strengthening partnerships, that I think can and will be sustained—and it will be at the core of the department's ability to share information, and engage in response and recovery activities.

Understanding the Threat and Managing Risk

One of the most difficult challenges that the leadership faced during their tenure at DHS was communicating the notion of threat and the idea of risk management to the American public. The American public often demands certainty from their leadership in times of crisis—but certainty is inherently impossible when facing the threat of terrorism, and responses need to be driven by well-informed probabilistic assessments of threats, vulnerabilities, and potential consequences. The leadership learned a great deal about how to manage this process, translate it into strategic and investment decisions, and communicate their understanding of threat and risk to the public.

Governor Ridge: The basic philosophy of the department is that you cannot guarantee security 100 percent of the time against 100 percent of potential threats and 100 percent of the vulnerabilities. So with that in mind, how do we set priorities internally and guard against a catastrophic incident where there is either a significant loss of life or enormous economic dislocation? We set those priorities internally based on what we know about how terrorists have acted in the past, based upon assessments of critical infrastructure and its vulnerabilities, and based upon what we learn from intelligence gathering. We have looked at what the terrorists have used as a point of attack before, what we think the consequences of an attack would be, and then what we gather from day-to-day intelligence.

Admiral Loy: Had 9/11 occurred at a port or at a train station or in a pipeline, our initial focus would have been very different from the initial response that did take place—keeping planes from being driven into buildings. Now we have a totally different ballgame that stretches across the board. You not only need to deal with the very visible threat of the moment, but also translate your responses across the range of the potential aspirations of future adversaries, armed with capabilities that we cannot foresee. This is an enormous leadership and management challenge.

Mr. Liscouski: The complexity of translating an understanding of the threat into appropriate investment decisions is enormously difficult. And we also faced questions of what should be done by the private sector, and in what areas should investments be made at local levels rather than the federal level.

There is no simple formulaic approach. We could have a dozen of them, and they will all be wrong in some ways and right in others. But we could get closer to an informed decision by looking at ways to identify and measure the things that can be quantified, and examining where the biggest vulnerabilities are around the country.

There are a lot of ways to cut this, and the department will continue to refine it. You only learn by doing, and you learn that sometimes you do it right and sometimes you do it wrong. You quickly adjust, so hopefully that is what is going on. Trying to nail down one formula was never what we were about. We were instead trying to look at multiple approaches and trying to get it right based on a number of factors.

Lt. General Libutti: We don't have the luxury of having in our back pocket the attack plan devised by the enemy, so we have to deal with risk management. It starts with trying to analyze the intelligence and identify priorities for action. You can't protect everything all of the time. It is a very simple infantry approach to warfighting and combat operations at all levels. You have resources, you have leadership, you look at the intelligence, and you protect that which is truly critical.

Investing in Resources
The budget for homeland security in the U.S. government has grown to nearly $50 billion in the past four years—nearly

Frank Libutti (left) and Duncan Campbell.

triple the spending on related activities prior to 9/11. With this commitment of public funds has come a great deal of responsibility—including investing taxpayer resources where they can have the greatest impact and finding the appropriate balance among competing risks and concerns.

Admiral Loy: The fluid nature of the threat must be a fundamental part of the Department of Homeland Security's thought patterns and mental approach to things day after day, week after week, and year by year. This sort of mentality needs to be brought into the budget cycle for the department—appropriations should be made each year consistent with an analysis of whether the assumptions of the previous year still stand going into a new funding cycle.

Governor Ridge: One of the things that we were also able to prioritize within the new department was the need to develop and acquire new tools and put them in the hands of the men and women working at the borders, at the airports, and throughout this country—not just at the federal level, state and local, but also within the private sector. This led us to work together, across the federal government, to develop a range of new technologies for homeland security.

Sue Mencer: We have to provide for both prevention and response; I mean, that is a given. I think prevention is where we would all like to be so we don't have to respond. We need to make sure that we have the tools at our disposal both at the federal level and at the state and local level to prevent attacks. But failing that, then we need appropriate resources to respond and recover.

We still have a way to go to be able to respond effectively and efficiently to a major man-made disaster because of any attack's uncertain scope and scale.

We will never really know when enough is enough where spending occurs, but I think we have gone a long way already to making sure that the state and local governments have what they need to respond. But I think that Homeland Security Presidential Directive 8 (HSPD 8) and activity resulting from it can improve the department's ability to measure preparedness.

Mr. Liscouski: Contrary to public sentiment, the private sector has done a lot to improve its own security. They have invested significant resources—billions of dollars—to improve their infrastructure, and not just large companies and those within critical sectors, but also small and medium-sized businesses.

> "Securing the country couldn't be the charge of one single federal department. We could lead the effort, but we needed partners. So we took the old government model and turned it on its head. We created a new 21st century model, a new paradigm about how to work together with a broad set of partners and deliver better results."
>
> *— Governor Tom Ridge, former Secretary, Department of Homeland Security*

It is complex because it's not simply a matter of protecting fixed assets within critical infrastructure; it's equally important to protect the interdependencies among these assets and take an approach that can secure the entire supply chain from end to end. The vulnerability of one part of the nation's critical infrastructure could have ripple effects into other areas. So we spent a significant amount of time trying to observe and analyze these connections. This is something that the private sector understands very well, by virtue of the fact that they are very supply-chain focused.

Building for the Future

In its two short years of existence, the Department of Home-land Security has already experienced a cycle of growth and change that in other institutions might take decades. As the department matures in the years ahead, what will it look like? What new challenges might it face, and how will it adapt to those challenges?

Governor Ridge: When we look back at the past two, even three-and-a-half years, we can say that together we have achieved much more than some people thought or could have imagined at the outset. Yet I would tell you that this leadership group, perhaps more than any other group in this town or in this country, understands that there is still much that we can and must do to ensure the security of our citizens.

We must continue to chart our way forward, and the way forward in many instances is more of the same. Relationships have to become stronger and be made sustainable. Information sharing must become even faster. The work of DHS has to become more transparent. Our communication with the public must become more detailed. Emergency response protocols must be honed. The latest scientific and technological advances must continue to be sought out and utilized,

not just within the federal government but elsewhere throughout the entire country. And we must remain unified in our effort to protect this nation and our way of life.

Lt. General Libutti: When Admiral Loy and I talk about this and related subjects, we talk about the "new norm." The new norm does not simply refer to the threat; it refers to a broad national mentality which should be embraced by our citizens across the nation, by leaders at state and local levels, and by our allies around the world. This new norm is about a new approach toward defending the homeland. It is not a weak, fuzzy kind of feel-good attitude; it is a new approach toward how we think about our country and how we think about protecting all of the values and ideals that make America unique and different.

Governor Ridge: Look what happened last August when we shared a lot of information about a video surveillance tape that affected basically five institutions in northern New Jersey, in Washington, D.C., and in New York City. Those communities dealt with it, the leadership of those organizations dealt with it, the employees dealt with it, because there was a mind-set that this is a "new norm"—that we have to deal with this potential reality. The way that those people dealt with the potential reality is they all went to work the next day.

And so I think it's a question of getting acclimated to the notion that attacks, whether in Madrid or Beslan or Bali, are now part of our global condition. We have to get accustomed to it. We are not going to compromise how we live, and we are not going to stop fighting every day to prevent it. But at the same time we need to graft this new reality into our consciousness and act accordingly. That was the way people reacted after the threats last summer: They carried on with their lives and went to work. ■

W. Ralph Basham

Director, U.S. Secret Service

Department of Homeland Security

By Amanda Lopez

Protecting the President and Fighting Cybercrime

"I suppose most people are familiar with the Secret Service's mission with regard to the protection of the president of the United States, the vice president, and members of their families and others. But what many people don't realize and know is that the Secret Service actually had its origins for a totally different purpose," says Ralph Basham, director of the U.S. Secret Service. "Following the Civil War in 1865, approximately one-third to one-half of all of the currency in circulation at that time was believed to be counterfeit, and the secretary of treasury at the time, Secretary Hugh McColloch, approached the president, and advised the president that the counterfeiting problem was so significant that it was actually threatening the financial stability of the United States, and that as a matter of fact, the whole reconstruction effort of the South was being threatened." Abraham Lincoln then created the Secret Service within the Treasury Department to combat the counterfeiting problem.

Today, investigating financial crime, counterfeiting, and computer-based attacks on the nation's financial, banking, and telecommunications infrastructure remains one of the core missions of the Secret Service, which now operates as part of the Department of Homeland Security. To achieve its dual missions of protection and investigation, the Secret Service has to constantly rethink, retrain, and reach out to new partners.

"Crime in the Information Age has changed in that someone can attack our systems thousands of miles away by merely using keystrokes on a computer…. The whole globalization issue, combined with the information revolution, has really made us rethink the way we approach our responsibilities," says Basham. "In fact, information, as you know, which was once used as a tool to facilitate information, is now the target. Information is basically the world's new currency. It provides access; it shows our vulnerabilities and weaknesses. And now we're looking at information itself needing to be protected, and attacks on information needing to be aggressively investigated."

> **CAREER HIGHLIGHTS**
>
> - Director, United States Secret Service
> - Chief of Staff, Transportation Security Administration
> - Director, Federal Law Enforcement Training Center
> - Assistant Director, Office of Administration, Secret Service
> - Deputy Assistant Director, Office of Training, Secret Service
> - Special Agent in Charge, Vice Presidential Protective Division, Secret Service

The Secret Service has adapted to these changes by modifying its recruitment and training processes. Basham recalls, "When I came on the job, they issued me a gun, a badge, and a horse, and today it's a gun, a badge, and a computer." He says, "The skill sets we are interested in today are people who are comfortable in cyberspace, with computers, and dealing in the financial sector, and looking at it from that perspective, versus when you had an investigator … you would typically look at an investigator's skill sets as being someone who's out there plodding away, knocking on doors." He reflects, "It's really changed a great deal over the past 10 or 15 years, and we're recognizing that, and not only are we recruiting from that set of skill sets, we're also training individuals in these [new] kinds of skill sets."

"Identity theft is the biggest challenge from a criminal enterprise that we are seeing," observes Basham. This has taken a significant toll on the financial sector. "I do a lot of speaking engagements to the financial services sector, and we talk about shared responsibility," he says. "Historically, the financial services sector has been a very cloistered

"Information is basically the world's new currency. It provides access; it shows our vulnerabilities and weaknesses. And now we're looking at information itself needing to be protected, and attacks on information needing to be aggressively investigated."

> "Since 9/11, I think everyone in law enforcement, in the intelligence community, recognizes that we need to do a better job of sharing information, sharing resources, and sharing commitment—that we will do whatever is necessary in order to prevent another occurrence such as what happened on 9/11."

sector, because what happens to them affects their bottom line. But if you attack one of these institutions and attack it successfully, you literally are attacking the entire sector, because those vulnerabilities can be exposed in other institutions. So it's about the willingness to provide information to law enforcement authorities that can get in at an early stage and work with them, because, after all, they are the experts.... The financial services sector is now much, much more cooperative with the law enforcement community, realizing that without that partnership, those vulnerabilities are going to be further exposed, which means it's going to affect those bottom lines."

In one particular case, "Individuals were carrying on a criminal enterprise tapping in to corporations, obtaining information—credit card numbers, Social Security numbers—and they had an open market on the Internet selling and trading that information," says Basham. This case, known as "Operation Firewall," resulted in estimated industry losses of $4.3 million. But the damage could have been much worse—the potential loss from this criminal enterprise was estimated at up to a billion dollars. Basham explains: "We were able to work that investigation, shut that down in a fairly timely fashion, and were able to gain a lot of information as to how these criminal enterprises are conducted. So we, along with the partners in the financial services sector, are able to now take what we learned ... and apply it to our investigations and build countermeasures to prevent those kinds of intrusions from occurring in the future."

Collaborating with multiple stakeholders to investigate cybercrime or to protect the public at designated National Special Security Events such as inaugurations and political conventions is a routine process for the Secret Service. Today what's new is the level and depth of information that is being shared. "Since 9/11, I think everyone in law enforcement, in the intelligence community, recognizes that we need to do a better job of sharing information, sharing resources, and sharing commitment—that we will do whatever is necessary in order to prevent another occurrence such as what happened on 9/11." He adds, "I don't believe the American public is going to be patient or understanding if something occurs, and the reason that it occurred was because there were turf battles or turf issues—we have just got to figure out a way to get around those, and to push that idea down through the agencies and through the organizations."

Basham believes that security, be it online or physical security, is everyone's responsibility. "If you think about the fact that the adversary—their goal, their mission, is to attack us, to attack us in our homes and our places of work, our places of worship, and to attack our nation's leader. It is our responsibility—my responsibility as well as everyone in this country, I believe—to ensure they don't succeed in accomplishing their goal, and we have to ensure that our citizens and our leaders are capable of living and working and worshiping and leading in a safe, secure, environment." ■

To learn more about the U.S. Secret Service, go to www.secretservice.gov.

The Business of Government Hour's interview with Ralph Basham 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 Ralph Basham, visit the Center's website at www.businessofgovernment.org.

Marion Blakey

Administrator, Federal Aviation Administration

U.S. Department of Transportation

By Amanda Lopez

Meeting the Demands of Air Transportation Today and Tomorrow

Since September 11th, there has been a significant increase in the volume of people who are flying on commercial aircraft. In addition to the some 690 million commercial passengers who fly annually, Marion Blakey, administrator of the Federal Aviation Administration, observes, "One of the interesting things that are a phenomena now in aviation is we have seen very different patterns of traffic since 9/11: much more use of regional jets."

She believes that in the near future people will take microjets for regional travel. A microjet is a small high-performance aircraft that provides transportation for four to six people. Blakey predicts that microjets will allow air taxis to flourish, as people can travel on a cost-efficient and non-scheduled basis. But she notes, "What that means from our standpoint is we have a high number of operations that we have to provide the air traffic control for, the services on the ground for, and yet they are not carrying as many passengers as they might have with the wide-body, bigger aircraft that you saw more of before 9/11."

To keep up with the increased demands for air transportation, Blakey emphasizes the importance of infrastructure, such as the building of new runways and modernization of systems so that airspace can be used more efficiently. Today this involves upgrading the old-fashioned air traffic control radar scopes to large color screens that can fuse radar from 16 different sources with weather information, allowing air traffic controllers to sequence flights with greater precision. But she warns, "The system is not infinitely scalable. In fact," she says, "we're getting to the limits of it. When you think about the fact that we use active ground-to-air-control voice communications ... as the traffic gets denser... we're really going to have to change this."

Working with an interagency group that includes the Departments of Defense, Homeland Security, Commerce, and Transportation, the FAA is developing a plan through

CAREER HIGHLIGHTS

- Administrator, Federal Aviation Administration, U.S. Department of Transportation

- Chairman, National Transportation Safety Board

- Principal, Blakey and Agnew

- Administrator, National Highway Traffic and Safety Administration, Department of Transportation

- Assistant Secretary for Public Affairs, Department of Transportation

- Director of Public Affairs, Department of Commerce

- Deputy Assistant to the President for Public Affairs and Communications Planning, the White House

- Director of Public Affairs, Department of Education

- Director of Public Affairs, National Endowment for the Humanities

2025 that will include the next-generation system. Blakey contends that the next-generation system will have more emphasis on satellite-based communication—from satellite to aircraft, and between aircrafts—to manage such things as vertical separation automatically.

Blakey is passionate about planning for the future, setting organization goals, and holding the organization accountable for meeting them. "Unlike a lot of agencies of government, the FAA operates a system ... so it's hard to pull back and say we're going to take a longer view, and we're going to set goals and then attach not only metrics to those goals so we can tell whether we are meeting them or not, but we're going to tie our budget to those goals and see what it's costing us, and see whether we can afford to do this and continue to keep up on it on a week-in week-out, month-in

"We posted the [strategic] plan on our website

and said we are going to be measured by this."

> "As you're thinking about service and how you provide it and what things cost, you really do need to be able to get it down to unit cost. That's what the private sector does. We can do it in government as well. It makes us much more accountable and transparent as to how we're using our resources."

month-out basis." But this is what the FAA did. When it was finalized, Blakey states, "we posted the plan on our website and said we are going to be measured by this."

For example, "One of the goals is to reduce the risk of runway incursions, between two planes getting too close together on a runway, or other vehicles out there. So we set specific numbers to drive down those incidents, because we believed it had a fundamental effect on safety." She notes that runway incursions were mainly a concern in Alaska: "Being a pilot in Alaska used to be a high-risk profession, largely because of terrain and weather. But we knew we could take on some of those issues with new technologies, and we did."

For the majority of FAA's employees, the degree to which these goals are met directly affects their annual salary increases. Blakey says: "Seventy-five percent of the FAA's workforce, including our unionized workforce to a signifi-cant degree, is on a pay-for-performance system. We have ... an Organizational Success Increase (OSI), which means that out of the 30 goals that we have for the FAA, we're expected to meet 90 percent of those if people are going to get the full OSI."

Blakey also keeps close tabs on the customer satisfaction index to monitor progress against service goals. The FAA routinely surveys its key stakeholders, including pilots, air-craft manufacturers, and aerospace engineers, about quality and consistency of service across the country. "If someone comes in and believes that the guidance that they've been given or the decision they were given on an issue or prob-lem [was unsatisfactory] and they want to appeal it, it informs our customers on how to take it to the next level, and guarantees a hearing.... If there are issues of consistency from one place or another, as it [the appeal] moves up, we

are able to address those and understand that they're there. [Because of] that kind of accountability, we're having good reactions from all those out there that the FAA touches and affects." She believes that the index provides a real measure of how responsive the organization is to customers' needs.

At the same time the FAA is focused on getting results, it is also determining how much it costs to deliver its services to the public. For example, the Air Traffic Control Organization is researching how much it costs the FAA to control the flight of a plane in upper airspace for one hour. Blakey says, "As you're thinking about service and how you provide it and what things cost, you really do need to be able to get it down to unit cost. That's what the private sector does. We can do it in government as well. It makes us much more accountable and transparent as to how we're using our resources."

The FAA has achieved and sustained clean audit opinions for several consecutive years. It received an award for its financial reporting by the Association of Government Accountants, and most notably was removed from the Government Accountability Office's high-risk list. Blakey comments, "I really do believe that it is important to have people recognize the excellent performance and the real steps that we're taking to be a performance-driven organization." ∎

Johnnie Burton

Director, Minerals Management Service

Department of the Interior

By Shirley Hsieh

Working with Industry on Energy Production

"The Minerals Management Service is one of the top agencies bringing money to the Department of Treasury," says Johnnie Burton, director of the Minerals Management Service (MMS). "Last year … we brought in over 8 billion dollars to the Treasury from royalties received from minerals on federal onshore and offshore lands."

MMS, which is part of the Department of the Interior, is a federal agency tasked with two missions. The first is to regulate the production of energy and to manage the nation's natural gas, oil, and other natural resources on the outer continental shelf or submerged coastal lands of the U.S. (including Alaska and the Gulf of Mexico). The second mission of MMS is to collect revenues that come from the leasing of those lands and the royalties from the extracted minerals.

A big part of Burton's role as director of MMS is to make sure the agency has good interface with the oil and gas industry. "We regulate an industry, but we're also very dependent on that industry to produce the energy this nation needs; therefore, we need to talk to them," says Burton. "We need to understand their needs as well as they need to understand how we expect them to do their job. So it's really a people's job. It's leading an organization in the direction the president wants it to be led, which in this case is to pro-duce more energy but do it extremely safely and be very sensitive to the environment and to the safety of the people. So that's what I do."

Burton notes that what makes this partnership unique is that MMS both partners with and regulates an industry. On one hand, "We make the rules. They're tough, but there are times when you need to look at your regulations and say that in the long-term interests of the nation, maybe we need to tweak this or that, and we do it," says Burton. But on the other hand, none of this give and take would happen if MMS didn't have and didn't maintain a good working relationship with the industry it regulates. She states that "MMS has people that watch what

CAREER HIGHLIGHTS

- Director, Minerals Management Service, Department of the Interior

- Director, Wyoming Department of Revenue

- Representative, Wyoming State House of Representatives

- Director, First Wyoming Bank

- Founder, Hotline Energy Reports

industry does, that set the standards, which help write the rules that industry will have to follow, with the overarching goal of keeping the environment safe, [and] keeping the people safe. That's really a very important part of what we do."

Currently, MMS is involved in several special initiatives with industry. One of them is deep water gas and oil exploration in the Gulf of Mexico, which is relatively new. Companies have been making tremendous progress. They are reaching through over 10,000 feet of water. Some wells are now being drilled to the total depths of nearly 30,000 feet. Today they have rigs drilling almost 200 miles from the coast. The results have shown that reserves of oil and gas exist in areas where many never considered going before. For example, "The deep water production of the Gulf of Mexico has been fantastic. It has now surpassed the volume of oil that's produced in the tradi-tional part of the gulf, which is the shallower water part of the gulf. We think that the deep water production is going to really become almost three-quarters of all the gulf production, and the gulf production is very substantial," notes Burton.

Another area of development is deep shelf gas. Deep shelf gas is the drilling of the very deep part of the shelf rather than into the ocean floor. "We think that there will be some

"We regulate an industry, but we're also very dependent on that industry to produce the energy this nation needs; therefore, we need to talk to them."

> "If Congress grants us authority [to manage alternative energy sources], I suspect MMS is going to have to grow a bit. I know this is anathema, when you talk about growing a federal agency, but we carry out our activities today with a fairly small number of people, considering the way the federal system works and what we have to do."

substantive gas reserves in the very deep part of the shelf. We've put in some incentive for [companies] to do it," says Burton. These incentives include offering companies that drill for natural gas 15,000 feet into the shelf an opportunity to collect a portion of the volume royalty free. Since the program's inception in 2001, companies have drilled 26 wells, 20 of which produce natural gas.

A key goal of MMS is safety of the environment, and the deep water and deep shelf initiatives involve certain risks. Once an area is leased and a company intends to explore, MMS monitors it closely. The agency has established many standards that the industry has to follow, and the companies themselves work together to establish some standards for safety since "it is very costly if they don't do things safely," warns Burton. MMS also holds site inspections, especially along the Gulf of Mexico, where most of the offshore activity occurs. Last year, MMS had roughly 26,000 inspections offshore.

Companies must also be prepared for oil spills, but Burton notes that the record is impressive. According to the National Academy of Sciences, in the last 15 years there was never a spill of more than 1,000 barrels from any place in the ocean. "Although that may sound like a big number … the earth has areas where the oil and gas is really close to the surface and it naturally seeps in the ocean all the time. This is particularly true of the California coast, for example. The seeps are about 150 times more than anything that has been spilled from exploration and production," says Burton.

In the future, MMS will continue to work with industry to produce oil and gas where possible, but, according to

Burton, "I think it needs to also go in a slightly different direction, and the process of looking at how to encourage alternative sources of energy has already begun." She says that the secretary of the interior is very much interested in alternative sources of energy to try to shift the burden away from petroleum to biomass, wind energy, and wave energy. MMS would play a part since offshore could be an ideal place to have wind farms and wave energy. However, all of these new sources of energy will have to be investigated, and MMS needs to figure out in the interests of safety how to regulate that new production when it occurs—safety of the environment and safety of the people.

She hopes that Congress will take a good look at alternative energy sources and give the Department of the Interior the authority to lead, manage, and develop that area. "If Congress grants us authority [to manage alternative energy sources], I suspect MMS is going to have to grow a bit. I know this is anathema, when you talk about growing a federal agency, but we carry out our activities today with a fairly small number of people, considering the way the federal system works and what we have to do." ■

To learn more about the Minerals Management Service, go to www.mms.gov.

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Rose O. Parkes

Chief Information Officer

U.S. Department of Energy

By Amanda Lopez

Managing Information as a Valuable Resource

Rose Parkes has been managing information technology services in the government arena for more than 30 years. She began her career at the Department of Defense (DoD) as a programmer with punch cards and rubber-banded card decks, and worked her way up as a program manager and later a project manager. Today, she serves as the chief information officer for the Department of Energy (DOE). Reflecting upon her career, she says, "I've grown up with the technology and I've experienced the evolution from mere processing of data to managing information as the valuable resource that it is."

While a career civil servant herself, Parkes believes that either a careerist or a political appointee can serve as a CIO in government. "A careerist provides continuity through a transition.... A careerist understands the federal environment, including the acquisition [process], which is sometimes a puzzle, [with its many] statutes and regulations. A careerist knows the ropes and how to get things done. The careerists form a close-knit community of professionals with the network intact." On the other hand, she observes: "Political appointees bring some unique talents and capabilities. They usually bring a fresh view from the private sector. They bring new ideas and technology savvy. They understand business drivers. They're accustomed to businesslike practices. And because usually they've been profit driven, they are results driven." Overall, Parkes contends, "There's a place for both, the careerist and the political appointee. It's a matter of looking at the agency, where it is in its evolution, and how best to fill the job of CIO."

Regardless of whether the role of CIO is filled by a careerist or political appointee, Parkes observes that the overarching responsibilities are the same across the federal government. Broadly, the position includes providing advice on IT investments to the agency head, building customer relationships, and designing a vision, or enterprise architecture, for all of the IT activities and investments. However, Parkes is quick to note that there are differences given an agency's specific

CAREER HIGHLIGHTS

- Chief Information Officer, U.S. Department of Energy

- Chief Information Officer, Federal Emergency Management Agency

- Deputy Chief Information Officer and Deputy Assistant Director, Information Technology Services Directorate, Federal Emergency Management Agency

- Chief Information Officer, Defense Commissary Agency, Department of Defense

- Chief of Systems Support Branch, Directorate of Information Systems, Army Troop Support Agency, Department of Defense

- Chief of Commissary Systems Division, Army Troop Support Agency, Department of Defense

- Chief of Systems Support Branch, Army Troop Support Agency, Department of Defense

mission. For example: "At FEMA [Federal Emergency Management Agency], my primary focus was on providing disaster victims with support, and that meant an emphasis on building those disaster field offices quickly. That meant almost instantaneous telecommunications support; it meant reliable and stable applications to provide that disaster assistance to disaster victims."

In contrast, DOE's mission includes protecting U.S. citizens by reducing and preventing the proliferation of nuclear materials, and increasing the supply of dependable energy by managing the strategic petroleum reserve and developing alternative fuel supplies including nuclear power. "At DOE," Parkes says, "we're standardizing our infrastructure. Our focus is to protect it, because we have valuable national assets that need

"I've grown up with the technology and I've experienced the

evolution from mere processing of data to managing information

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"At DOE, we're standardizing our infrastructure. Our focus is to protect it, because we have valuable national assets that need protecting. We're focused on reducing vulnerabilities. We're institutionalizing our solid, businesslike processes to better manage the department and its resources."

protecting. We're focused on reducing vulnerabilities. We're institutionalizing our solid, businesslike processes to better manage the department and its resources."

Often the effectiveness and reach of the chief information officer depends upon where the position is placed within the organizational structure. Elevating the CIO to a management position reporting to the deputy secretary does not guarantee that there will be effective coordination with the rest of the department's management team to solve complex issues. One way that DOE has sought to encourage cross-functional collaboration is through the creation of a Management Council, established by the secretary and co-chaired by the deputy secretary. "The overall purpose of the council is to oversee implementation of the President's Management Agenda [PMA] and to achieve resolution of critical issues," explains Parkes. She believes that this is an effective approach to complex management challenges because it breaks down bureaucratic walls and gets people to work across their functional and programmatic areas.

To respond to non-PMA tasks, says Parkes, "the Management Council assigns responsibility for a critical issue to a senior executive. He or she is then responsible for developing and implementing a detailed action plan to get from concept to results. Ownership of the plan extends both vertically through each level of the agency as well as horizontally among different components. An interoffice task force supports each initiative and becomes the engine that drives change." The benefits of operating this way, says Parkes, are that everyone is involved, has ownership, and is accountable.

All Management Council activities are tracked using internal scorecards that mirror the PMA scorecard, graded by the red, yellow, and green traffic light schematic. Program and support offices are graded quarterly on their progress, generating a healthy competition among the offices. In fact, notes Parkes, "our associate deputy secretary does attend to yellow and red

scores for the program and support offices, and clearly everyone wants to compete and get to green." Monthly meetings of the Management Council are forums where problems can be raised, and a quarterly report card is publicized across the department.

Operating under the management council model, Parkes has been effective in strengthening cyber security at DOE. Her office focused on coordinating, updating, and documenting their security policies. Significant improvements have been made in incident reporting and in assessing and responding to vulnerabilities associated with wireless technologies. "Using our internal scorecard, we were able to track the progress of each of the program and support offices in implementing these policies," she says.

According to Parkes, institutionalizing new processes across the department is challenging because it involves changing the culture of the organization. "This is where our Management Council and our deputy secretary play such an important part," she says. "Our Management Council focuses on issues and, by bringing together task forces that are a cross-section of the organization, allows a buy-in to each of these initiatives. That's probably the best way to change the culture and to ensure that these processes are institutionalized. The Management Council, with the task forces under each of the committees, has proven to be the best tool for helping to change that culture, helping to change the business practices within DOE and improve the management across it." ■

To learn more about the U.S. Department of Energy, go to www.energy.gov.

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Roberto Salazar

Administrator, Food and Nutrition Service

U.S. Department of Agriculture

By Amanda Lopez

Leading the Business of Nutrition Assistance

Roberto Salazar, administrator of the Food and Nutrition Service (FNS), often challenges his team to think of themselves as a nonprofit corporation. "We are an incorporated entity in the business of nutrition. We're a 50-billion-dollar corporation." To put this in perspective, FNS makes up $50 billion of the U.S. Department of Agriculture's (USDA) $80 billion budget while employing only 1,500 employees of the 100,000 employees at USDA.

As a nutrition business, "We have an array of products and services that we're responsible for and that we need to get out to our market—families in need of our assistance and services," Salazar explains. The lines of business he refers to are the 15 domestic nutrition assistance programs and services. The "signature series" of these programs, as Salazar calls them, include the federal Food Stamp Program, which serves approximately 25 million people, and the National School Lunch Program, which serves approximately 29 million people, as well as the Special Supplemental Nutrition Program for Women, Infants, and Children, more commonly known as WIC, which serves close to 8 million participants every month.

Salazar views his role in this corporate entity as the chief executive officer establishing and understanding the direction of the agency, increasing "market share" by making the products and services more accessible to the public, and adapting to an evolving customer base.

In the business of nutrition, he contends that state-level organizations serve as "direct hands-on providers" or "retailers" of those government products and services, whereas the federal government serves as the wholesaler. At the federal level, "We manufacture the product by virtue of our processes of statutes, rules, regulations, and policy making," says Salazar. "But in terms of delivering that product ... getting it to consumers ... that's done at the local level, at the retail level, and state agencies function in that retail capacity." In addition to

CAREER HIGHLIGHTS

- Administrator, Food and Nutrition Service, U.S. Department of Agriculture

- Director of USDA's Rural Development Agency, New Mexico

- Director of Science and Technology Department, New Mexico

- Director, Human Services Department, Child Support Enforcement and Income Support Divisions, New Mexico

- Executive Director, New Mexico Economic Development Department

- Assistant to the Director, Minority Business Development Agency, Department of Commerce

working with state agencies, FNS works in tandem with faith-based organizations and local communities.

Salazar describes the Food Stamp Program as a key product line. "Recognizing that we invest some $30 billion a year in nutrition assistance alone through the Food Stamp Program, providing needy families additional financial resources to help them purchase food to put on the family table, we recognize that we're not reaching all those in need today. Out of all the Americans currently eligible for nutrition assistance through food stamps, we're reaching 54 percent of them. That tells me that we have some 46 percent of Americans yet to be reached with this program; individuals who are out there who are currently eligible, but we're simply not effectively reaching them."

Part of the solution to increase participation rates is to make the product, food stamps, more accessible. "Much like any other product that you go out to find in the marketplace, if

"We are an incorporated entity in the business of nutrition. We're a 50-billion-dollar corporation."

> "We measure our success by virtue of the number of participants in our programs, because it is about access to good nutrition. We want to baseline the number of participants in our program and see marked and improved growth in participation in our program."

you can't find it ... you're not going to consume it.... That's true of our products and services."

Using the business model analogy to measure success, Salazar views market share in the business sector in the same way he views participation rates in the public sector. "We measure our success by virtue of the number of participants in our programs, because it is about access to good nutrition," he says. "We want to baseline the number of participants in our program and see marked and improved growth in participation in our program."

In addition to its traditional assistance program, the Food and Nutrition Service has become involved in the national obesity problem. More than 60 percent of American adults and approximately 15 percent of children suffer from obesity. What's changed over time is people's eating patterns and physical activity behavior. Salazar observes, "We no longer gather around the table at family time, at dinnertime, and recognize the value of healthy nutrition as family time, because of the many demands placed on our lives." Nevertheless, he says, "That doesn't mean that we have to sacrifice the quality of our health for that. We simply need to recognize those changes and adapt, and ensure that we're living and eating healthier, and making sure our children are."

"One of the realities that we recognize in this business is that caretakers, mothers, remain the most influential individuals for children in terms of dietary habits and health habits. We're focusing a lot of our time and energy in terms of reaching out to young mothers ... to make sure that they're receiving helpful tips and messaging about healthful diets so that they will not only change their dietary habits, but, more importantly, perhaps influence the future habits of those children," notes Salazar.

The dietary guidelines released in January 2005 serve as an important resource for providing information about a healthy

and nutritious diet. The guidelines, which are updated every five years by a board of 13 experts, are made available for public input before being finalized. Reflecting on the process, Salazar explains, "We wanted everybody to have an opportunity to comment, including the public at large—consumers, individuals who would ultimately be the users of this product. Let us know, 'How can this product best serve you?' " Salazar summarizes the findings: "Consume a variety of foods within and among the basic food groups while preserving a level that meets your energy needs, which gets to the issue of controlling your calorie intake to manage your body weight."

Salazar is striving to make the Food and Nutrition Service an "industry leader" in the business of nutrition assistance and the go-to federal agency for ensuring that all Americans achieve a healthy and nutritious diet. At the same time, he recognizes that hunger will never be addressed in totality and that will call a demand on its core mission. Additionally, he recognizes that the need for healthy diets in America will be a constant challenge. He reminds us: "We didn't become an obese, overweight, unhealthy nation overnight, and it's not going to be resolved overnight.... We want to be an industry leader in shaping the response and, ultimately, the proactive approach to a healthy, nutritious diet here in America." He believes that real change requires taking concrete steps every day related to what you eat and what you do in terms of physical activity. To Salazar, it's important to remember "it's not about losing weight; it's about achieving a healthy weight." ■

To learn more about the U.S. Department of Agriculture, go to http://www.usda.gov.

The Business of Government Hour's interview with Roberto Salazar 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 Roberto Salazar, visit the Center's website at www.businessofgovernment.org.

Gwendolyn Sykes

Chief Financial Officer

National Aeronautics and Space Administration

By Amanda Lopez

Achieving the President's Vision for U.S. Space Exploration

This is an exciting time to work for the National Aeronautics and Space Administration (NASA). In January 2004, President Bush demonstrated his commitment to NASA with his initiative: "A Renewed Spirit of Discovery, the President's Vision for U.S. Space Exploration," calling for finishing the International Space Station and expanding the human exploration of the moon and Mars. Chief Financial Officer Gwendolyn Sykes says, "We have a renewed spirit amongst the individuals that work here, a renewed interest in technology and the scientific exploration associated with the president's new initiative for space exploration." Managing an annual budget of $16.2 billion, she is challenged as the CFO to align the 10 NASA centers and four mission directorates to work toward the president's long-term vision in a way that is sustainable and affordable.

Sykes views the implementation of an agency-wide Integrated Enterprise Management Program as a critical milestone toward achieving this goal. However, the process has not always been smooth. Says Sykes: "To give you the magnitude of the system's migration, I had 10 centers with 10 legacy accounting systems, with over 120 possible subsystems ... and those are the ones that we could identify. And, in one year of execution ... we migrated over 12 years' worth of data—almost 50 billion transactions—into a single instance. At the same time, NASA adopted full cost accounting principles. While we were doing the migration and changing the basic nature of the way we see financial accounting, we had to continue the operations of our business from day to day."

Sometimes these day-to-day operations get in the way of completing the migration. Sykes recalls an issue that her staff brought to her attention. "As we kept trying to reconcile the new and legacy systems ... we found that there was only so much that my staff could do without the support of NASA's mission directorates. But, of course, the mission directorates were busy trying to get about the business of their new exploration vision." To set priorities and establish clear guidelines for collaboration, Sykes approached the

CAREER HIGHLIGHTS

- Chief Financial Officer, NASA

- Deputy Chief Financial Officer for Financial Management, NASA

- Program Analyst, Office of the Under Secretary of Defense (Comptroller), Program/Budget (Program and Financial Control), Department of Defense

- Legislative Correspondent for Senator Ted Stevens, Alaska

- Auditor, Defense Contract Audit Agency, Department of Defense

administrator and deputy administrator for support. She explained to them, "To fully address the root causes of our financial challenges, I need key people within each of the mission directorates to focus on this effort." Together the three leaders brought the mission directorates to the table as full partners in NASA's financial management transformation.

Based on her experience implementing such a vast financial management system, Sykes emphasizes the importance of engaging the leadership and workforce in the transformation. "You have to engage the hearts and the minds of people at every level. You can't do anything without the individuals at the organization on your side, to make that change. In order to operate efficiently and productively, you will need the people pulling together and moving in the same direction to get things done. Some may deem it a new frontier—I just think of it as solid financial management."

At the organization level, the One NASA initiative is one way to engage everyone to work in concert. Created approximately two years prior to the president's vision, and six months following the *Columbia* accident, the initiative seeks

"Some may deem it a new frontier—

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> "All the CFOs at the 10 different centers, as well as at headquarters, are in the position of teaching our engineers and scientists how to be good financial managers to fully justify the costs and the resources associated with the programs and projects."

to rally headquarters and the 10 centers to work toward a shared vision predicated on three goals: making decisions for the common good, collaborating to leverage existing capabilities, and standardizing systems and procedures to achieve efficiencies. Executive leaders held town hall meetings at different centers to talk about the transformation efforts and to harvest ideas. Additionally, NASA has developed a website for employees to post their questions and comments. As the CFO, Sykes is required to respond to the questions posted on the website within a 48-hour time frame. She says, "We have a lot of forums, but the whole concept is to keep the communication flow going, to make sure that folks within the agency know that the executive leadership is here to listen. And we do."

Sykes recalls the ideas discussed at the forums: "Some of them are relatively simple, like information technology sharing and partnering with colleges, academics, and commercial entities in order to develop new and emerging out-of-the-box type thinking.… [And] ... in my financial management area, [people raised the concept] of being able to have travel funds that they can spend out of one pot versus another. This gives the managers the flexibility, because we're operating under full cost accounting principles, to say, 'Do I really need the travel dollars, or do I really need procurement dollars?' " This idea was then brought to Congress and approved. Other ideas from dialogues have led to cost-sharing arrangements across centers.

At the functional level of financial management, Sykes works closely with engineers, scientists, and mathematicians to help them translate their goals into financial management terms. She is aware that in the past these individuals tended to avoid "budget types," fearing that their budgets could be slashed. Today, Sykes is looking for ways to partner with the agency's program community, which represents a shift in the

traditional role of the CFO from simply providing financial analytics. Her team developed a course on financial management for non-financial managers. "All the CFOs at the 10 different centers, as well as at headquarters, are in the position of teaching our engineers and scientists how to be good financial managers to fully justify the costs and the resources associated with the programs and projects." She believes that this teamwork will improve the agency's ability to document the true costs of their activities, better link budget and performance information, and develop dynamic solutions for working toward the president's vision.

"One of the things I have found most critical in my role as a CFO at NASA," reflects Sykes, "has been ensuring that we have one single system providing one single set of data for financial management." She continues, "When I speak of financial management, I talk of a whole range of financial management— the budgeting, the execution, the performance, and the costing associated with it—as all one continuous circle, and that the same data has to be able to be shared by all. With a system in place that supports that capability, and people well trained and well skilled in these areas, now we are all talking the same language. Then, you need to properly align the policies, processes, and procedures to fit all of those areas and make sure that we all move forward together. That's what we've done at NASA, and that's where we are heading." ■

To learn more about NASA, go to www.nasa.gov.

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

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Ambassador Randall L. Tobias

U.S. Global AIDS Coordinator

Department of State

By Corinne Minton-Package

Fighting the Global Epidemic

"Eight thousand people are dying every day around the world [due to HIV/AIDS]," reports Ambassador Randall L. Tobias, the U.S. Global AIDS Coordinator. In addition to the human losses, over 38 million people worldwide are infected. "If you look at very basic numbers, you can see that we're losing the war. In 2003, 3 million people died worldwide while 5 million people were becoming newly infected.... One out of every 100 people around the world between 15 and 49 is HIV positive." Fighting such a devastating disease requires a better coordinated United States government effort. The Office of the U.S. Global AIDS Coordinator has been tasked with leading this coordination.

Ambassador Tobias describes the President's Emergency Plan for AIDS Relief, announced during the 2003 State of the Union address, as providing $15 billion in funding for a five-year program to turn the tide in the battle against the global AIDS epidemic. Tobias describes the organization under this umbrella: "I have been given the authority, responsibility, and support to create a virtual organization. I have 50 or 60 people in my office … but all of the people in all of the agencies of the United States government who are in any way engaged in HIV/AIDS activities on behalf of the United States government now fall under the umbrella of this Emergency Plan.… Because we have left people organizationally in all of the various agencies, we were able to get started much more quickly and take advantage of the contracting mechanisms and tools that exist in USAID [United States Agency for International Development], Department of Health and Human Services, or the Department of Defense." Tobias points to the positive externalities of building relationships in this way: "What we have done is to put formal structures together, but it's also been important to build relationships between and among people who are involved, both in other countries, as well as here within the United States government."
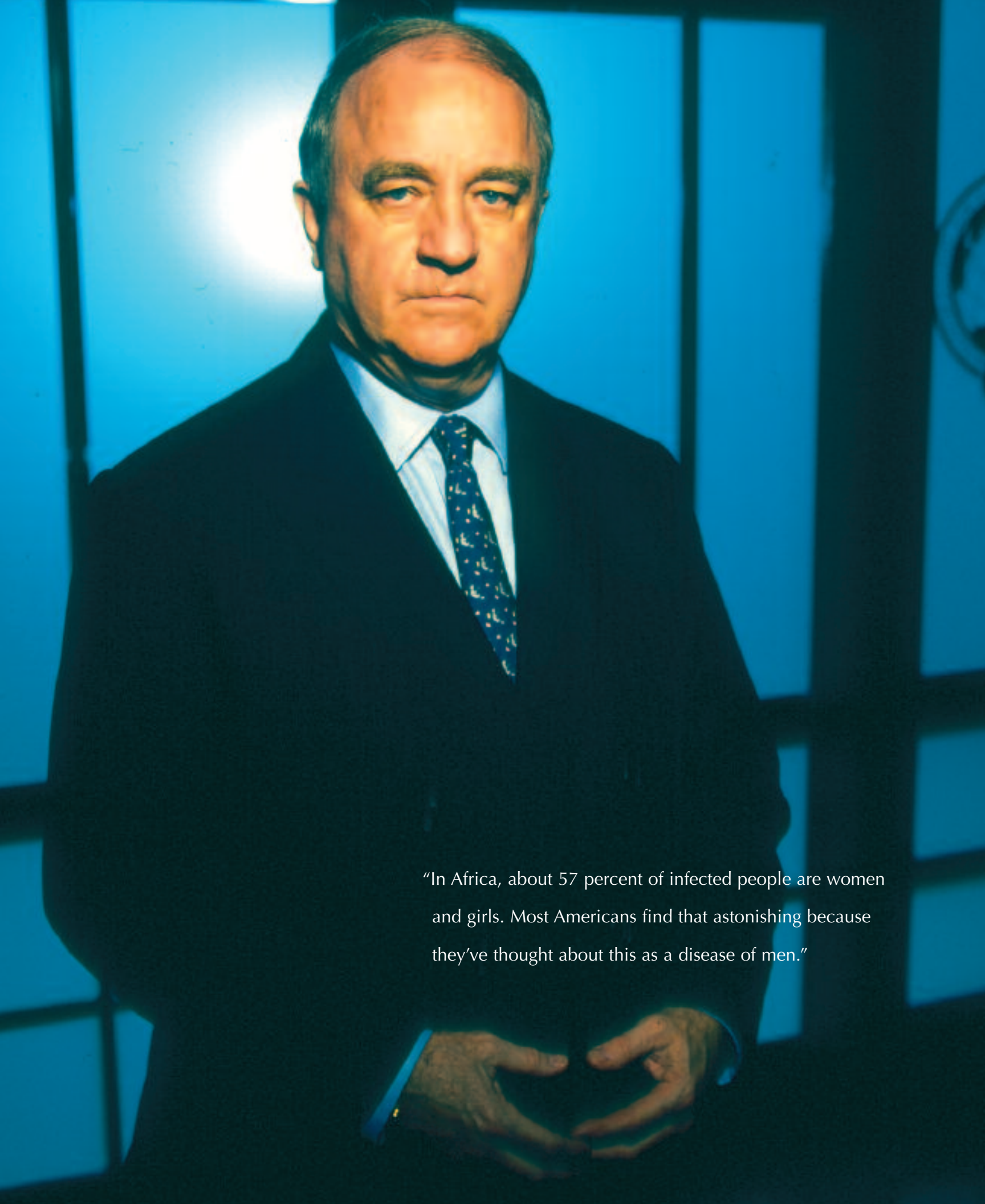
Tobias is uniquely qualified to undertake this challenge, having spent 40 years in the private sector, with experience

CAREER HIGHLIGHTS

- U.S. Global AIDS Coordinator, Department of State
- Chairman Emeritus, President, and CEO, Eli Lilly and Company
- Chairman and CEO, AT&T International
- Vice Chairman, AT&T
- Vice President, AT&T, Illinois Bell

leading complex changes in the communications and pharmaceutical industries. "I spent a long time in the Bell System, and was the vice chairman of AT&T, and went through the breakup of the Bell System in the early 1980s and was there until 1993. I left then to become the chairman and CEO of Eli Lilly & Company, the pharmaceutical company, and was there for six years." Tobias also has served on several corporate and charitable boards, and as chairman of the board for Duke University.

His office coordinates with a vast array of stakeholders within the United States and around the world, explains Tobias: "The principal organizations that are playing an important role in [the fight against AIDS] include UNAIDS, which is the lead element of the United Nations family of organizations.… the Global Fund, which focuses on HIV/AIDS, is an organization that is seeking money from donor governments as well as the corporate sector and philanthropy. The United States, through the Emergency Plan, is providing about one-third of the funding for the Global Fund, because we think it's an important part of the strategy. The World Health Organization plays an important role. The World Bank plays an important role, as well as individual donor governments."

"In Africa, about 57 percent of infected people are women and girls. Most Americans find that astonishing because they've thought about this as a disease of men."

Even with the best possible partnerships, the challenges are staggering. Tobias explains that in the poorest countries, the infrastructure to transport medicines, train local providers, and predict demand must be built. Further, many countries report a drain of medically trained talent: "The health minister in Ethiopia told me that he believes that there are more Ethiopian-trained physicians practicing medicine in Chicago, Illinois, than in Ethiopia.… One of the most successful activities [to address this] is twinning. [One example] … involves short-term exchanges of faculty from Kenya going back to the United States, and faculty from [American] universities going to Kenya." Another challenge is local cultural reinforcement of the enablers of disease transmission: "In Africa, about 57 percent of infected people are women and girls. Most Americans find that astonishing because they've thought about this as a disease of men. It's becoming a disease of women and girls … [because] the cultures in a number of countries allow men to take advantage of women. Women don't have the same rights as men, so part of our effort is to get laws changed and customs and cultures impacted so that women have more control over their own lives."

To ensure accountability and report on the outcomes of the President's Emergency Plan, Tobias is developing monitoring plans and outcome tracking. He explains the monitoring activity under way: "We're now beginning a more formal monitoring exercise to review programs on the ground to ensure that the programs are being implemented in the way that we intended, and that those programs are producing results. If not, we need to stop funding those activities and fund the things that are working best." He is also well aware of the plan's status in reference to set goals: "At the end of the 2004 fiscal year, we were supporting about 155,000 people on antiretroviral treatment. Now the number is some-

where between 200,000 and 300,000, headed to a five-year goal of 2 million people on treatment."

In addition to antiretroviral drug support, the plan involves prevention and care activities. Prevention activities use locally developed programs with a focus on age-appropriate messages and information to stop the spread of HIV/AIDS. Care includes support services for "people who are beyond treatment and need end-of-life care, as well as care for orphans and vulnerable children."

In describing the future of the Emergency Plan, Tobias points to a transformation from start-up activity to sustainable growth: "We need to be moving in the direction of building sustainability, and focusing our attention on how programs can be sustained in countries where the problems exist.… We need to ensure that incentives are there for the pharmaceutical industry to contribute to [fund] research into the next generation of drugs. One of the characteristics of antiretroviral drugs and of the virus is that patients will inevitably develop resistance to the current generation of drugs, so we will need replacement drugs in the future.… It's important to think of this as the first five years of a long-term journey." ■

To learn more about the Office of the U.S. Global AIDS Coordinator, go to www.state.gov/s/gac.

The Business of Government Hour's interview with Ambassador Randall Tobias is available via Real Audio on the Center's web-site at www.businessofgovernment.org.

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Andrew von Eschenbach, M.D.

Director, National Cancer Institute, National Institutes of Health,

U.S. Department of Health and Human Services

By Amanda Lopez

Eliminating Suffering and Death from Cancer by 2015

One out of every two men and one out of every three women in their lifetime will hear the words, "You have cancer." More than 75 percent of all families in the United States today have someone who's affected by cancer. One American every minute is dying of this disease, and millions of people around the world die from cancer every year. These are the raw statistics that demonstrate the magnitude of cancer in our lives. Cancer is a disease that Dr. Andrew von Eschenbach understands as a medical doctor, researcher, and cancer survivor. Now in his role as the director of the National Cancer Institute (NCI), he has set forth the ambitious goal of eliminating suffering and death from cancer by 2015. President Bush asked Dr. von Eschenbach in September 2005 to serve as acting commissioner of the Food and Drug Administration.

This goal may not be as far off as some might believe. Dr. von Eschenbach explains: "We're not starting from zero.... We're at a point now where approximately two out of three patients who are told that they have cancer can look forward to being alive five years later, and we'd like to make that three out of three."

The role of the NCI is to orchestrate the effort to eliminate cancer across international borders and multiple sectors. Under von Eschenbach's leadership, NCI is pursuing a cancer-led strategy that focuses on eradicating cancer, but also realizes and applies the advancements found in the process to other medical research and treatments. This cancer-led strategy sets an ambitious goal, mobilizes resources, and provides the leadership to bring together the academic community, the federal government, and the private sector—including the biotechnology, pharmaceutical, and technology industries—to close the gap between what we know now about cancer and what we need to know to eliminate it.

CAREER HIGHLIGHTS

- Director, National Cancer Institute, National Institutes of Health

- Founding member, C-Change, and President-elect, American Cancer Society

- Executive Vice President and Chief Academic Officer, University of Texas

- Director, Genitourinary Cancer Center and Prostate Cancer Research Program, University of Texas M. D. Anderson Cancer Center

- Founder, Prostate Cancer Research Program, University of Texas M. D. Anderson Cancer Center

- Professor of Urology, University of Texas

- Lieutenant Commander, U.S. Navy Medical Corps

Already, the treatment of cancer is moving away from a "one size fits all" treatment to more personalized medicine. When he began in oncology in 1976, von Eschenbach recalls the approach to cancer was "seek and destroy." Doctors sought to find it as early as possible and kill it as effectively as possible. Now with an improved understanding of cancer at the genetic, molecular, and cellular levels—and of the process in which the cancer cell grows into a tumor and metastasizes to other parts of the body—researchers and doctors are able to create and define an entirely new paradigm of "target and control" cancer. Instead of prescribing treatments based on probabilities of success, where a patient is given a chemotherapy drug because it has a 60 percent chance of being effective, current practice focuses on personalized medicine based on an understanding of the disease and the patient's genetic composition. Von Eschenbach contends that by individualizing treatments,

" We're not starting from zero.... We're at a point now where approximately two out of three patients who are told that they have cancer can look forward to being alive five years later, and we'd like to make that three out of three."

"We're going to do more than just cure many cancers. For many other patients, we'll be able to be more effective at helping them never get cancer in the first place. And there will be another group of patients in whom we may not be able to prevent or completely eliminate their cancer, but we'll control their cancer in a way that they'll live with and never be threatened by their cancer...."

"we will begin to enhance quality because we're giving the right patient the right intervention for the right reason at the right time. We'll eliminate waste because we're no longer giving to patients treatments that are ineffective or unnecessary."

The goal is not just about eliminating cancer. "We're going to do more than just cure many cancers," says von Eschenbach. "For many other patients, we'll be able to be more effective at helping them never get cancer in the first place. And there will be another group of patients in whom we may not be able to prevent or completely eliminate their cancer, but we'll control their cancer in a way that they'll live with and never be threatened by their cancer, much like a patient with high blood pressure can have that controlled and managed, such that they can live with and never die from the result of their high blood pressure."

Often people die from cancer because by the time it is identified, it is too far advanced to be treated effectively. To address this problem, says von Eschenbach, "we're working on technologies that, with a single drop of blood, using a laser, a mass spectrometer, and sophisticated high-end computing, we'll be able to look at the protein signatures in the blood that will enable us to detect cancers much, much earlier than we can see it with an X-ray or even detect it with currently available blood tests."

Part of the cancer-led strategy to eliminate the disease includes harnessing the power of technology to integrate the creativity and intellectual talent of the global cancer research community. Over the past three decades, the National Cancer Institute has created 60 cancer research centers of excellence across the country. Today, NCI is developing the cancer Biomedical

Informatics Grid, or caBIG, to create a common platform upon which researchers from the various centers can share cutting-edge research. "caBIG is intended to provide a common bioinformatics platform to enable all of the cancer centers to plug and play into what will essentially be a virtual web of our cancer information infrastructure," explains von Eschenbach.

The platform will enable NCI to piece together information across the entire spectrum of research and treatment. For example, fundamental research investigating arrays or proteomics of breast cancer at one or two centers can be used by yet a third center conducting clinical trials of breast cancer treatment, thereby seamlessly integrating the data so that the whole will become greater than the sum of its parts. As a result of this synergy, von Eschenbach believes that the pace of progress will be exponential, not linear, making the goal to eliminate suffering and death by cancer in 10 years plausible.

"We are able to envision creating a time when people no longer need to suffer and die as a result of a disease like cancer," he says. "And a career in public service is an opportunity to provide the leadership to make that possible and to make that happen." ■

To learn more about the National Cancer Institute, go to http://www.nci.nih.gov.

The Business of Government Hour's interview with Dr. Andrew von Eschenbach is available via Real Audio on the Center's website at www.businessofgovernment.org.

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Elias A. Zerhouni, M.D.

Director, National Institutes of Health

Department of Health and Human Services

By Corinne Minton-Package

Combining Science and Management

"Science is converging, which means that you have to have more convergence in the missions and activities of the institutes," explains Dr. Elias A. Zerhouni, director of the National Institutes of Health (NIH). Dr. Zerhouni believes that a better understanding of human genetics will lead to a change in medical research and discovery, especially an improved understanding of complex diseases where systems are interacting with genetic factors. The implications of this convergence for NIH include adopting a different strategic framework, changing the interaction between the individual institutes, and improving online access to medical research for both professionals and laypeople.

Zerhouni is well qualified to lead NIH during this time of change, and leverages an array of scientific and management experience. His scientific research is in the field of medical imaging, where he holds several patents. He has launched private companies based on his inventions and understands the process of bringing an idea to fruition and into the market. But he counts "the experience that helped most" the positions as executive vice dean of the Johns Hopkins School of Medicine and chair of the Department of Radiology and Radiological Services, which he held prior to joining NIH. "Being a chair [of a department] is a good stepping-stone," says Zerhouni, after managing more than 800 employees and 100 physicians and scientists at Johns Hopkins.
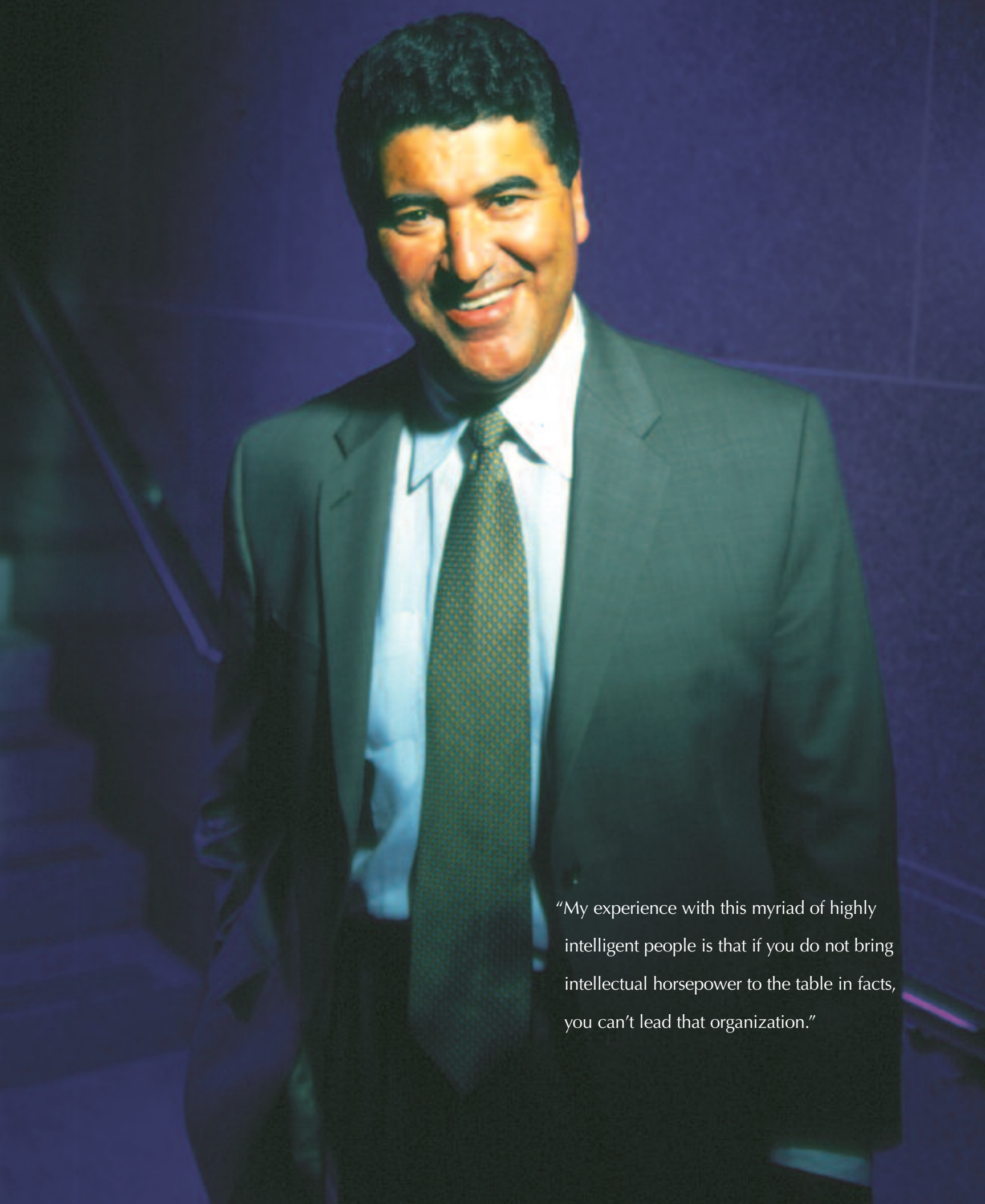
Under Zerhouni, NIH is coalescing around a new strategic framework. Zerhouni describes the process he used at NIH to develop this framework: "About six weeks into my arrival, I organized a series of meetings with the outside community [industry], the scientific community [receiving grants], and the scientific community at NIH—everyone came to the table. Within a year, we came up with a major initiative called the Roadmap for Medical Research in the 21st Century, which is the first trans-NIH, cross-institute vision about medical, biomedical, and behavioral research." Stakeholder involvement in the design was crucial, and

CAREER HIGHLIGHTS
• Director, National Institutes of Health, Department of Health and Human Services
• Executive Vice Dean, Johns Hopkins University School of Medicine
• Chair, Russell H. Morgan Department of Radiology and Radiological Science, Johns Hopkins University
• Professor, Biomedical Engineering, Johns Hopkins University
• Vice Dean for Research, Johns Hopkins University
• Consultant, World Health Organization
• Consultant, White House, President Ronald Reagan

Zerhouni reports that this framework is still in place at NIH: "Every year we pick a topic that requires an in-depth look: In [20]03 and [20]04, we picked obesity, and we came up with our trans-NIH obesity research plan." For 2004–2005, NIH is working on the neuroscience blueprint in order to take up "the second major challenge of this century: understanding how our mind and brain works." He is working with NIH and external researchers to develop teams to address this issue.

Organizational cooperation is also under way at NIH. In addition to the well-known National Cancer Institute, NIH supports 26 other institutes with different missions, sizes, and needs that must be able to communicate, coordinate, and create synergies with resources. Zerhouni describes the disparity in the institutes' size and complexity with this example: "You can go from the National Cancer Institute, that is relatively large and very competent in organizational mass, to institutes that are a tenth of that size, which require

"My experience with this myriad of highly intelligent people is that if you do not bring intellectual horsepower to the table in facts, you can't lead that organization."

a lot more sharing of resources…. How do you coordinate? How do you make sure you have synergies? From my standpoint, I think the best of both worlds is when you have both decentralization, which allows innovation, autonomy, creativity, and also synergy in common areas." In order to achieve that, Zerhouni has supported a culture of decentralized decision making and management at NIH: "We have a small steering committee of nine directors that I chair, and they're in charge of making the decisions across institutes from the managerial standpoint."

NIH is placing increased emphasis on electronic publication of scientific research. "Since the [19]60s, the National Library of Medicine has played an enormous role in bringing together the entire scientific literature related to medical research…. NIH funds 60,000 scientific articles a year, but you couldn't go to any one place and analyze the portfolio of research." NIH is providing access by researchers and the public to internally completed, or intramural, research via its website. One of the goals of this database is to support accountability: "We decided [to] create an archive to tell the U.S. public, the taxpayers, what they are getting for their money in terms of scientific output, publications." In addition, the database supports internal NIH portfolio management and grant-making decisions.

Zerhouni shares that both cultural and stakeholder-related issues arose during the implementation of the online access policy: "Changing culture first and foremost is important. You really need to educate the scientists and the publishing world. Make sure you have champions within the organization that are committed to the goal. We have that: The National Library of Medicine is one of the most sought-after sites from the public." Zerhouni established a stakeholder oversight group to review the policy development and implementation to continue to ensure support from the publishing

and scientific communities. "As long as they trust that they can be at the table and in the public access domain, [we achieve] easier exchange of scientific information."

Although NIH is focused on research and information, Zerhouni believes that the staff expects solid management at NIH. However, the scientific culture can be a management challenge. "When you are a scientist you tend to ignore management issues. You have such a logical mind that if you just say what you think loud enough, people will line up and believe in what you say…. [I] need to win the intellectual debate first and foremost rather than thinking that I own the truth." Zerhouni's approach is to inspire credibility and trust among the staff: "You can have all of the organizational charts, all the workshops and staff meetings, [but] if there isn't [candor and trust], you will have a problem." He believes that an organization with a large percentage of "people at the top of their field" in science requires a style that fits their culture. "What it requires you to do is to come up with very different models of governance and decision making when you have a workforce that is knowledge-based; the only way you can truly lead is by bringing knowledge to the forefront. My experience with this myriad of highly intelligent people is that if you do not bring intellectual horsepower to the table in facts, you can't lead that organization. If you bring data, people will converge toward an optimal solution. This is different than any other organization that I've worked with before." ■

To learn more about the National Institutes of Health, go to www.nih.gov.

The Business of Government Hour's interview with Dr. Elias Zerhouni 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 Dr. Elias Zerhouni, visit the Center's website at www.businessofgovernment.org.

By Mark A. Abramson, Forum Editor

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Introduction: Forum on Transforming Government

Why a *Business of Government* Forum on the theme of transformation? Is transformation just another fad *du jour,* or does the subject raise major, crucial questions about the future of government in the 21st century? Recent Forums have examined a variety of topics, including the major management challenges facing the second term of George W. Bush (Spring 2005), "getting results" (Summer 2004), human capital (Spring 2002), and leadership (Winter 2002). In reviewing these Forums, as well as Center reports over the past several years, a strong case can be made that substantial change in all these areas can occur only if transformational, not incremental, change is sought.

This Forum attempts to increase our understanding of transformation by viewing it from several different perspectives and examining real-life experience with organizations moving toward transforming themselves. In his insightful essay, Jonathan D. Breul explores "What Is Transformation?" and describes the difference between incremental change and transformational change. Breul quotes Comptroller General David Walker, who offers his own description of the difference between incremental change and transformational change: "Transformation is about creating the future rather than perfecting the past."

Creating a new future for America's military is now driving the Department of Defense's (DoD's) Business Management Modernization Program, as well as many other initiatives throughout the department and services. In "Defense Business Transformation: The Way Forward," Jacques S. Gansler and William Lucyshyn present the Forum's first case example by providing an overview of recommendations stemming from a Thought Leadership Forum, supported by the IBM Center for The Business of Government, examining the future transformation of DoD. Based on case study presentations made at the forum by public and private sector leaders who have transformed their own organizations, forum participants concluded that an organization's top-level leadership must play a pivotal role in "developing, advocating, and communicating" transformational change. In "Transforming the Department of Defense: Key Players," Corinne Minton-Package, Amanda Lopez, and Shirley Hsieh present profiles of nine key DoD leaders who have been engaged in transforming their organization. Each describes the change sought and lessons they learned in advocating change within an organization.

The second Forum example of an organization undergoing transformation is the Government Accountability Office (GAO). In their article, Jonathan Walters and Charles Thompson describe how Comptroller General Walker is driving transformation at GAO by using human capital as a key driver. The article presents key lessons learned about how to move toward transformation, including the need to move cautiously and involve staff in the transformation process. From the perspective of this Forum, a key lesson from the GAO experience is that transformation *can* be attempted and pushed forward in government. While government is clearly different from the private sector (and GAO may be different from any other government organization), the GAO case study demonstrates that transformation is indeed possible in government.

The third Forum example of transformation is quite different from DoD and GAO. In this example, Elaine Kamarck presents a vision of how one group of federal agencies, the intelligence community, might undertake a transformation to radically change the way frontline intelligence workers collect and analyze information. Instead of the traditional top-down transformation approach, Kamarck argues that the key to creating a new organizational culture is to create an environment in which information from within the organization is shared (free access to information) and where extensive learning from outside of the organization (open source knowledge) is encouraged. By using a new set of knowledge management levers, an organization's culture can be transformed, according to Kamarck. Like DoD, the intelligence community is still in the process of transforming itself. Kamarck sets forth a provocative vision for future transformation.

The final article in this Forum is a summary of another Thought Leadership Forum supported by the IBM Center for The Business of Government. In June 2005, the Center brought together a group of participants from government, academia, nonprofits, and the corporate world to look at the future and anticipate the next set of challenges facing government. The group developed a radically different vision from the present of how government might operate in the future. In his article, "What's Next in Government Management?," Don Kettl summarizes the vision developed at the conference, in which government is characterized by: (1) using networks to organize for routine and non-routine problems, (2) using a "center-edge" approach to govern through a network of networks, and (3) engaging citizens in new roles to solve public problems. The group concluded that government simply could not get from the "present" to this "future" vision without dramatically transforming the way it is organized and operates. Incremental change will not move government from its present operation in silos (see Albert Morales's "From the Editor's Keyboard" analysis of the response to Hurricane Katrina for an example of "silo government") to a government that operates networks, deploys a "center-edge" management approach, and engages citizens in public problem solving. Like Kamarck, Kettl sets forth a road map for future transformation.

Is transformation another fad *du jour*? A strong case can be made that it is not. Given the increasing number of challenges currently facing the nation—ranging from terrorism to energy dependency to emergency management—one can speculate that incremental change will not accomplish the degree of change required to dramatically improve the effectiveness of government in meeting both its present and future domestic and foreign challenges. This Forum attempts to further our understanding of the concept of transformation by providing a series of articles describing what transformation is and examples of transformations already under way. Its collective wisdom demonstrates that there are good examples of transformation from which many government organizations can now learn. ■

What Is Transformation?

By Jonathan D. Breul

The term "transformation" is very much in vogue these days. As Jacques Gansler and William Lucyshyn's "Defense Business Transformation: The Way Forward" (pages 54–63) explains, the Department of Defense (DoD) sees transformation as a key component of the U.S. defense strategy, seeking creative, innovative solutions to the challenges we face at home and abroad. Based on the interviews with a number of DoD leaders, "Transforming the Department of Defense: Key Players" (pages 64–72) shares information about the steps they are taking to transform the nation's defense organization. Jonathan Walters and Charles Thompson's "Transforming the Government Accountability Office" (pages 73–78) describes how Comptroller General David Walker is using human capital tools to transform GAO.

But, just what *is* transformation? What does the term mean? Ask any number of people, and you will get as many different answers. Some public managers are simply confused by the term. Others find it grandiose or even arrogant. Few can put their finger on exactly what transformation means.

It is time to try to clear up the confusion by identifying some of the characteristics that distinguish transformation from traditional, incremental change. Armed with this insight, public managers should be better able to judge for themselves which approach will best do the job. If nothing else, perhaps we can also help reduce the misuse or undisciplined use of the term.

The Imperative for Change

Most governments have been actively reforming their operations for several decades. Initially, these efforts were relatively straightforward ones of improving efficiency, reforming management practices, streamlining program operations, and outsourcing commercial or non-core activities. Examples include simplifying welfare benefit forms and cutting the time taken to process them.

Public sector organizations are now under ever-increasing pressure for more profound changes to better address growing fiscal pressures, terrorism, and new requirements of contemporary society. A concern for efficiency is being supplanted by problems of governance, strategy, risk management, the ability to adapt to change, collaborative action, and the need to understand the impact of policies on society. To respond to these challenges, governments need more sophisticated strategies for change or transformation than they have generally had to date.

Current federal e-government efforts provide a useful example. What has been done to date has been the easy part of e-government. Departments and agencies have provided citizens and users web access to information and self-service from traditional organizational silos. What needs to come next is going to be the harder part: cross-organizational *integration* of services, information, business processes, and enabling technology—now stubbornly entrenched in organizational silos.

Despite these efforts at incremental change, federal departments and agencies will continue to experience unrelenting pressure for more profound change in structure and strategies to meet the requirements of contemporary society. Rising public expectations for demonstrable results and enhanced responsiveness will require more fundamental *transformational* change—where the roles and even continued existence of some organizations and functions will be at stake.

Comptroller General Walker contends that such transformational change is needed because, in his words, government is on a "burning platform." He believes that the status quo way of doing business is unacceptable because of several important challenges facing government:

• Rising public expectations for demonstrable results and enhanced responsiveness
• Selected trends and challenges having no boundaries

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- Past fiscal trends and significant long-range challenges
- Additional resource demands due to recent terrorism events in the U.S.
- Government performance and accountability and high-risk challenges, including the lack of effective human capital strategies

Transformational Change

If all of this is true—if government is indeed on a "burning platform"—just what then is transformational change? Walker points to Webster's Dictionary for his definition of transformation: *"An act, process, or instance of change in structure, appearance, or character; a conversion, revolution, makeover, alteration, or renovation."* In these terms, transformation is far more than simply tinkering around the margins. It involves more fundamental, enterprise (or organization-wide) change in program design, business processes, and program operations to significantly improve performance and reduce costs.

Incremental Change	Transformational Change
Evolutionary	Disruptive
Tactical	Strategic
Total quality management (TQM)	Business process re-engineering (BPR)
Improve existing processes	Create new processes
Streamline program operations	Profoundly change business operations
Structural and organizational change	More attention to cultural change
Do things differently	Do different things
Short term	Sustained
Small efficiency gains	Quantum leaps in effectiveness and cost savings
Partial, small scale	Enterprise-wide
Bits and pieces	Multifaceted

Fair enough, you say, but what distinguishes transformational change from incremental change? Is it possible to get to the same result both ways? The answer is no—not if change is going to be genuinely transformational. Transformational change is strategic and disruptive—aiming for significant, quantum improvements in effectiveness and significant cost savings. Incremental change is more evolutionary, focused on tactical moves where more modest management improvements and efficiency gains are the goal.

What Does a Transformed Organization Look Like?

According to GAO's Walker, transformed governmental organizations will be less hierarchical, process-oriented, inwardly focused, and stovepiped. A transformed government organization will be more partnership-based, results-oriented, externally focused, and integrated. Transformed organizations provide a better balance between their focus on results, customers, and employees. And, finally, they will work better with other government organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results.

Getting It Done

The scope of transformational change can be mammoth, the scale overwhelming, and the complexity daunting. Nonetheless, according to Dr. Michael Hammer, co-author of *Reengineering the Corporation*, some private sector companies have managed to pull it off. Based on his research into how they successfully managed the perils of transformation, Hammer provides several insights. One key is to plan big, but implement small: develop a long-term vision but don't try to realize it all at once. Another is to create momentum with short-term projects that deliver immediate payoffs, while building a platform for further advances. A third is to invest in program management, the institutionalized capability to manage a large number of interrelated projects—capability that, he says, few companies possess.

Comptroller General Walker has his own list of keys to making change happen:

- Commitment and sustained leadership
- Demonstrated need for change
- Process (e.g., employee involvement)
- Identifiable and measurable progress over time
- Communication, communication, communication

In order to implement genuine transformation, careful attention must be given to the choice of methods used and, in particular, to the change management that goes along with it. Strategies that combine a focus on quick wins, innovation, and outcome-based government offer significant benefits to various stakeholders.

Changing rules and processes can change behavior, and changed behavior can lead to cultural change, but neither result is automatic. Comprehensive, systematic reform in the public sector requires clarity about the behavior, attitude, and beliefs that are to be changed, an appreciation of how formidable the challenge of cultural change really is, and a multifaceted intervention sustained long enough to achieve this change. Public sector reform efforts have tended to be deficient in all three respects.

Technology as an Enabler

Another thing we know is that technology can be an important enabler. One important lesson, however, is that organizations must first re-engineer business processes to enhance productivity and efficiency. In fact, there is compelling evidence from the private sector that the order in which new technology is deployed and the alteration of business process is undertaken is critical. In 2003, Cisco conducted a study to measure the impact of technology on 300 diverse organizations across a number of industries. The Cisco study showed that network-enabled applications, when coupled with appropriate changes in business processes, led to a five-fold increase in productivity. Deploying network-enabled applications first,

"As Is"	"To Be"
Hierarchical	Partnership-based
Process-oriented	Results-oriented
Inwardly focused	Externally focused
Fragmented, stovepiped	Integrated, seamless network

Like the toy Transformer, a transformed organization looks and acts radically different after transformation.

Before
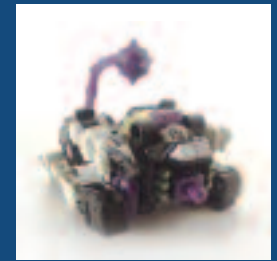
After

however, sometimes resulted in increases in costs of up to 9 percent. Modifying business processes first, and then deploying the new applications, reduces costs by up to 30 percent. The key lesson for agencies intent on transformation is that throwing money at leading-edge equipment and software without first defining the necessary, associated changes in business processes will fail to deliver desired productivity improvements and could significantly increase costs.

The Way Forward

In today's world, governments are increasingly under pressure for more profound change in structure and strategies to meet the requirements of contemporary society. Rising public expectations for demonstrable results and enhanced responsiveness will require fundamental *transformation* of government—where the roles and even continued existence of some organizations and functions will be at stake.

As with IBM's own transformation beginning in the 1990s, the challenges facing governments call for comprehensive and profound change. There are no easy solutions. Short-term or half measures will not suffice. The longer governments delay action, the harder the problems become. Those that play a waiting game, postponing these changes, will find their fiscal strength and programmatic effectiveness eroding.

Government organizations need to pick up the pace to become less hierarchical, process-oriented, stovepiped, and inwardly focused. They will need to become more partnership-based, results-oriented, integrated, and externally focused. To respond to this challenge, governments will need to employ even more sophisticated strategies for change than they have to date. As GAO's Walker is fond of saying: *"Transformation is about creating the future rather than perfecting the past."* ∎

Defense Business Transformation:
The Way Forward

By Jacques S. Gansler and William Lucyshyn

Another example of transformation is the Department of Defense. Over the past few decades, Defense has undertaken several transformation initiatives to improve its business operations, many of which did not live up to expectations. However, the current business transformation effort is crucial for Defense to get right because Defense is, in parallel, transforming its warfighting mission as well, and the two are highly dependent on each other for success.

The Center for Public Policy and Private Enterprise at the University of Maryland's School of Public Policy assembled 30 senior government leaders, business executives, and academics for a two-day Thought Leadership Forum at the Aspen Institute's Wye River Conference Center sponsored by the IBM Center for The Business of Government titled "Defense Business Transformation: The Way Forward." The purpose of the forum was to develop a common understanding and lessons learned about the Defense business transformation effort over the past four years, and to provide advice about its future direction for the next four years.

As a large, complex government organization, the Department of Defense (DoD) confronts a variety of entrenched business management challenges. For example, the stovepiped way in which the department evolved has produced over 2,000 disparate business processes and systems. These incongruent and unrelated business systems and technology components have resulted in non-integrated and non-interoperable capabilities. Consequently, DoD management decisions are often made based on information that is suboptimized, incremental, provided late, unreliable, and often wrong. In addition, this can adversely affect warfighters. For example, the high rate of pay errors affecting National Guard troops in Iraq required them to make multiple risky trips to different sites in Iraq to meet with payroll clerks to straighten out their pay.

In July 2001, Secretary of Defense Donald Rumsfeld directed the creation of the Financial Management Modernization Program (FMMP). The FMMP was established under the sponsorship of then-Under Secretary of Defense (Comptroller) Dr. Dov Zakheim. The original goal of this program was to create reliable, accurate, and timely financial information to support informed business decisions in the department. The initial focus was on an auditable financial statement. FMMP was expanded and renamed the Business Management Modernization Program (BMMP) in May 2003 to incorporate broader business process reforms being initiated across the department. The emphasis was shifted to a broader "enterprise architecture" that describes the organization "as is" and its targeted "to be" environment.

In the past two years, BMMP has resulted in some noted achievements, such as the creation of the first department-wide set of financial data standards and a business enterprise architecture that describes existing business processes. These are essential first steps to integrating finances and processes across the department. However, BMMP has faced significant challenges. The initial results came at a significant cost—approximately $440 million—leading some to wonder if more progress could have been made. The initial emphasis on developing an enterprise-wide architecture was seen as perhaps too technical and comprehensive. The goal of attaining a clean financial audit—an early program priority and still an objective—must now exist in parallel with a new emphasis on re-engineering business processes to provide better support to warfighters. These shifts in emphasis, while constructive, were the result of a lack of buy-in from key stakeholders, as well as a continuing lack of consensus on program priorities.

To assess the lessons learned and potential future direction of the department's transformation efforts, the Center for Public Policy and Private Enterprise at the University of Maryland's School of Public Policy brought together 30 senior government leaders, business executives, and academics representing a wide range of organizations in a two-day Thought Leadership Forum.

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This article provides an overview of DoD's Defense Business Transformation Program and concludes with three recommendations that evolved from the forum, along with specific actions for implementation.

Transformation of the BMMP

The original strategy of BMMP was to decompose the business processes into seven domains and assign a domain owner (see Table 1). The work resulted in enterprise architectures being developed vertically within each of the domains.

Obviously, any large-scale transformation such as the one under way at DoD will be complicated and difficult. The evolving status of BMMP illustrates that a new approach was needed for Defense business transformation to be successful. The previous stovepiped transformation framework focused on optimizing separate functions, such as IT, human resources, and budgeting. This framework was not conducive to producing department-wide change, because it did not emphasize the truly horizontal nature of business processes.

Another major challenge to BMMP's success has been a lack of continuity in program leadership. The program has had seven different government managers in four years, making it difficult to sustain the program's focus.

In February 2005, in response to an internal DoD assessment—and criticism from Congress and the Government Accountability Office (GAO)—the program underwent a major restructuring.

- The governance structure was changed. The Defense Business System Management Committee, chaired by the deputy secretary of defense, was established to oversee DoD's business transformation. The under secretary for acquisition, technology, and logistics was designated the vice chair and the BMMP office was moved into that organization.
- Business systems capabilities will now be prioritized based upon their alignment with five core business missions

(see Figure 1 on page 56). This new framework aligns thinking about business transformation with a focus on end-to-end business processes that emphasize activities in support of the warfighter. The business missions will be overseen by the appropriate under secretary.

- The five core business mission areas are now to be integrated in order to achieve an end-to-end enterprise-wide business process. This integration will be achieved by a joint working group of under secretaries chaired by the under secretary for acquisition, technology, and logistics.
- As required by the FY 2005 National Defense Authorization Act, a series of Investment Review Boards was

Table 1: Original 2002 Business Management Modernization Program Organized Around Domains

| Domain	Domain Owner
Acquisition/procurement	Under secretary of defense (acquisition, technology and logistics)
Finance, accounting operations, and financial management	Under secretary of defense (Comptroller/chief financial officer)
Human resource management	Under secretary of defense (personnel and readiness)
Logistics	Under secretary of defense (acquisition, technology and logistics)
Strategic planning and budgeting	Under secretary of defense (Comptroller/chief financial officer)
Installations and environment	Under secretary of defense (acquisition, technology and logistics)
Technical infrastructure	Assistant secretary of defense (networks and information integration)/chief information officer

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established to review all business system modernization investments over $1 million. These boards will assess modernization investments relative to their impact on the end-to-end transformation.
• The new system's transition plan was delivered in September 2005 to Congress.

The new proposed framework appears to address the short-comings of organizing around domains, and may break down the functional silos within DoD and align business processes with DoD's primary business missions.

Figure 1: Revised Transformation Framework Organized Around Core Business Missions
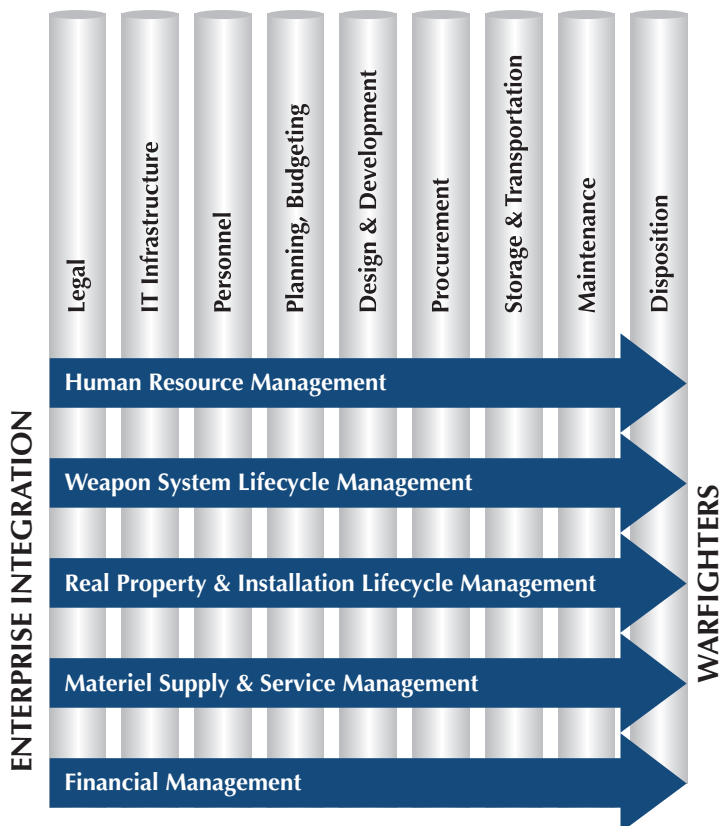
Recommendations from the Wye River Forum

The purpose of the April 2005 Thought Leadership Forum was to develop a common understanding and lessons learned about the Defense business transformation effort over the past four years and, more importantly, to help inform the direction of the program for the next four years. Additionally, there was a desire to foster a dialogue on the interdependencies among DoD's business domains that could lead to improved horizontal integration and accelerated transformation by deepening on-going efforts to collaborate. Success will result in both better services to DoD's combat customers and better stewardship of taxpayer dollars.

To create a business transformation framework, a number of important issues need to be considered both before and during the course of any transformation. As part of the research for this project, the authors interviewed current and former senior DoD officials. These discussions identified what the leaders believed were key issues and lessons learned from their own experiences with DoD's efforts to transform its business and financial systems to date. These inputs have been incorporated with the results of the forum to develop the final recommendations. The forum itself heard from a series of presenters (see the sidebar on page 58 for a list of the presenters). Some of them described the general conditions of the federal government and the direction of the BMMP, while others offered case studies of large organizations that experienced transformation.

Based on what they heard, and their own experiences, forum participants concluded that while there were many barriers to the successful transformation of DoD's business and financial management systems, the benefits were so significant that a successful program was essential. They also concluded that much can be done to address the concerns of the many stakeholders, from the military services to government employees, to get their support of a common vision for the transformation and to do what it takes to make it a reality.

Table 2: Recommendations from the Wye River Forum on Defense Business Transformation

Recommendation	Implementers
1. **For DoD to successfully transform its business practices and operations, the secretary must demonstrate that Defense Business Transformation is one of his top priorities.** • Convey a sense of urgency throughout the entire DoD enterprise. • Forge a common vision across competing stakeholders.	Secretary of defense/ deputy secretary of defense
2. **To successfully implement the Defense Business Transformation initiative, the secretary of defense and his leadership team must actively manage the change process.** • Communicate the changes intended. • Develop the right metrics to track progress. • Link individual performance appraisals to key performance indicators. • Incentivize change. • Continue to develop and mature an effective governance structure. • Institutionalize the transformation. • Transition to a knowledge-worker environment.	Secretary of defense/ deputy secretary of defense and the Defense Business Transformation leadership team
3. **When implementing the Defense Business Transformation initiative, DoD should consider leveraging the successful strategies of organizations within DoD, other federal agencies, and the private sector.** • Be smart with technology. • Use existing commercial off-the-shelf technology systems when available. • Institute activity-based costing. • Develop an independent business process and applications test capability. • Obtain temporary hiring authority.	Defense Business Transformation leadership team

Table 2 summarizes the key recommendations and lessons learned that came out of the forum and background interviews that can improve the implementation of the BMMP and accelerate the transformation.

Transformation Leadership

The forum participants unanimously agreed that achieving the scope of change envisioned for DoD's business and financial management systems will require the committed and sustained leadership of the secretary and deputy secretary of defense.

The department's business and financial systems have developed over decades into their current form, which has been optimized to serve subordinate organizations' goals and objectives, rather than overall DoD business management. Efforts to change these practices have inevitably met with organizational inertia and resistance. The participants' assessment to date is that the

responsibility for the transformation has not been assigned to an individual with enough authority, resources, or continuity to accomplish the ambitious goals. Additionally, the secretary and deputy secretary have not been sufficiently engaged in the business management transformation process. There is a justifiable diversion of their focus and energy to conducting the global war on terror. But, as a result, the transformation initiative has lacked a clear focus and vision, and subsequent implementation efforts have been diffused.

In the successful transformation case studies examined at the forum, the head of the organization played the pivotal role in developing, advocating, and communicating the enterprise-wide changes. In the case of DoD, the secretary, together with his deputy in his role as the chief operating officer (COO), can and must fill this role now if the transformation effort is to succeed. This leadership will be required to conduct the planning, remain focused on the shared outcomes,

and then achieve the critical intra-departmental cooperation and integration to implement the necessary changes. But, first, the leaders must convey a compelling sense of urgency to motivate the enterprise to take on such major changes.

Laying the foundation of an effective plan of action requires defining or clarifying, very early in the process, basic information about the entity that requires transformation. In this case, it is necessary to clearly define what the corporate responsibilities of DoD are and what information is needed to perform those functions. Intimately related is the definition of who DoD's customers are, and whether or not their needs are truly being met. Being clear about this is essential for those in charge of the transformation; any changes must be evaluated in light of how they affect customer needs.

The next priority must be to develop the vision for the transformation. Much of the early effort was guided by the vision of an auditable financial statement. This focused much of the program's energy on the department's financial accounting and limited the scope of what would be required if DoD's business management was to be truly transformed. Addressing these very basic issues will lay a solid foundation for the design of the transformation program.

Although the participants discussed the GAO suggestion for the creation of a chief management officer (CMO) with a fixed term, the overwhelming consensus was that this move could complicate, rather than help, the effort. And, in the worst case, it would be a hindrance to the transformational effort if the CMO did not have the full support of the secretary.

The following recommendation for generating committed leadership was put forward by forum participants:

1. For DoD to successfully transform its business practices and operations, the secretary must demonstrate that Defense Business Transformation is one of his top priorities. Specific actions include:
- **Convey a sense of urgency throughout the entire DoD enterprise.** Although DoD has experienced increasing budgets over the last several years, given broader federal fiscal pressures, this trend is unsustainable. Funding for DoD force modernization needs will be constrained. As a result, any efficiencies that can be gained from business and financial systems modernization can be applied to these mission-critical needs. Additionally, continuing congressional interest in greater financial accountability and more transparent business processes shows no signs of decreasing. There is a real urgency, and it must be transmitted to the entire enterprise.

Presenters at the Wye Forum

- **Comptroller General David Walker** discussed the current fiscal condition of the federal government and the pressures this will impose on defense spending.
- **Paul A. Brinkley,** special assistant to the under secretary of defense for acquisition, technology and logistics, Department of Defense, and **Thomas B. Modly,** deputy under secretary of defense (financial management), Office of the Under Secretary of Defense (Comptroller), Department of Defense, discussed their joint vision for BMMP.
- **Lt. Gen. Robert Dail,** deputy commander, U.S. Transportation Command, discussed the transformation of business systems at TRANSCOM.
- **Richard M. Smoski,** vice president for transformation, Boeing, discussed large-scale transformation at Boeing.
- **Linda Sanford,** senior vice president, IBM Corporation, discussed her experience in the major organizational transformation at IBM in the 1990s.
- **Charles O. Rossotti,** former commissioner, Internal Revenue Service, recalled his challenges during the major modernization of the IRS's business systems and agency reorganization.

- **Forge a common vision across competing stakeholders.** The Defense Business Transformation effort has been plagued, up to this point, by the lack of a common, inter-organizational, cross-domain vision, with too much emphasis on obtaining an auditable financial statement. This shortcoming has resulted in a program with no buy-in from major organizational elements and inadequate detail for a clear understanding by Congress, GAO, and the Office of Management and Budget. The secretary must spearhead the development of a common vision for the business management transformation. There should be a clear articulation of the end state, such as an integrated and interoperable business environment that provides reliable and timely information to support decision making across the enterprise. This will require fundamentally changing some business processes, as well as re-engineering others. The vision must tie the transformation to greater efficiency, improved accountability, and, most importantly, to improved warfighting. This vision will provide a consistent, long-term focus for the department and help maintain the momentum for change—without this, the desired changes will not be realized.

Implementation of the Transformation
The forum participants identified several intangible barriers to transforming the business and financial management systems that are the result of the size and complexity of DoD and the general nature of large bureaucracies. These include

the expected resistance to change, lack of adequate key performance indicators, program governance, the rotation of military and civilian personnel, and legislative constraints. The forum participants then discussed ways to overcome them.

First, communications with all stakeholders was highlighted as a key task of the transformation leadership team to address the typical resistance to change. However, many of the participants believed efforts to date were inadequate among both internal and external stakeholders. For example, most internal DoD stakeholders not directly involved with the program remain uninformed about its status or progress made. They believed this was generally true for most employees in the department. A transformation of this magnitude cannot take place without their informed support. Likewise, external stakeholders are another critical audience. For example, much of what is needed cannot be accomplished without understanding and assistance from Congress. A lack of communication and the perception of little or no progress can result in increased congressional involvement, as in the case of detailed requirements and restrictions in the Fiscal Year 2005 National Defense Authorization Act.

Second, participants discussed the need to develop key performance indicators to evaluate the progress and success of transformation efforts. Such performance measurements need to be carefully selected and developed to ensure they encourage the desired outcomes. If performance measurements are not designed appropriately, it will be difficult to tell if results are achieved in the end; or worse, people may work toward the wrong objectives.

Using the right metrics to measure performance is one way to encourage cultural change, but it is important for leadership to consider other incentives that will help in achieving speedy, yet effective, "culture change" within an institution. Institutional cultures vary considerably, so no single model will fit every organization; what's critical is that the question of achieving cultural change be addressed. Without this component, transformation efforts could fail due to internal resistance.

Third, clarity in program governance is essential. Even under ideal circumstances when roles are clearly defined, transformation is difficult. If roles are vague, then things can become chaotic and contentious, and transformation efforts are unable to move forward. The changes in structure and authority mandated by the FY 2005 Reauthorization Act were a step in the right direction. It moved the program to the under secretary for acquisition, technology, and logistics, established the Defense Business Systems Management Committee, and the Investment Review Boards.

However, other governance issues still need to be addressed. The participants also pointed out that when an ineffective governance structure exists, the opportunity for grass-roots entrepreneurial behavior to address local challenges (which may result in local optimization but be suboptimal at the system level) may be too hard to resist. Based on the reported cost to date of $440 million, the advantages of designating the BMMP as a major acquisition program, reporting through a program executive officer structure, were discussed. Participants believed that such a structure could improve cross-program and cross-mission area integration. And, it would impose a proven governance structure on this significant effort.

Fourth, forum participants also identified the frequent turnover of civilian and military leadership as an issue. Although sometimes unavoidable due to the realities of the political system, transformation can easily stall when its champion departs. Every effort must be taken to move quickly and institutionalize changes before the leader departs. One of the techniques suggested was to aim for early success and quick wins to overcome inertial resistance.

And, finally, the participants examined the impacts of what they believed were the most applicable legislation and regulations, and found some that potentially created barriers. Federal laws governing Defense activities, for example, can create a tension between the enterprise-wide responsibilities of DoD and those of the individual military services. The two other federal laws that must be considered when discussing Defense business transformation are the Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the Information Technology Management Reform Act of 1996, also known as the Clinger-Cohen Act. Goldwater-Nichols centralized operational authority through the chairman of the Joint Chiefs and streamlined the operational chain of command. It also assigned full responsibility for *all* acquisition activities to the under secretary of defense for acquisition, technology, and logistics. The Clinger-Cohen Act changed the process for federal agencies to acquire and manage information technology. Any transformation that takes place within DoD must comply with Goldwater-Nichols and Clinger-Cohen, which could constrain or complicate the process at various stages. After much discussion, the consensus was that the transformation could take place within the existing framework of laws and regulations.

The following recommendation for implementing the Defense Business Transformation was put forward by the forum participants:

2. To successfully implement the Defense Business Trans-formation initiative, the secretary of defense and his leadership team must actively manage the change process. Specific actions include:

- **Communicate the changes intended.** The broad goals and objectives of transforming DoD's business and financial management will fundamentally require doing business in ways different from the way they have historically evolved. This transformation will require that the secretary develop a strategic communications plan to convey why these changes are critical to the future of the department and the country, how the transformation will be implemented, and how progress and ultimate success will be measured. The secretary's vision and priorities must be clearly, frequently, and consistently articulated. The program office must then spearhead the develop-ment of an education, training, and communications program to promulgate it across the enterprise.

- **Develop the right metrics to track progress.** Developing key performance indicators—metrics—is essential to maintaining the focus on the transformation strategy, and assessing its progress and impact. For a large, complex organization like DoD, the right top-level metrics are critical to achieve the required integration, cooperation, and collaboration among the subordinate organizations, and to enable targets to be set, success to be assessed, and lessons to be learned. The metrics are also key to being able to hold personnel accountable for their performance. Forum participants agreed that DoD would achieve the desired transformation results only if they invest time and energy in developing the appro-priate metrics. And, these metrics should be based on transformation goals, not technical objectives such as simply reducing the number of financial management systems. The secretary and deputy secretary should be directly involved in monitoring progress, with regular briefings based on these metrics.

- **Link individual performance appraisals to key performance indicators.** A successful transformation must align the performance of employees with the goals of the organization. Personnel appraisals should be linked to the transformation's key performance indicators—metrics—to instill a results orientation among leaders, managers, and employees. The under secretary of defense (personnel and readiness) must set a policy to ensure accountability for personnel throughout DoD to encourage employee engagement in the transformation process and encourage a high-performing culture. These performance criteria should be developed from and traceable back to the department-wide goals—and feedback must be provided to individuals. This feedback could be used to create

incentives and penalties to motivate personnel to initiate and implement efforts that support and result in the desired, transformed business management process.

- **Incentivize change.** Organizational incentives in DoD generally run counter to the transformation vision. Promotions, prestige, and influence are often determined by the size of the budget controlled, the number of employees supervised, or the information controlled. To create the desired cultural changes, the secretary/deputy secretary of defense, the service secretaries/military chiefs, and defense agency heads must create a new incentive system for leaders, managers, and employees that encourages improving the performance of the man-agement and financial systems, and rewards increased efficiency and cost savings. The concept of allowing organizations to share cost savings that can be applied to other unfunded priority areas should be pursued. Individual performance awards and promotions should be used to reward significant achievements toward reaching the transformation objectives.

- **Continue to develop and mature an effective governance structure.** To ensure a smooth and successful transformation, the most appropriate governance structure—one that provides a clear understanding of responsibilities, lines of authority, decision making, and accountability—must be developed. The establishment of the Defense Business Systems Management Committee and Investment Review Boards, as mandated by the FY 2005 National Defense Authorization Act, are clearly steps in the right direction. The Investment Review Boards are aligned with the core business mission areas and headed by an under secretary. However, these boards should also be aligned with the appropriate joint staff director to represent the warfighter perspective. Additionally, an effort of the size and scope of the BMMP could benefit from the rigor of being designated as a major acquisition program, reporting through a program executive officer.

- **Institutionalize the transformation.** Comprehensive changes to the business and financial management system of an enterprise as large and complex as DoD can easily transcend the tenure of the appointed political leadership. The secretary/deputy secretary of defense, the service secretaries/military chiefs, and defense agency heads need to work to create organizational mechanisms to institutionalize the program and maintain the pro-gram's momentum through transition periods. To that end, an effective governance structure (see the preceding action) is critical. Next, every effort must be made to accelerate the program, achieve some quick wins, and show the value of the modernization effort. Other mech-anisms that will help to institutionalize the transforma-

Business Transformation in the Department of Defense: Perspectives from the Front Lines

By Thomas B. Modly and Paul A. Brinkley

The Business of Government *asked two key leaders of the DoD Defense Business Transformation, both of whom participated in the University of Maryland/IBM Forum, to provide their frontline perspectives on transformation and an update on recent program accomplishments.*

Why Transformation Is Needed in the Defense Department

As arguably the most complex organization in the world, the Department of Defense manages more than twice the dollar volume of the world's largest corporation, employs more people than the population of some countries, provides medical care for as many patients as the largest health management organization, and carries 500 times the number of inventory items as the world's largest commercial retail operation. The sheer size of the department, and particularly its business operations, is a direct result of the magnitude of its mission and the broad responsibilities it has for maintaining national security. This mission, however, demands the department not only be large and complex but also nimble, adaptive, and flexible. Reconciling the apparent contradiction between size and flexibility—between complexity and adaptability—is the challenge of defense business transformation.

The objective of the DoD Business Mission Area is to ensure that the right capabilities, resources, and materiel are rapidly delivered to our warfighters: what they need, where they need it, when they need it, and in the condition they need it. The mission of business transformation is clear: *transform business operations to achieve improved warfighter support while enabling financial accountability across the Department of Defense.*

In order to cost-effectively and prudently meet these requirements and the mission, DoD's current business and financial management infrastructure—processes, systems, and data standards—are being transformed. The department's business infrastructure has lagged behind contemporary battlespace realities and best business practices that have enabled even very large commercial entities to become flexible and adaptive organizations. Business transformation in DoD will focus on eliminating compartmentalized operations that are supported by fragmented processes, disparate systems, and information standards.

The critical success factors for achieving business transformation within the defense environment differ little from those of any large-scale business operation. They include senior leadership engagement and commitment; strong alignment between the transformation objectives and the core business mission; a business-process-oriented focus; and clarity around goals, authority, accountability, and success measures.

Recent DoD Business Transformation Accomplishments

As Dr. Jacques Gansler and William Lucyshyn note in the accompanying article from the Wye River Forum, DoD has made significant changes to the business transformation effort over the past nine months. As a result of these changes, the department has realized the following accomplishments:

- **Governance:** The Defense Business Systems Management Committee, a senior management committee consisting of both civilian and military leadership, has been actively driving the business transformation effort at the direction of the deputy secretary of defense. Investment review boards led by flag officers and principal staff assistants to the secretary of defense are reviewing technology investments critical to this work.
- **Enterprise Transition Plan:** Approved and published, the Enterprise Transition Plan (ETP) is designed to guide and track business transformation of the DoD Business Mission Area. The plan provides an iterative, modular, and tiered approach to enable manageable transformation. The ETP is organized around six DoD-wide Business Enterprise Priorities. These priorities cover a broad range of the department's personnel, logistics, real property, acquisition, purchasing, and financial requirements. The ETP provides a vision for the future state of DoD, with investments, milestones, and outcomes explained.
- **Business Enterprise Architecture:** Architecture efforts within the transformation program are now focused on clearly articulating "corporate"-level information requirements and common capabilities within the department. Services and components, within this corporate-level structure, are empowered to drive their own transformation initiatives. BEA 3.0, released on September 30, 2005, is the structured representation of these corporate-level business rules, data standards, capabilities, and systems, in an integrated format.

DoD's business transformation continues to leverage past experiences, while institutionalizing new tools and new rules under a new governance construct that guides and facilitates implementation. Moreover, the changes in governance include increased senior leadership direction and involvement, new investment oversight, enhanced program management, and increased engagement and coordination among the Office of the Secretary of Defense, services, components, and combatant commands.

We are often asked why we believe the current efforts at business transformation will be successful, given the difficulties the department has experienced in attempting large-scale modernization in the past. We are succeeding, and will continue to succeed, due to the changing nature of the warfighting mission. For the first time in the department's history, the requirements for business operations to effectively support joint warfighting creates a force for breaking down historically rigid barriers to change within traditionally stovepiped business operations.

The Department of Defense is undergoing unprecedented business transformation. We will continue our progress through strong and dedicated senior leadership, structured collaboration across the department, and our unyielding commitment to our warfighters.

More information on DoD's business transformation is available at www.dod.mil/bmmp.

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tion include strategic plans, metrics, and data standards. The goal is to extend the modernization effort beyond any leadership changes, through its completion.

- **Transition to a knowledge-worker environment.** The modernization of DoD's business processes and systems will require employees with new skill sets. Many, if not most, of the data-entry and clerical functions will be eliminated through the automation of business and financial management systems, and the department will have to recruit and cultivate personnel who are able to develop, maintain, and use analytic support systems. Personnel will need training and education in higher-level skills, such as analyzing and interpreting data to support the organization's management, planning, and decision-making needs. Additionally, employees will need more training, at increased frequency, to maintain their currency with rapidly evolving systems and technology. These changes are bound to raise employee anxiety levels, and DoD, along with its subordinate organizations, must develop and maintain open communication with them throughout this transition.

Strategies for Success

Although DoD continues to invest in information technology, the results are often disappointing—individual organizations buy and develop systems aimed at internal requirements, but these often do not work across the organization or between organizations. This results in data and reports that must either be re-entered or manually reconciled. Yet, there are successful cases of enterprise interoperability within DoD, other federal agencies, and the private sector where major organizational transformations have been achieved, enabled by technology.

Participants also agreed that it is important to ensure the visibility of the secondary, or indirect, costs and activities necessary for transformation, so that stakeholders are aware very early on of the costs and benefits of required changes. Ignoring indirect costs can jeopardize transformation efforts when they are underestimated or turn out to be more significant than anticipated, particularly if they were not identified early as a highly visible part of the change process.

Since transformations in any organization often involve major technological changes, a driving focus must be on the integration and interoperability of the component systems—how all of the system components must work together in the end. To achieve interoperability, a mechanism must be in place to ensure that the individual pieces of the architecture will work together in practice. An issue to consider in the transformation process is who at DoD will be responsible for taking this

comprehensive view of the architecture, and then testing and evaluating how well it functions as a whole. Forum participants discussed a new independent organization, possibly outside the department, to accomplish this testing.

Finally, there was a general recognition that DoD employees often lack the necessary experience and skills to spearhead the planning and managing of the implementation of the transformation within the scope envisioned. The problem is that the government's personnel system does not have the agility to quickly bring in functional experts from the private sector, nor is it able to compensate them at levels comparable to the private sector. When faced with a similar problem during their large-scale modernization, the Internal Revenue Service obtained legislative authority (Section 9503 IRS Restructuring and Reform Act of 1998) that allowed the agency to hire as many as 40 critical-pay managers under an expedited process for as long as four years, at a salary range up to the level of the vice president. Forum participants believed that a similar authority is essential for the success of DoD's business and financial systems modernization, and that this was one area that would benefit from immediate legislative relief.

The following specific recommendation for implementation was put forward by forum participants:

3. **When implementing the Defense Business Transformation, DoD should consider leveraging the successful strategies of organizations within DoD, other federal agencies, and the private sector. These include:**
   - **Be smart with technology.** The enterprise solutions should be based on a federated approach that uses commonly agreed upon standards. There must be sufficient enforcement and testing to ensure that developing organizations adhere to those standards. When developing demonstration pilots, organizations must ensure the technology is scalable to accommodate the scope necessary. Finally, when organizations are "rolling out" new systems, they must phase the deployment to identify and resolve problems and the inevitable "bugs" with minimal impact.
   - **Use existing commercial off-the-shelf technology systems when available.** When developing enterprise management systems, the inclination to develop custom systems must be resisted. The use of commercial off-the-shelf (COTS) technology systems (without significant modifications) can shorten the development cycle, spread the development cost, reduce "scope creep," and allow the organization to focus on process re-engineering, not product development. An additional benefit is the ability to quickly incorporate the private sector's developed

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changes and improvements in the rapidly changing world of information technology. Additionally, COTS products often have industry-specific "best practices" imbedded; these are designed to maximize efficiency and minimize customization. Adapting to their processes will facilitate re-engineering. DoD processes must change to match COTS best practices, not the other way around.

- **Institute activity-based costing.** Activity-based costing (ABC) is an accounting technique that allows an organization to determine the actual cost associated with each product and service produced by the organization without regard to the organizational structure. Adopting activity-based costing throughout DoD will help to accelerate the transformation of business management systems by providing data that can be used by leaders and managers to better identify the costs and benefits of modernizing these processes.
- **Develop an independent business process and applications test capability.** An integrated enterprise business

system for the size and scale of DoD will significantly increase the level of complexity. From a technical perspective, as the complexity increases, the behavior of the systems will become less predictable, with unexpected interactions or failures. Designing to standards will not be sufficient. There is a real requirement to do testing on systems throughout the development cycle to ensure that they function as designed, are interoperable with the enterprise architecture, and are secure.
- **Obtain temporary hiring authority.** People with the right skills are absolutely critical to the department's ability to achieve its business and financial systems modernization objectives. DoD should work with Congress to get the authority to hire 50 senior managers with the necessary background and experience from the private sector. These individuals should be able to be hired using an accelerated process, for up to four years, and at elevated (competitive) pay scales. ∎

Transforming the Department of Defense: Key Players

By Corinne Minton-Package, Amanda Lopez, and Shirley Hsieh

Over the past year, the IBM Center for The Business of Government has interviewed many Department of Defense (DoD) leaders on the *Business of Government Hour* radio program about their experiences transforming the nation's defense organization. We have discussed a wide range of topics: information technology, organizational and process changes, collaboration across branches of government and with the private sector, and human resource needs, among others. As the country has moved from peacetime to wartime, DoD has streamlined processes and organizations, implemented new strategies, and developed better tools to support the soldiers and the national interest. This section of *The Business of Government* shares information about the leaders involved in this transformation, as well as their impact on the present and the future of the Department of Defense.

Wiring the Soldier, the Organization, and the Future

Lt. Gen. Steven Boutelle
Chief Information Officer and G-6 of the Army

As chief information officer of the Army, Lt. Gen. Steven Boutelle is involved in transforming the structure of the Army, as well as how it manages the information it collects. From his perspective, both technology and a changing target are altering fundamental Army practices. "We need to make a dramatic change in the structure of our Army," he says. "The Army has been designed for many years to fight on the East German plain against the Soviet Pact or on the Korean Peninsula, and it's a very structured Army." In these circumstances, the landscape, infrastructure, troop and technology needs, and required strategies were well known to the Army.

Since the attack on 9/11 and in the continuing war on terrorism, the Army now must fight a different enemy: "In today's contemporary environment, with the war on terrorism and the radical fundamentalist groups that we're going to face, they [the enemy] are a non-nation state. They don't wear a uniform. They move back and forth between countries, and they move globally. To be able to address that threat appropriately, you need to have small, mobile organizations that can quickly move around the world and perform whatever mission we assign to them," says General Boutelle. To address this new threat, the Army itself must change form.

In the aftermath of the largest reorganization of the Army since World War II, Boutelle believes that technology will enable flattening of the organization. With information technology to support decision making at lower levels, the transformation is under way, he notes, with four Army divisions being refitted in calendar year 2005.

As CIO, Boutelle explains the impact of technology on this transformation: "We're going to enable [brigade combat teams] by satellite-based networks because so many places that we have found the al Qaeda and other organizations are in nation states … where there is no infrastructure. So, to enable those organizations takes lots of satellite capability, lots of IT capability, and a heavy reliance on intelligence." Providing infrastructure in these circumstances is a challenge, both because of varying levels and types of power around the world and because of Army leaders' increased expectations. The CIO must now understand the tactical environment in order to provide the appropriate equipment to the forces, according to Boutelle: "A fight against a group

of terrorists that have no alignment to a particular state or nation requires you to go into many of these fallen states or Third World countries, [where] there's no infrastructure. There's no electricity. There are no places to buy batteries for your radios. There are no telephone systems, no cell systems; you have to bring it with you." Under Boutelle, the Army is continuing to transition to systems and applications that can function under these circumstances by leveraging satellite and Internet technologies.

In these circumstances, General Boutelle explains, management practices are also being transformed: "When you make IT as pervasive as it is today, you tend to flatten your hierarchy of management…. Information flow is so quick, and the ramifications flow very quickly [too]." Boutelle notes that this puts ground-level troops in contact with leaders, but he sees a continuing role for middle management: "If we're not careful, we leave out the middle-management level, where decisions and recommendations [are made]; so, as you trim down, we're very careful to keep a very strong group of people that still add richness to that raw information as it comes forward for decision making." Toward that end, Boutelle spends time "building a bench" of qualified leaders who will continue the Army's transformation.

—*Corrine Minton-Package*

Delivering Results Across the Enterprise

Kevin Carroll
Program Executive Officer
Army Enterprise
Information Systems

Kevin Carroll is transforming DoD by providing program management for all of the Army's enterprise business systems, including finance, personnel, and medical applications, as well as their underlying technical infrastructure. "Our role is to deliver results. We provide the acquisition oversight and review with our partners in industry and the quality contractors…. Our job is to ensure that we have products delivered on time, within cost, and that we get the performance that we need for the soldier." Carroll sees his job specifically as promoting the entrepreneurial culture required to meet the customer's requirements and deliver results for the soldier in the field.

"We're going to enable [brigade combat teams] by satellite-based networks because so many places that we have found the al Qaeda and other organizations are in nation states … where there is no infrastructure. So, to enable those organizations takes lots of satellite capability, lots of IT capability, and a heavy reliance on intelligence."—*Lt. Gen. Steven Boutelle, Chief Information Officer and G-6 of the Army*

Like many other organizational groups within the Army, the Program Executive Officer (PEO) for Enterprise Information Systems is pushing change: "The Army is undergoing a massive transformation, not just in my area, but across the Army as we try to become a lighter, more agile, more modular force. At the core of it is the ability to see, know where your enemy is at, know where you're at, and the ability to be able to strike quickly and get out quickly." According to Carroll, this change is supported by enterprise resource planning (ERP) applications: "We are doing enterprise resource planning because we want to change the way we do business in all of our areas: personnel, logistics, medical. We want to be more business-like in the way we conduct those applications and business processes. This movement toward the ERP solution is on our plate for the next couple of years."

With a $2 billion annual budget and approximately half of the PEO revenue coming from reimbursable work, Carroll predicts that his customer base will continue to grow: "We're a growing business. Our revenue has increased over these last couple of years because we have more customers that are interested in doing enterprising things." Customers are demanding more ERP service because these services reduce redundancy in applications and data entry, according to Carroll: "My job is to help our customers look beyond their stovepipe or within their community because they all take data from each other, and we don't want them re-creating data. We want to have a single source for the data and have integration occur across the platforms."

Carroll points to a lesson learned from early implementation that illustrates the need for change management around ERP implementation to ensure success: "What we're finding is that we can create great software products and take them out to the field. We conduct training on the application, but what we don't really train on is the business process change. We're going to have to spend more time and more money in training and making sure that the soldiers that touch our equipment really can understand what they're doing [with the process]."

Although the technology is exciting, Carroll points to the Army's core mission as the motive to support the soldiers: "There is a big push for technology implementation, because everyone coming out of Iraq and Afghanistan knows that we have to solve problems today. We can't be waiting another five years or 10 years. We have to move today."

—*Corrine Minton-Package*

Converging Institutional Cultures, Systems, and Resources to Support Intelligence Operations

Lt. Gen. James Clapper, Jr.
U.S. Air Force (Retired)
Director, National Geospatial-Intelligence Agency

Lt. Gen. James Clapper is transforming the National Geospatial-Intelligence Agency by integrating legacy cultures, updating products and tools, and improving collaboration with other intelligence agencies that support intelligence operations. In September of 2001, General Clapper began his tenure as director of the National Geospatial-Intelligence Agency, formerly the National Imagery and Mapping Agency, just two days after 9/11.

One of the first organizational challenges that Clapper faced was the agency's bifurcated nature: combining intelligence and defense agencies' efforts of mapping and imagery analysis to improve their intelligence capabilities. He recalls, "The name NIMA, National Imagery and Mapping Agency, was somewhat of a compromise because it involved the marriage of two very disparate cultures; that is, imagery intelligence and analysis on one hand, and mapping, charting, and geodesy on the other." Following a leadership meeting in 2003, it was decided that the agency should change its name so that the name itself would not perpetuate the separateness of the two heritage organizations. On November 24, 2003, President Bush signed the 2004

> "... ultimately, we want to get to doing business with us the way you do business on the Internet, in that you would come to our web-page, and through a series of a few clicks you'd be able to extract the layers of data that will support your particular mission...."
>
> —*Lt. Gen. James Clapper, Jr. (Ret.), Director, National Geospatial-Intelligence Agency*

Defense Authorization Bill, containing a provision authorizing NIMA to change its name to the National Geospatial-Intelligence Agency (NGA).

In addition to renaming the organization, Clapper is spearheading an initiative to converge the agency's information technology systems and processes. In a letter to employees, he wrote: "NGA has developed many great capabilities to support disparate missions, different organizations and customers, and discrete sensors and sources. But many of these current systems are unique. They are not connected to one another, are near the end of their lives, and often perform duplicate parallel functions. Maintaining this kind of stovepiped environment is costly, frustrating, and inefficient." He continued, "Our goal has always been to retire most of these systems by the end of the decade and converge many of these critical capabilities into a single environment. That will allow our analysts to perform the mission—easier, better, faster."

Clapper describes the expectation of NGA's customers in the following way: "We're going to keep up with what I call the four v's: volume, velocity, variety, and veracity. Veracity means the accuracies that are being expected of us." In order to improve volume, velocity, and variety, Clapper seeks to modernize many of NGA's products and make them available online. He notes, "We produce millions and millions of map products, for which there will always be a demand. But, ultimately, we want to get to doing business with us the way you do business on the Internet, in that you would come to our webpage, and through a series of a few clicks you'd be able to extract the layers of data that will support your particular mission—and that you can use that, manipulate it,

and tailor it to suit your own needs, so that we're not producing reams and reams of paper."

With the passage of the U.S. Intelligence Reform and Terrorism Prevention Act in December of 2004, which established the Office of the Director of National Intelligence, collaboration between NGA and the other components of the intelligence and defense communities is increasing. Even before this legislation, NGA began working more closely with the National Security Agency (NSA) following 9/11. Clapper served on the NSA board for four years while retired, and has been a longtime associate of General Michael Hayden, former NSA director and now the principal deputy director of national intelligence. The two agency directors organized quarterly meetings to brief each other's staff on the commonalities of the work, identify complementary areas that could be combined, and remove policy obstacles that obstruct collaboration—which will continue. NSA and NGA are also embedding experts from each agency in the field with the forces pursuing the terrorists in the global war on terrorism. Clapper contends, "There's no substitute for having our experts right there with the operators, with the warfighters, enduring the same privations, the same challenges, and, most importantly, understanding the exact mission."

—*Amanda Lopez*

Enabling Customers to Transform and Meet Their Goals

Zack Gaddy
Director, Defense Finance and Accounting Service (DFAS)

Zack Gaddy, director of the Defense Finance and Accounting Service (DFAS), is aligning the organization's goals with those of his customers with improved processes and tools. Created in 1991, DFAS consolidates finance and accounting activities for the military services. DFAS employs approximately 16,000 people at 26 locations. According to Gaddy, "Our job really is to support the men and women who wear the uniform, who defend this country."

Gaddy is also pushing DFAS to be the "best value," which he describes as the intersection between cost and quality, where DFAS meets customer needs at the most favorable price. This push involves matching appropriate resources to meet fluctuations in demand and ensure that per-unit costs are driven as low as possible. Until recently, DFAS used surveys to measure

customer service, but Gaddy has implemented a new method: DFAS measures customer service by linking DFAS' strategic goals and objectives to their customers' strategic goals and objectives. "Everyone in DoD is doing transformation. Our job at DFAS, as a support organization within DoD, is to understand what transformation means and ensure that we are enabling our customers, our clients, to transform. As a result, we will transform ourselves. If we are able to help them achieve their strategic objectives or transformation goals, then I know that we were successful." Toward this end, DFAS introduced the quarterly Customer Advisory Forum to obtain feedback and to better understand customer needs.

Although DFAS has consolidated financial services across the military to better operate and serve its customers, underlying processes and operations are still converging. There are plans to further consolidate the process and operations through the Business Management Modernization Program (BMMP) currently under way within DoD. "DFAS' goal is to work with the BMMP to help craft standard business rules, to help deploy those systems to the end users and ensure a much more homogeneous product than we've ever had," says Gaddy. Future plans for DFAS include the deployment and operation of the Forward Compatible Payroll (FCP), which will process all of the military payroll.

Gaddy believes that working at DFAS is not just about having a job but having a purpose and an important mission to fulfill, and he shares that his team is also mission driven. His team, he notes, is critical to supporting the warfighter: "Our core competency is our workforce here at DFAS, and I count on them every day to get our mission done."

—*Corrine Minton-Package and Shirley Hsieh*

"Our job at DFAS, as a support organization within DoD, is to understand what transformation means and ensure that we are enabling our customers, our clients, to transform. As a result, we will transform ourselves."
—*Zack Gaddy, Director, Defense Finance and Accounting Service*

"Eventually, we're going to have to come to the realization that there is one enterprise at the Department of Defense, not several—not one for each service, not one for each agency, and not one for each combatant commander. There's one enterprise; it's a single network with many components."—*John Garing, Chief Information Officer, Defense Information Systems Agency*

Providing the Network and Data to Leaders, Soldiers, and Other Customers

John Garing
Chief Information Officer, and Director, Strategic Planning and Information, Defense Information Systems Agency (DISA)

Describing the mission of his organization, John Garing, chief information officer at the Defense Information Systems Agency (DISA), says: "DISA provides the systems and capabilities that enable the deployment, employment, and sustainment of the warfighting force. We do the wide-area network for the Department of Defense. We do the heavy-lift data processing. We are active in the information assurance area, supporting both. We do applications that enable the command and control of a joint task force as it deploys." DISA has approximately 6,600 employees. "Our budget is $6 billion," says Garing. "Of that, three-quarters of it comes from customers, either through the Defense Working Capital Fund or through reimbursable work that we do for them."

Garing explained that the Department of Defense is transforming to enable it to conduct net-centric operations and warfare.

Being net-centric means that the data necessary to conduct operations and warfighting missions is on the network—the network in this context meaning all elements of telecommunications, computing, and storage, and the data itself. "Eventually, we're going to have to come to the realization that there is one enterprise at the Department of Defense, not several—not one for each service, not one for each agency, and not one for each combatant commander. There's one enterprise; it's a single network with many components." This change in perspective is also a cultural change for many of DISA's customers, according to Garing: "All of us were brought up in a culture where the information is owned by the producer of the information, who controls the need to know, especially in the classified arena. Net-centric turns the apple, and now it's really consumer based. We have to assume that the consumer needs the information to do his or her job."

Although DISA has many customers, Garing is clear about who the ultimate end user of the net-centric data is: "We have to come to the realization that the data that the Department of Defense has is not anybody's data; it's the secretary of defense's data. He owns it. Truly net-centric means that we have to have data on the network that's discoverable, authentic, trusted, timely. To do that, there have to be rules about what is put on the network, how it's managed and controlled."

How does DISA monitor the progression of net-centric capabilities? Garing states that a number of performance metrics are used to manage cost and customer satisfaction. DISA is also tracking progress in three-year increments against their net-centric road map. Garing explains: "We're starting … what we call a net-centric road map, looking at the applications, systems, capabilities that DISA is responsible for producing and seeing what they would deliver and how much overlap is produced, where the gaps are.… If we're successful with this, we will team with Joint Force Command and others, Strategic Command, to broaden and export this to the rest of the department."

Garing sees a future of technology-driven change within DoD: "The movement to net-centric has affected everybody, not just us. The way we fight today, which we have proven again in Afghanistan and Iraq, is indeed joint. It is almost to the point now that if you cannot fight joint[ly], you're not relevant. It'll get to the point that if you cannot post your data on a network, you won't be relevant." Garing predicts that DISA will need to continue to evolve in coordination with its customers to stay relevant into the future.

—*Corrine Minton-Package*

Transforming Logistics and Distribution to Better Serve the Warfighter

Gen. John Handy (Retired)
*Former Commander,
U.S. Transportation Command,
and Commander, U.S. Air Mobility
Command, Scott Air Force Base*

Gen. John Handy transformed the way that the Department of Defense supports troops by combining logistics and transportation services of troops and equipment across three branches of the armed services.

As one of the youngest organizations within the DoD, the United States Transportation Command, or TRANSCOM, was created to consolidate transportation support for DoD, unifying the Air Force Air Mobility Command, the Army Military Surface Deployment and Distribution Command, and the Navy Military Sealift Command. Through the coordinated use of air, sea, and land transportation, TRANSCOM moves troops, equipment, and supplies wherever needed. TRANSCOM also provides transportation support to sustain forces for as long as necessary in both peacetime and wartime.

"Since 1987, we've continued to grow and mature and take on greater responsibilities around the world," says General Handy, former TRANSCOM commander and commander of the U.S. Air Force Air Mobility Command. Currently there are 156,000 employees at TRANSCOM, including active duty service members of all branches of the military.

In September 2003, Secretary of Defense Donald Rumsfeld designated TRANSCOM and its commander the distribution process owner (DPO). As Handy points out, "prior to TRANSCOM's designation as DoD's distribution process owner, TRANSCOM was always 'fort to port'—meaning from some fixed DoD facility … TRANSCOM would only deliver those assets to a port, either a seaport or an aerial port, in an area of operations, somewhere else in the world." According to Handy, there was no responsibility back to the factory of the industrial base of the U.S., and no responsibility past landing at an airport or disgorging cargo.

With the designation of DPO in place, TRANSCOM responsibilities are now "factory to foxhole," meaning from the point of consumption well into the theater: "It's not only pushing supplies and deployment items to the theater, it's redeployment, and it's retrograde or reparables, or what you're trying to bring home," says Handy.

TRANSCOM and the Defense Logistics Agency (DLA) are now supporting soldiers in both Iraq and Afghanistan. As a result, TRANSCOM is responsible for moving more than 2 million people to and from the continental United States, 5 million short tons of cargo, 2.3 billion gallons of fuel, and millions of meals, bottles of water, and ammunition to theater. "What this all means to the warfighter is that whatever you need, either combat, power, or medical supplies, there's an organization that has the responsibility to get it to you when you need it, whatever it takes," explains Handy. He credits the pulling together of all of TRANSCOM's air, sealift, and surface capabilities with providing the warfighter that kind of capability.

Streamlining both logistics and distribution within DoD has great challenges. "The challenge for TRANSCOM and the Department of Defense is that we don't pick where our stores get created. Our stores are generated out of earthquakes or hurricanes or famine or a warfighting crisis. And they pop up anywhere in the world," says Handy. Compared to private sector logistics and distribution, TRANSCOM has the conflict environment to manage: "When trucks pull up to our loading docks in a crisis, we have that combat thought and reality overlaying everything we do, and so there are similarities and there are dissimilarities."

Many have asked Handy how he was able to transform TRANSCOM headquarters and all three of its component organizations in the middle of supporting two conflicts. He states simply: "It's because we needed to." TRANSCOM organizational change was driven by mission need, says Handy: "When you're given these kinds of responsibilities and you really want to make a positive impact on the processes, procedures, and people you support, creating change in a large organization is perhaps the greatest lesson we've all learned."

"The challenge for TRANSCOM and the Department of Defense is that we don't pick where our stores get created. Our stores are generated out of earthquakes or hurricanes or famine or a warfighting crisis. And they pop up anywhere in the world." —*Gen. John Handy, former Commander, U.S. Transportation Command*

He's confident about TRANSCOM's future: "We're scratching the surface on distribution management. It's a significant scratch. We've got a long way to go, but we'll get there."

—*Corrine Minton-Package and Shirley Hsieh*

Moving to an Enterprise View of Acquisition

Mark E. Krzysko
Director, Supply Chain Systems Transformation, Office of the Under Secretary of Defense for Acquisition, Technology & Logistics

Mark Krzysko is transforming DoD supply chain business systems to better support the warfighter by pushing an enterprise-wide view, incorporating technology tools, business modernization, and measurement.

As he leads the Supply Chain Systems Transformation Directorate, he is pushing toward a modern, enterprise-focused organization. "Our acquisition process will be perfectly transparent to the entire community from the taxpayer … through the people doing the business. We'll be able to do business anywhere in the world, connecting with industry in a very efficient fashion.… We will rely on a service-based architecture that interconnects, because as we realize the acquisition process and the data we need, we can better connect across that environment." This vision revolves around providing goods and services to the warfighter: "We begin and end always with the warfighter."

This enterprise-wide view has led to both consolidation and re-engineering, according to Krzysko. "In some cases, this measurement at an enterprise level has led to system consolidation. When FedTeDS was moved to the federal arena, we didn't have a DoDTeDS anymore. The feeder system to FedBizOpps was retired. We had the Department of Defense Federal Business Opportunity System and took that system down [to use FedBizOpps exclusively]…." FedTeDS (Federal Technical Data Solutions) is a system that stores sensitive data that had formerly been included in public requests for proposals. FedBizOpps is the portal for federal government procurement opportunities over $25,000.

This streamlining is still in process: "Our future deployment to the FPDS [Federal Procurement Data System] will not only retire five business systems, but we will also 'business process

re-engineer' the process because the contracting officers or contract specialists would be passing the direct data from their contract award directly to FPDS, thus eliminating all the oversight and data movement within the department. There you can see … measurement of the business process while reducing the technical footprint."

Krzysko describes the benefit of taking an enterprise-wide view for supply chain business systems management: "It's about connecting the dots. The operating environment is very complex because we have everything from the President's Management Agenda to the secretary of defense's initiative to the business modernization program, balanced scorecard, [and] GAO audits. We decided that many of these things had an awful lot in common, and we could realize synergy from our operating environment.… All the major initiatives were aligned within the federal government as well as the department from within the acquisition community so we could report as efficiently as possible to each one of them."

Reporting on these initiatives and using all of the data to transform acquisition also reinforces an enterprise view: "We measure ourselves to see how well we're doing in terms of developing our business process, our data models, our transition plans—and are we doing what we said we would do on time. We also need to assess the services and measure how well they're doing and how fast they are achieving their goals … and, finally, you have to measure at a process level. We need to … look at an enterprise level."

Krzysko credits this enterprise-wide view with some of his directorate's success: "No vision is perfect, and execution is always lacking, so as you move forward you have to adjust and be sure that you're pursuing the correct direction."

—*Corrine Minton-Package*

Expanding the Continuity of Military Healthcare

James Reardon
Former Chief Information Officer, Military Health System, and Director of Information Management Technology and Reengineering, TRICARE Management Activity

While chief information officer, Military Health System (MHS), Reardon transformed the military health system through the use of technology to provide more cost-effective and high-

quality healthcare services to patients, staff, and beneficiaries in the United States and deployed areas. The MHS provides healthcare services to active duty military personnel, their family members, and retirees, and includes more than 9 million beneficiaries, 70 hospitals, and 400 outpatient clinics. In addition, it uses technology to extend capabilities into rural and deployed areas.

One of the many challenges in the MHS environment is providing "continuity of care," which refers to the accessibility of a patient's medical history in a mobile patient and physician environment. "In our population, with our military members rotating every three or four years, they're frequently introduced to new doctors."

What is the primary method of addressing continuity concerns in the MHS? According to Reardon, it is the electronic medical record. He explains that this technology significantly improves the ability of physicians to view all of a patient's data: "We are implementing an electronic medical record, which means that you have information on patient encounters with their physicians, and all of the medical information is in a legible, readily available format that physicians can refer to during the patient/physician encounter." Reardon notes that the MHS is currently expanding the information stored within the electronic record, which is expected to benefit future patient/physician interactions.

Implementing the electronic medical record across this population in this environment has significant challenges. "We need to be concerned about the security of a comprehensive medical record. How do we secure that data in the database and also how do we secure that information when it is being sent over data lines? There is the appropriate level of security today … in DoD. We apply [security] in all of our systems to ensure that the information is well protected and available only to those who are authorized to have access to that information." Another issue is the ability to expand or contract this technology as the beneficiary population changes: "Other CIOs are implementing electronic medical records in two or three hospitals in a region. We're doing it on a worldwide scale.... We work every day to ensure that the provider who is sitting with the patient in the exam room experiences substantial and effective system performance and that the computer system is available for them whenever they need it." Given these challenges, Reardon cautions his colleagues to use the technology to support the culture and business process: "I think most CIOs would tell you that a very precarious position is to allow the technology to get out ahead of the

> "Other CIOs are implementing electronic medical records in two or three hospitals in a region. We're doing it on a worldwide scale.... We work every day to ensure that the provider who is sitting with the patient in the exam room experiences substantial and effective system performance...."
>
> —*James Reardon, former Chief Information Officer, Military Health System*

functional user and the business. We need to use the technology as an enabler. We are not providing information technology without the business to drive it."

—*Corrine Minton-Package*
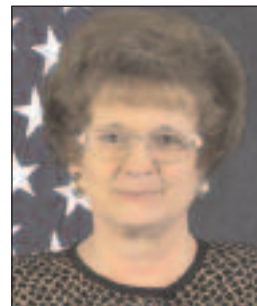
Investing in Army Education to Improve Readiness, Recruitment, and Retention

Dian Stoskopf
Director of Education
Department of the Army

Dian Stoskopf is helping the Army transform its recruiting image and troop readiness through the implementation of eArmyU. In 1999, the Army confronted a recruiting crisis. Louis Caldera, then-secretary of the Army, challenged his assistant secretary for manpower and reserve affairs to work with the recruiting command to develop innovative solutions that would attract young recruits. "He wanted to change the image of the Army. The Army's image was one where you crawl on your belly through the mud, and he wanted to change that image to be a high-tech Army. And somehow or another, that task ended up on my desk and

I said, Why me?" recalls Dian Stoskopf, director of education for the Department of the Army.

Less than two years after the secretary issued his challenge, and only six months after awarding the contract, the Army launched one of the world's largest education portals, known as eArmyU. This educational initiative offers regular active duty and active guard reserve enlisted soldiers the opportunity to achieve a college degree or certificate anytime, anywhere, across the Army enterprise.

Soldiers that meet the eligibility criteria defined by senior Army leadership are eligible to receive a technology package that includes a laptop, an Internet Service Provider account, an e-mail account, and 24x7 help desk support. Others can enroll through e-course enrollment, where enlisted soldiers and officers use their own personal computers to participate in the program on a course-by-course basis. Participants have access to more than 146 online certificate and degree programs in such areas as business administration, computer science, and nursing, offered by 29 regionally accredited colleges and universities. They can receive and submit assignments, interact with fellow students and professors, and participate in tutoring online. Currently, more than 60,000 soldiers participate in eArmyU worldwide and more than 1,000 have earned their degrees through eArmyU.

The success of the program can be attributed to the ease of use, the flexibility, and the monetary incentives offered to soldiers. Stoskopf observes, "Soldiers have greater access and flexibility with the eArmyU program than they do with the traditional programs, where they've got to go and sit in the classroom every Monday, Wednesday evening, or at lunchtime, or over the weekend, at a very structured kind of pace." For example, she notes, "We have many soldiers who've worked successfully in their eArmyU courses while stationed in Iraq or Afghanistan…. Education opportunities, particularly in those kinds of environments, provide a very positive reinforcement to soldiers and give them something to get their minds off of the war." Soldiers are also reimbursed for a portion of tuition costs, providing a financial benefit.

Stoskopf contends that the program benefits not only individual soldiers but also the Army as a whole. "The program assists in building today's and tomorrow's future force by offering unprecedented academic access, choice, and flexibility in an online learning environment," she says. "eArmyU successfully reaches a new generation of soldier-students and helps them achieve their academic goals.

eArmyU develops educated technology-savvy soldiers who can succeed in the network-centric missions and battlespaces of the 21st century. It integrates educational opportunity with troop readiness, strengthening the Army's commitment to an agile, versatile, and adaptive force. And it serves as a retention tool by empowering a new population of soldiers to reach their educational goals."

Has the investment and risk of developing eArmyU been worth it? "Without education, it's very possible that the Army would not have an Army—they couldn't fill the ranks," Stoskopf contends. "We know that one of the top five reasons why soldiers come into the Army is money for college. One of the very strong reasons that they stay is the tuition assistance that they obtain while they're in the Army. So we know that there's a heavy demand for education and the Army has paid attention to that. They know that it does indeed increase retention, and so they're happy to support that." ■

—Amanda Lopez

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- **The Office of the Army Chief Information Officer,**
  visit www.army.mil/ciog6/.
- **The Army Enterprise Information Systems,**
  visit https://my.eis.army.mil/pws/index.htm.
- **The National Geospatial-Intelligence Agency,**
  visit www.nga.mil.
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  visit www.dod.mil/dfas/.
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- **The Military Health System,**
  visit www.tricare.osd.mil.
- **The Army Continuing Education program,**
  visit https://www.armyeducation.army.mil.
- **The DoD Business Management Modernization Program,**
  visit www.dod.mil/bmmp/.

Transforming the Government Accountability Office

By Jonathan Walters and Charles Thompson

This article is adapted from Jonathan Walters and Charles Thompson, "The Transformation of the Government Accountability Office: Using Human Capital to Drive Change" (Washington D.C.: IBM Center for The Business of Government, 2005).

Overview

Transforming organizations is a complicated, frequently messy proposition. It is so because of an unavoidable truth about organizations: They are run by people. And so any drive to fundamentally change the way a place does business necessarily means that a central component of such change has to involve the people who work there.

The Government Accountability Office (formerly the General Accounting Office) has long been recognized as an organization that has evolved over the years according to shifting sets of circumstances and demand. A core part of that evolution, which continues today, has been in how it handles all aspects of staffing and personnel management ("human capital management" according to the current lexicon).

When Dave Walker arrived as Comptroller General in 1998, he says he found an organization with great people but with significant morale, credibility, and very real fiscal problems, an organization in need not of further evolution but of full-scale transformation.

In pushing that transformation, Walker has relied on several key tools, from initiating the organization's first strategic planning process to significant structural reorganization.

Central to the transformation, though, has been Walker's push on human capital management, including changes that he and many others believe reflect the requirements of a new, fast-paced, high-demand work world, on the one hand; and that respond to a new generation of workers who have vastly different expectations when it comes to work and careers, on the other.

This report looks at how the GAO workforce has kept pace with the organization's evolving role in federal government

oversight. It investigates the challenges of implementing human capital reforms. Most specifically, it looks at current human capital initiatives in light of Walker's broader push on organizational transformation and considers lessons learned when it comes to pushing significant human capital management reform in the name of organizational transformation.

Areas that have received particular attention at GAO during Comptroller General Walker's tenure include improving employee/management communication around expectations and performance; establishing pay for performance for the entire organization; establishing a system of market-based pay; and emphasizing more broadly the importance of human capital management when it comes to the overall success of an organization, including doing comprehensive strategic workforce planning.

Many close observers of federal personnel systems believe GAO has a significant amount to offer in answering questions around public sector human capital reform. "GAO is worth paying attention to," says Steve Nelson, director of the Office of Policy and Evaluation at the Merit Systems Protection Board. "They've been well ahead of other federal agencies in implementing changes, including large ones like pay for performance and going to market-based pay."

GAO has also been a leader in a broad spectrum of other human capital policies and practices, ranging from the use of flex-time, to tuition reimbursement, to early retirement incentives as a way to make room for and recruit new talent.

In particular, GAO has five basic lessons to teach the rest of federal government: (1) the need to move cautiously when pushing major human capital change and to involve staff in the process; (2) the need for strong strategic workforce planning; (3) the need to emphasize smarter, more targeted recruitment, hiring, and retention policies; (4) the need to beef up investments in systems for the selection and training of managers; and, perhaps most important, (5) the need for a fair, unbiased, and transparent system for hearing employee appeals absent certain traditional civil service (seniority-based) protection for employees.

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Given the current enthusiasm for a revolutionary new approach to public sector human capital management at the federal level, many human capital management experts believe that other agencies would do well to heed the lessons of the federal government's chief accountability office as they go about the critical work of reinventing their own personnel systems.

Lessons Learned

Comptroller General Walker has said repeatedly that he wants GAO to be a model for other federal agencies and a world-class professional services organization in specific areas of administration—from information technology to human capital management—as well as in how the agency conducts itself generally, that is, with accountability, integrity, and reliability. It is an imperative, he says, that is particularly powerful at GAO inasmuch as the agency spends its days instructing others in the federal government how to perform better. And so the questions around GAO's human capital initiatives are obvious: Should other federal agencies try to emulate GAO? Can they?

The questions are certainly timely. As of this writing, both the Department of Homeland Security (DHS) and the Department of Defense (DoD) are in the process of shifting out of certain Title 5 U.S.C. provisions and coming up with their own systems for managing human capital. (The Federal Aviation Administration, the Internal Revenue Service, and the National Aeronautics and Space Administration are the other major federal agencies that have been given human capital flexibilities.) At the same time, there seems to be growing interest in looking at other executive-level agencies—the Department of Health and Human Services, the Environmental Protection Agency, and so on—and assessing whether they might not benefit from a human capital overhaul.

John Palguta, with the Partnership for Public Service, a nonprofit that seeks to build the recruitment and retention capacity of the federal government, thinks GAO has a lot to offer when it comes to reinventing federal personnel systems. For one thing, says Palguta, GAO has put on the table throughout the federal government the whole issue of human capital

Lessons Learned from GAO

1. The need to move cautiously when pushing major human capital change and to involve staff in the process

2. The need for strong strategic workforce planning

3. The need to emphasize smarter, more targeted recruitment, hiring, and retention policies

4. The need to beef up investments in the selection and training of managers

5. The need for a fair, unbiased, and transparent system for hearing employee appeals absent certain traditional civil service protections for employees

management as key to better performance by critiquing agencies based on their human capital policies and capacity.

The agency, meanwhile, has done broader studies on everything from pay for performance in the public sector to the extent to which federal agencies have been using all the flexibility they have under current human capital rules. "But Walker does want to practice what he preaches," says Palguta. "I know that pushing his own performance-management and pay-for-performance systems has been a very tough thing to do. But they're making a concerted effort over an extended period of time, and he seems willing to make that commitment."

Nor is the Comptroller General shy about being judged by his efforts, Palguta adds. At Walker's request, GAO will, for the first time ever, be included in the Partnership for Public Service's annual employee satisfaction survey on "best places to work," a survey that is normally restricted to executive-branch agencies. By asking that GAO be included in the rankings, which are due out in late spring to early summer this year, "he's taking a little bit of a risk," Palguta says. (GAO also does its own annual employee satisfaction survey.)

As for the larger questions raised by the GAO effort—considerably circumscribed seniority rights and significantly increased managerial discretion when it comes to pay and

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promotions—Palguta thinks that worries about a wholesale return to patronage hiring, or increased political pressure on employees to toe the administration line, or rampant management "favoritism" are probably overblown. "I still think GAO is a valuable model to watch, although one thing to keep in mind is that GAO has a fairly unique, highly professional workforce."

Despite GAO's unique standing in the federal government, the agency clearly has lessons to offer other federal entities looking at significant human capital reform.

Lesson 1: The Need to Move Cautiously When Pushing Major Human Capital Change and to Involve Staff in the Process

Al Hyde, who studies federal human capital issues for the Brookings Institution, agrees that GAO has lessons to offer, but of a more cautionary nature. Such significant change needs to be done with great deliberation and significant employee involvement, he says.

It seems clear that GAO's changes have involved a great degree of deliberation and employee involvement. At the same time, many of those interviewed for this report expressed concern about the speed of change at GAO, even those who generally supported the changes. "One thing that I tell staff is that they can depend on change, and I know it gets kind of stressful and we need to manage that," says Human Capital Officer Jesse Hoskins. "I do think the organization may be experiencing a bit of that stress."

But employees are naturally going to be nervous about big change, says Nelson of the Merit Systems Protection Board, which hears appeals in the case of adverse personnel actions in the federal government. "I think it's normal that there would be initial trepidation and even suspicion," says Nelson.

To alleviate that trepidation and suspicion, it is critical that employees feel as though they've been involved in shaping and implementing change, emphasizes the top management at GAO.

When Comptroller General Walker arrived at GAO, there was no single group representing employees to management. Rather, there were a host of disparate groups representing various interests, from minorities to the disabled. Walker merged them all under an umbrella Employee Advisory Council (EAC), now made up of 22 staff representing all employees agency-wide (most of the GAO staff interviewed for this report are current members of the EAC). The EAC was established to offer employees more direct and coherent input into decisions about agency administration and direction. "The two groups I interact with most are the managing directors and the EAC," says Walker.

Members of the EAC interviewed for this report were of mixed opinion when it came to the question of how much influence they actually have over GAO policy. None viewed the EAC as a "rubber stamp," something it is occasionally accused of by other staff. On the other hand, EAC members recognize that, while they have access to the Comptroller General and significant influence, they do not have any veto power over initiatives that the Comptroller General feels strongly about, either. Most did agree, though, that GAO was much less subject to the rampant rumor mill that seemed to work overtime prior to the creation of the EAC; that at least there was two-way and agency-wide communication about the changes that are coming, and no trickle-down surprises from the top.

Lesson 2: The Need for Strong Strategic Workforce Planning

"GAO believes that strategic human capital management must be the centerpiece of any serious change management initiative and effort to transform the culture and operations of any large organization, including government organizations," writes Comptroller General Walker in his opening message of the GAO's FY 2004–2006 *Human Capital Strategic Plan*.

The strategic human capital plan is a wide-ranging document that essentially lays out the agency's goals for ensuring that staff match up with mission in upcoming years. Specifics include doing staffing needs assessments, ensuring that the organization takes full advantage of the human capital flexi-

bility granted to it by Congress, offering training that meets the needs of both employees and GAO, creating programs to aggressively and tactically recruit skills necessary to meet GAO's congressional mandate, and creating programs and policies to enhance retention.

Lesson 3: The Need to Emphasize Smarter, More Targeted Recruitment, Hiring, and Retention Policies

One of the most powerful lessons to be gleaned from GAO's human capital practices is around its targeted, aggressive, and efficient recruitment and hiring policies. Several of the younger staff interviewed for this report noted that the process of getting in the door at GAO was head and shoulders above that of other federal agencies to which they'd applied for jobs. Indeed, one staffer who had applied to several federal agencies said it was months after he'd been *hired* by GAO that he even heard from the other agencies about *setting up an interview.*

GAO targets recruitment according to identified need, going to top schools and graduate schools nationally and in Puerto Rico. The most common route to a job at GAO is through an internship. The program is set up to bring in students, typically graduate students who are almost finished with school. Those who are selected and who complete 400 hours of work (real work, not make work) and who seem ready for the jump to full-time work at GAO are offered the option of "converting" to a full-time job at GAO.

Once converted, most employees spend two years rotating among teams on a probationary employment basis. Both longtime staff and newcomers agree that the internship/conversion system is extremely effective for ensuring a good employee/employer fit. (While all of those interviewed for this report like the system, a number of the younger staff did express the opinion that two years is probably a longer probationary period than really necessary.) Anyone who is interested in a job at GAO can also register on GAO's website and automatically be notified of openings.

At the same time, many of those interviewed for this report said that other GAO policies, like flex-time and the student loan repayment program, were added benefits that made the agency an attractive place to come to work.

Lesson 4: The Need to Beef Up Investments in the Selection and Training of Managers

As discussed earlier, creating systems that offer managers more discretion demand an investment in management and management training. One of the methods that GAO uses to determine where investments may be needed is the agency's annual employee survey. Within the survey there is a subset

Other Organizational Transformations: Best Practices

- **Centralize Authority and Accountability**
  Lesson learned from the United States Transportation Command (TRANSCOM), which assumed ownership of the Department of Defense supply chain and made infrastructure and process changes to reduce costs, improve customer satisfaction, and enhance responsiveness.

- **Actively Involve All Customers in Key Design Decisions**
  Lesson learned from Pfizer, which involved employees, managers, and executives in key design decisions during the company's creation and implementation of a global HR service delivery model and shared services strategy that eliminated structural and process redundancies within the company's HR organization.

- **Drive Change Through Top-Down Transformations**
  Lesson learned from the United Kingdom's Driver and Vehicle Licensing Authority (DVLA), which designed and implemented a new Leadership Strategy, Leadership Model, and Leadership Development Program to support the DVLA's implementation of an e-enabled business model.

- **Empower Employees and Managers to Take Ownership of HR-Related Data and Transactions**

  and

- **Reduce the Administrative Burden on HR Staff to Allow More Time for Strategic Program Planning**
  Lessons learned from IBM, which implemented a tiered HR service delivery model (i.e., web-based self-service portals, call center support, HR staff support) to reduce HR-related costs, improve process efficiency and uniformity, and improve customer satisfaction.

- **Ensure Senior Management Openly Supports and Champions New Policies and Programs**
  Lesson learned from the United Kingdom's Ministry of Defense (MOD), which overhauled the agency's training and development programs to support MOD's adoption and implementation of new financial accounting methods and information systems.

- **Maintain Open Communication Channels Between Management and Employees**
  Lesson learned from Ford, which centralized the company's HR services and implemented employee self-service portals to lower HR-related costs, improve customer satisfaction, and enhance responsiveness.

of leadership-related questions that assess just how effective managers are performing and areas that may be in need of targeted improvement. The leadership-related areas that are assessed include employee empowerment, trust, recognition, decisiveness, leading by example, and work life.

Human Capital Officer Hoskins says he understands employee concerns about the quality of management in a new HR world. He says any large organization is always going to harbor some weaker performers, but points out that according to GAO employee surveys, employee confidence in management has gone up since 2002. However, he agrees that middle managers need to be trained. "We continually train managers on their supervisory roles and responsibilities. We continually tell them that employees need constant and clear feedback; you can't just tell an employee they're doing OK. At the same time, though, employees have responsibility to be active in asking for feedback, too."

Managers interviewed for this report noted that GAO did offer a wide range of training opportunities, both in house and off site, and reported that for the most part such training was helpful.

Clearly, though, how managers are recruited, selected, and trained becomes all that more important in a new, more flexible HR environment, particularly one that emphasizes performance and results as the basic touchstones of employee evaluation.

Lesson 5: The Need for a Fair, Unbiased, and Transparent System for Hearing Employee Appeals Absent Certain Traditional Civil Service Protections for Employees

Fears that political pressure might be brought to bear on career staff have continued, fueled by anecdotes. Reports that some career staff at the Social Security Administration were pressured to toe an administration line on a looming Social Security crisis added more fuel to the concerns. Don Kettl, director of the Fels Institute of Government at the University of Pennsylvania, says he believes that worries about political influence being wielded under a more flexible system are well founded. "There's a real risk that people who have the opportunity to use [human capital management] discretion will use it for political purposes. I think there's a substantial risk of political interference, particularly when it comes to the regulatory world."

Which is why any system that involves a substantial rollback of traditional civil service protections for employees is going to have to backfill with some other mechanism for ensuring the integrity of human capital management generally, argue proponents of updated human capital management systems. That includes creating some mechanism of appeals for adverse job action that is credible and transparent. "It is extremely important that employees perceive that the system is fair," says MSPB's Nelson.

GAO employees can grieve a wide range of personnel-related decisions (e.g., performance ratings, certain types

of suspension, and official reprimands). GAO has a three-step procedure for hearing grievances. Under first-step procedures, employees are strongly encouraged to discuss problems with supervisors and managers, who are encouraged to try to informally resolve the issue. If a grievance presented under this step is not resolved, it goes to the unit head, regional director, or other appropriate official. In such cases, the deciding official provides a written decision to the employee. If the employee is still not satisfied, he or she may pursue the third and final step in the regular grievance process—review by the chief operating officer.

Specifically excluded from grievance processes at GAO are the content of GAO orders and policies, nonselection for promotion from a group of properly certified competing candidates, and failure to receive a non-competitive promotion. GAO's current administrative grievance order identifies 22 such exclusions in all.

Discrimination claims are handled by GAO's Office of Opportunity and Inclusiveness (OOI). Employees also have the right to seek relief from the GAO Personnel Appeals Board (PAB) and the federal district courts. However, with limited exceptions, employees must first exhaust their administrative remedies at OOI before filing a discrimination case with either the PAB or going to court. Claims regarding prohibited personnel practices (such as the failure of the agency to follow a rule or regulation impacting a merit system principle) and adverse actions (such as removals) are filed with the PAB.

GAO employees generally expressed confidence in the agency's grievance process. No employees suggested that they'd ever been pressured to alter any part of a report due to political considerations or that they'd been treated a certain way because of their own political views. (There were complaints about what some view as an overly liberal policy when it comes to allowing review and comment on reports, generally. And there were employees who think the agency has become overly circumspect—less hard-hitting—in how it apportions responsibility in its reports. But none of those complaints was put down to overt political pressure.)

Conclusion: The Need for a Coherent Federal Human Capital Policy

While the Comptroller General says that he wants GAO to be a beacon for other federal agencies, he himself has expressed concern about a piecemeal—that is, federal department by federal department—approach to reform.

In testimony to Congress, Walker noted: "In our view, it would be preferable to employ a government-wide approach to address certain flexibilities that have broad-based applica-

tion and serious potential implications for the civil service system, in general, and the Office of Personnel Management, in particular. We believe that several of the reforms that DoD is proposing fall into this category (e.g., broad-banding, pay for performance, re-employment, and pension offset waivers). In these situations, it may be prudent and preferable for the Congress to provide such authorities on a government-wide basis and in a manner that assures that appropriate performance management systems and safeguards are in place before the new authorities are implemented by the respective agency."

If Walker has concerns about the overall federal human capital management reform effort, public sector employee unions are highly skeptical about the push for freer, more flexible human capital management systems. As far as GAO being a potential model, says Colleen Kelley, president of the National Treasury Employees Union, "I'm familiar with what David Walker is trying and says he's accomplished. And if they've moved off the General Schedule, then maybe they've learned some things; I think what they're doing should be watched, but including the mistakes."

Even if GAO offers lessons to learn, though, Kelley wonders about the rest of government's willingness to pay attention to those lessons. She points out that the Comptroller General has testified on the importance of setting up a credible, third-party review of employee appeals under any pay-for-performance system. "And that's not going to happen at DHS," she says. "He talks about getting employees involved in establishing core competencies. That's not happening at DHS, either," she says. Nor is DHS working with employees in developing the new agency's employee performance evaluation standards, says Kelley.

If the administration were really sincere about improving human capital management, they would pay closer attention to what's gone on at GAO, she argues. Furthermore, reformers would not be so eager to expand efforts to other parts of the federal government without at least waiting to see how the changes play out at places like DHS. "I think it would be irresponsible for anyone else to adopt this system before it gets tested out," says Kelley.

MSPB's Nelson notes that current plans for human capital transformation at Defense and Homeland Security do include significantly beefed up training for managers, in line with lessons learned at GAO. "At least there's lots of rhetoric about providing enough money to train managers in things like how to give feedback, conflict resolution, and interpersonal relationships."

Of course, many opponents of taking federal agencies out from under the General Schedule and OPM argue that such efforts have more to do with politics than with management. It is always hard to separate the two, says Kettl. "Nothing in the public sector human resources world ever happens for purely managerial reasons; everything has a political angle."

Yet GAO is probably not the best place for testing the politicization of the human capital thesis, because it doesn't provide services directly to the American public. Conceivably, some Comptroller General might try to use his or her influence through a more "subjective" human capital system to pressure employees when it comes to audit and research findings. There is absolutely no evidence that is a problem at GAO. At the same time, it is hard to argue that the office has a whole lot in common with, say, the Environmental Protection Agency or the Department of Housing and Urban Development when it comes to predicting potential political abuses due to a more flexible human capital management system.

The bottom line, though, is that there is clear and growing pressure to significantly revamp the entire federal civil service system, for better or for worse. More significant, there seems to be a growing *political* consensus that such change is necessary. And so to the extent that the rest of the federal government is willing to pay attention, the human capital initiatives at GAO are certainly worth studying. ■

Transforming the Intelligence Community

By Elaine C. Kamarck

This article is adapted from Elaine C. Kamarck, "Transforming the Intelligence Community: Improving the Collection and Management of Information" (Washington, D.C.: IBM Center for The Business of Government, 2005).

If the creation of the Office of the Director of National Intelligence (ODNI) is unlikely by itself to achieve fundamental reform in the intelligence community, what is? The problem with the ODNI is that it deals with the very top of the community, and yet the kinds of transformations called for in the 21st century deal with how the frontline work of that community is done. In an article written for RAND, Deborah Barger argues that what is needed is a revolution in intelligence affairs similar to what took place in the military. The end objective of this revolution should lead to "changes in people's behavior and day-to-day activities" (Barger, 2005). This report attempts to lay out ways in which the emerging field of knowledge management can foster creative thinking about reforms at the front lines of the intelligence community, the kinds of reforms likely to change day-to-day activities. It will argue that what the 21st century policy maker will need is global knowledge that informs policy. The scope and depth of that knowledge is fundamentally different from what was needed by policy makers during the Cold War and will thus require a frontline transformation of existing intelligence organizations and the creation of new ones. The creation of the ODNI will not guarantee that these reforms happen. However, if the experienced officials who are now beginning to staff the ODNI hope to escape becoming the 21st century version of the drug czar, they would be well advised to make fundamental organizational transformation their primary goal.

So how can the new and emergent field of knowledge management help in fundamentally restructuring the front lines of the intelligence organizations? Knowledge management studies have examined how private sector companies create and use knowledge as part and parcel of their organizational culture. It is a common sense methodology that attempts to organize the valuable internal information of a company, much of which is experiential, and integrate it into the more formal information flows in ways that help the company stay competitive. Corporate giants like Motorola, Microsoft, IBM, and General Electric have worked hard at the integration of internal knowledge. By organizing in ways that are designed to maximize the creation of new knowledge, these companies hope to apply the knowledge of the company to innovations in both products and processes.

Knowledge management arises in response to two characteristics that the competitive global information economy shares with the national security community: uncertainty and data overload. Much of the work on knowledge management in the corporate community began in the late 1980s and early 1990s when it emerged as a consequence of both globalization and the information revolution. Knowledge management is an integral part of an economy where "the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge" (Nonaka, 1998). In addition, knowledge management tries to cope with the paradox of data overload. In the 21st century, computers allow us to collect and manage huge amounts of data, but unless the data lead to changes in organizational structure and changes in work, they won't do anyone much good. The management guru Peter Drucker writes, "as soon as a company takes the first tentative steps from data to information, its decision processes, management structure, and even the way its work gets done begin to be transformed" (Drucker, 1998).

The intelligence community (IC) of the 21st century will also have to cope with uncertainty and data overload. Gone is the stability of the nation-state era when intelligence could be defined as ascertaining the capacities and the intentions of other nation states—and the work of intelligence could be operationalized into more or less discrete tasks such as stealing state secrets or counting armored tanks. Divining the capacities and intentions of other national actors was never easy, but at least it was bounded. This work is not going away. In fact, with the rise of China as a potential adversary, it may be more important than ever. But in an era when loose networks of terrorists, working in autonomous cells, can bring global cities to their knees and threaten populations with nuclear or biological weapons, the very source of the national security threat is uncertain, and the IC has to develop an additional paradigm to deal with non-state

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threats. Terrorism is not the only non-state threat. We have national security concerns about proliferation, organized-crime trafficking in strategic materials, chronic conflicts, genocidal outbursts that demand intervention, failing states, and destabilization from disease outbreaks, to name but a few.

Uncertainty means that we need to conceptualize the IC as a community that provides knowledge and makes sense of the world to policy makers—a function fundamentally different from conceptualizing the IC as a community that provides information. The IC of the 20th century could provide information because it was built around an enemy that was known, stable, and bounded. Because the Soviet empire was, by and large, a closed system, intelligence was developed and then defined around the stealing of secrets. Stealing secrets on behalf of the state was the classic work of espionage. In the Cold War, the IC knew who the enemy was and what had to be learned about them.

There were enormous advantages to this stability. For example, the IC knew what languages spies and analysts would need—Russian, Russian, and more Russian. There was widespread consensus on the name, location, and threat posed by the enemy, and this consensus allowed Congress to give the IC the benefit of the doubt when it came to operational issues. Once that consensus on the enemy was gone, Congress would become irate over previously tolerated practices such as the recruitment of unsavory characters in Central America. The unintended consequence was to generate a chilling effect on the CIA and to create what more than one insider has referred to as a risk-averse culture in the very business—spying—where risk is needed. And, finally, because the Soviet Union was a closed system, the IC did not have to compete with CNN, websites, or bloggers; it had a near virtual monopoly on information about Soviet intentions and capabilities.

According to one former intelligence community officer, "To a certain extent, the Soviet Union is still alive and well in the cultures and in the bureaucratic authorities of the IC." In contrast to the Soviet threat, many of the national security threats of the 21st century are not stable, they are not

bounded, and, in fact, they are not even known. A small example of this is the fact that President Bush no longer talks about Osama bin Laden. While his detractors maintain that this is because bin Laden is still at large, there is a more fundamental reason. In the years since the 9/11 attacks, we have come to understand that terrorist threats do not at all resemble the highly organized Soviet threat of the 20th century. Officials from the intelligence services of many different countries agree on the fact that killing bin Laden, capturing his associates, or bombing his camps will not end the threat. CIA Director Porter Goss recently told NBC News: "Certainly the Al Qaeda organization represents the embodiment of some kind of a network of global terrorism…. But we think in a kind of organized Western mind about what a network would look like. It's not. It's very amorphous. Some of it is self-starting. There are cells here and there are cells there that are loosely related" (Brokaw, 2005). In the Western mind, "we reduce conflict to leaders and tend to believe that if we get rid of the leaders, we get rid of the problem" (Hunter, 2005). This is not so with many 21st century threats.

Second, the unparalleled amount of data collected by the U.S. government doesn't necessarily make us smarter or safer. Sad testament to this phenomenon was the fact that within days of the attacks of September 11, every newspaper in America had photographs and biographical information on all the hijackers. The amazing speed with which this information was pulled together was one simple reminder that while we had the data on the hijackers, the systems in place would not allow it to be translated into the kind of knowledge that could have allowed us to predict threats and prevent catastrophe.

Every day the U.S. government collects vast amounts of information via its satellites. And yet there are backlogs of conversations waiting to be translated and backlogs of satellite photographs to be looked at. For instance, one expert described the data-overload problem as follows: "In FY '03, with the Global War on Terrorism and all the data that come out of Afghanistan, plus all of the criminal and fraud data we processed in the lab, if we printed it and stacked it, it would have been over 18,000 Washington Monuments.… We are packing more and more data in smaller and smaller places,

charging less and less for it, and we are putting them in more and more devices, and we can't keep up" (Christy, 2005).

These changes in the post–Cold War national security picture have resulted in the conviction within much of the intelligence community that "our fundamental business objective will change from intelligence, that is the stealing of secrets, to that of providing information, information that is from both open and closed sources, that can be used by policy makers and the public at large." This is, frankly, a very different and much more complex business than stealing secrets from the Soviets, and it involves reforms at the front lines of the community. And while the author is the first to admit that there are profound differences between private and public sector organizations, the wisdom gleaned from the private sector should be used to stimulate thinking about public sector reforms in the critically important area of intelligence for national security.

Eight themes appear and re-appear in the knowledge management literature that suggest lines of reform in the intelligence community. They are as follows:

1. Creating new knowledge requires tapping the tacit knowledge of an organization and combining it with the organization's explicit knowledge.
2. Knowledge-producing organizations allow free access to information.
3. In knowledge-producing organizations, there is extensive learning from others and employees are embedded in outside networks.
4. In knowledge-producing organizations, redundancy is not regarded as waste, rather it is regarded as a key aspect of organizational design.
5. Knowledge-producing organizations engage in "strategic rotation" of their employees.
6. In knowledge-producing organizations, sequence is replaced by synchrony.
7. In knowledge-producing organizations, systems exist that allow for learning from past experience.
8. Knowledge-producing organizations engage in continuous innovation.

Recommendations

Building a 21st century intelligence community will take time and a political commitment to reform that lasts even when presidents change and the opposite political party takes over. Many have likened the challenge to the long and difficult process of creating "jointness" in the military—a bipartisan process that took from approximately 1947 to 1986 and beyond. "The intelligence agencies," says former Department of Homeland Security Inspector General Clark Kent Ervin, "are embarking on a similarly long road to reform" (Gorman, 2005).

Building a 21st century intelligence capacity will also involve the creation of new and often larger institutions. The United States has never been comfortable with the business of intelligence, but it is time that the country matured into the global leadership role thrust upon it by victory in the Cold War. An effective, global intelligence capacity should not be looked upon as an affirmation of a policy of unilateral action by the political right wing, nor should it be looked upon by the political left wing as a rejection of multi-lateralism. It is simply a fact of life that modern foreign policy makers will need access to a deeper and more robust intelligence capacity than they now have—whether the foreign policy goal is regime change in Iraq or intervention in humanitarian disasters like Darfur.

One place to begin is to study the constructive impact the war colleges have had on military reform. Using that example, a National Intelligence University, similar to the war colleges, should be created. This should be separate from the ongoing work of the IC but responsible for long-term research and development. The CIA has a small internal division responsible for training and for some unclassified outreach, called the Sherman Kent School for Intelligence Analysis. This could be a starting point.

Fundamental reform of the intelligence community is essential to global leadership. We now know, beyond the shadow of a doubt, that we do not know what our national security threats will look like. The solution is to build a different, more comprehensive intelligence community capable of providing its customers knowledge about the threats that this country and the world will face. The following recommendations are intended as a modest first step on that road:

Recommendation 1: The intelligence community should create a National Intelligence University, similar to the military war colleges, to provide continuous education and research to the American intelligence community.

Recommendation 2: The intelligence community should focus the CIA on the collection of secrets and sense making, and create a closer working relationship between collectors and analysts of intelligence as a means of collecting better and more meaningful secrets.

Recommendation 3: The intelligence community should have freer access to information and embed itself in a series of internal government networks. It should standardize security clearances and classification processes within the federal government, and all IT systems should have multi-agency compatibility.

Excerpts from "Building a Comprehensive Open Source Intelligence Capability"

By W. Scott Gould

Overview

The WMD Commission, Congress, and the President have made the case for improving the open source intelligence capabilities of the intelligence community. Now the intelligence community faces the challenge of designing an open source capability that will incorporate open source intelligence into virtually all of its products. This IBM white paper proposes a model for creating a Directorate of Open Source Intelligence (DOSI) that is fully integrated into the intelligence community and will facilitate cooperation and collaboration among the constituent agencies of the intelligence community, other federal agencies, state and local governments, and the private sector.

The intelligence community (IC) is already overwhelmed with incoming information, and additional data alone will not necessarily improve the analysts' ability to provide predictive, timely intelligence to the warfighter and policy maker. The IBM white paper recommends the organizational structure, business processes, and human and technical capabilities required to build a comprehensive, efficient open source intelligence capability. Embedded in these structures, processes, and requirements is the recognition that frontline intelligence analysts need better tools to cut through the clutter. Consequently, training and a constantly running, adaptive, automatable, and customizable technology solution will be central to the utility of the capability.

Why Open Source Intelligence Is Now Needed

The information revolution of the past 20 years has resulted in a huge shift of information into the public domain. Today, the amount of open source information accessible to the intelligence community is immense and rapidly expanding. It includes a wide variety of web-based materials (blogs, online publications, and commercially available databases), printed materials (pamphlets and underground newspapers), audio and video feeds (television and radio broadcasts and taped public speeches), and imagery (photographs and commercial satellite images).

This open source information is a powerful resource for the intelligence community, giving analysts a new window into the outside world. Beyond obvious functions such as monitoring extremist websites, open source information and tools can provide a new depth of understanding into the societal, cultural, and political dynamics and events taking place in countries around the world. The context or background developed through this enhanced understanding has the potential to inform and improve the full range of intelligence products.

Unfortunately, not only is much open source information going uncollected, but also analysts do not have the tools they need to successfully exploit such an overwhelming array of data. It is impractical to hope that the U.S. intelligence community would ever be able to collect and analyze all of the information that is available. However, with the correct policies and resources, the intelligence community has the opportunity to vastly increase its exploitation of open source information. Further, with the proper analytical and collaboration tools, the intelligence community's resources can be leveraged to better target the highest value open source information.

What an Open Source Model Would Look Like

Open source information is accessed or collected from a vast array of sources on a prioritized basis. Raw information is immediately made available to analysts throughout the intelligence community. Analysts are given access to customizable and automatable analytical tools including machine translation, knowledge discovery, trend analysis, and social-network analysis tools to allow them to cut through the clutter. Training on efficient and effective use of these tools will be the key.

The model calls for a small cadre of open source intelligence (OSINT) specialists who will develop specialized OSINT products, best practices, and training programs for the rest of the community. The OSINT specialists will also build and administer a network of civilian experts, both foreign and domestic, cleared and uncleared, who can provide cultural context and intelligence. This resource would be available to all members of the IC.

Finally, for the new open source capability to be successful, its management must be centralized and empowered. Strong central management is needed to overcome the traditional skepticism of the community toward OSINT and to make sure this resource is fully integrated into the intelligence process throughout the community. Centralization will provide important economies of scale when dealing with vital technology and policy issues.

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Recommendation 4: The intelligence community should embed itself in a series of external networks including local police, other national governments, and academic and business circles. This network can be created and managed by the NIC (the National Intelligence Council), which has the advantage of being beholden to no other large bureaucracy or by another entity within the ODNI.

Recommendation 5: The intelligence community should create a purely open source intelligence capacity that has no connection to secret organizations and allow the creation of a purely open source product that is seen by the same policy makers who see the secret products.

Recommendation 6: The intelligence community should experiment with both strategic rotation of employees and with matrix management systems.

Recommendation 7: The intelligence community should institutionalize systematic review of intelligence failures and share widely the knowledge gained.

Recommendation 8: The intelligence community should develop ways of providing intelligence to policy makers in real time. ■

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TO LEARN MORE

Transforming the Intelligence Community: Improving the Collection and Management of Information
by Elaine C. Kamarck

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
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What's Next in Government Management?

By Donald F. Kettl

Jonathan Breul's article earlier in this issue, "What Is Transformation?," describes how the nature of reform has shifted from incremental program fixes to transformative changes across an organization or system. While Breul describes what transformation looks like, Don Kettl describes the management challenges that will require transformational change. Governments across the world will not be able to simply respond to these challenges by incremental change.

In this article, Kettl summarizes the results of a June 2005 Thought Leadership Forum sponsored by the IBM Center for The Business of Government that explored "what's next" in government management challenges. Over the course of two days, participants from government, academia, non-profits, and the corporate world distilled a series of themes from their professional vantage points into three big challenges confronting government, all of which require transformational change in the next round of government reform. – John Kamensky

At the IBM Wye River Thought Leadership Forum, the conference participants (see page 88 for list of participants) nominated their own suggestions for the toughest and most important management challenges that American government faces. The ensuing discussion produced a wide-ranging menu, from which the group ultimately selected three challenges on which to focus their discussion:

- **Using networks to organize for routine and non-routine problems.** Although public institutions are organized in hierarchies, they increasingly face difficult, non-routine problems that demand networked solutions. On the other hand, hierarchies do often work well for routine issues. And, in any event, the political realities of American government make it likely that the executive branch will continue to be organized hierarchically. How can government resolve these tensions?
- **Using a "center-edge" approach to govern through a network of networks.** Top executive-branch leaders must find new ways of leveraging the action of their organizations. This is difficult enough for problems attacked

through the hierarchy, but it is even harder for issues that require a networked solution. How can top executive-branch officials at the center shape the behavior of those at the edge of the service system, both within and outside the government, to effectively solve problems?
- **Engaging citizens in new roles to solve public problems.** As the forms of government action have become more complex, citizens have taken on new roles in attacking society's problems. New technologies, from e-government to podcasts, have quickly arisen. These changes, in turn, have redefined citizens' roles. Meanwhile, public trust in government continues to be a nagging problem. What role can citizens play in solving society's problems? And what steps can be taken, by both governmental and non-governmental actors, to strengthen citizenship?

Using Networks to Organize for Routine and Non-Routine Problems

With the exception of Alexander Hamilton, America's founders did not pay a great deal of attention to the administrative structure of the new nation, but the new nation soon followed the course of other countries in relying on hierarchical organization. And when the Progressives reformed government at the beginning of the 20th century, they even more firmly established hierarchy as the foundation of the nation's administrative state.

The 20th century taught two important lessons about hierarchy. It proved an exceptionally effective strategy for routine problems, from garbage collection to processing Social Security checks. However, it presented great difficulties in addressing non-routine issues, such as the management of environmental and social policy programs. What management approaches work best for which kinds of problems?

The forum concluded that hierarchies work best for routine problems (like Social Security, air traffic control, garbage collection, and snow plowing). Non-hierarchical approaches, especially networks, work best for non-routine problems (like the management of social service programs, Medicaid services in nursing homes, and environmental programs). (See Figure 1.)

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Some problems rely on *distributed organizations* (mixed hierarchical and networked approaches), for problems like homeland security, law enforcement, and public health. These important problems require managers to weave strong hierarchies into effective networks. The complexity of this task presents difficult management challenges. Given the enormous significance of these problems, government must devise new strategies for creating an effective mixture.

Another key management problem is the often-repeated instinct to create a mismatch between important problems and the administrative responses to them. For example, restrictive hierarchical approaches have often hindered government's ability to manage defense and information technology contracts. Non-hierarchical approaches to education and drug control programs have often produced serious problems.

Government needs to create strong instincts for:

• Matching policy problems with the most effective administrative responses for solving them
• Developing strategies for managing the hierarchical and non-hierarchical responses, especially in building effective performance systems
• Recognizing that creating problem/response mismatches can create serious performance problems

Using a 'Center-Edge' Approach to Govern Through a Network of Networks

The implication of the first point is that networks must be managed differently than hierarchies. Managing networks hierarchically and managing hierarchies solely through network approaches are both likely to create serious management problems. And as the U.S. Government Accountability

Figure 1: Policy Problems and Administrative Responses

		Problem	
		Routine	**Non-routine**
Response	Hierarchical	• Social Security • Air traffic control • Garbage collection	Performance problems • Defense contracts • IT contracts
		Distributed organizations *(using hierarchical and networked approaches)* • Homeland security • Law enforcement • Public health	
	Non-hierarchical	Performance problems • Education • Drug control	• Social services • Medicaid nursing homes • Environmental programs

Office's high-risk list consistently demonstrates, performance problems frequently come from the failure to build robust management systems to match the programs being managed.

Governments have been managing hierarchies for centuries. Networks, however, are newer phenomena. They have been spreading faster than the capacity of government's systems to manage them effectively. That poses a serious performance problem.

Moreover, many approaches to networks see them as loose confederations organized around communities of shared interest or shared administrative responsibility. For public programs, however, government is not just one among many members of the network but, rather, its prime mover. Its funding has often stimulated the creation of the network. Its elected policy makers presume that the network ultimately will fulfill the expectations of the legislation that helped create it. They expect that both what the network accomplishes and how it does its work will meet the standards of public programs.

That raises the fundamental public sector dilemma for networks: How can government take advantage of their flexibility while shaping the network's behavior so that it achieves the public interest?

The Clinton administration's National Partnership for Reinventing Government developed an approach for this puzzle, which its officials christened "center-edge." The approach focuses on policy areas that rely on networked service delivery and that involve mixed public/private/non-governmental organizational strategies. It begins by viewing the governance system as a strategy defined by the problem. For the community, the problem is defined by the place in which it occurs. The objective is to link the governance system to the community: to build the service delivery system from the top down so that it works from the bottom up—so that the elements of different programs come together to provide a place-based, coordinated solution. It builds on a related point: that place matters—healthcare solutions for low-income individuals in East Los Angeles are different from those that work best in Omaha.

The center-edge approach has three layers (see Figure 2):

- **Center.** The center—top policy-making officials and senior managers—challenges the members of the system to set ambitious goals; assesses results; and intervenes when necessary to correct problems in the system. The center provides money to members of the network, with condi-

tions: that participants (both inside and outside government) join the network; measure results according to accepted and shared performance metrics; and share information about what works best to solve problems (so that all network members can learn from the experience of each network member). The center also assesses the quality of the results. If a program's goals are not being met, center officials ask whether the problem is the basic strategy, the system's management, or some other issue. They redesign the strategy or recruit different network members if necessary.
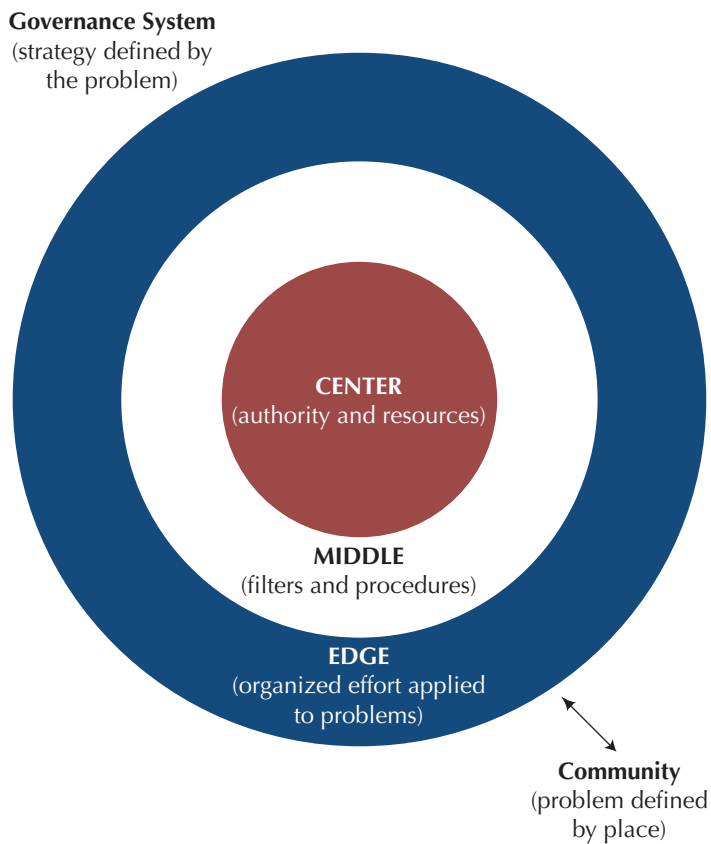- **Middle.** The strategy seeks to minimize the role of the middle as much as possible. The center-edge approach aims to flatten the service system by minimizing the distance between top officials and frontline service delivery organizations. The middle takes on the new role of facilitators, connecting players among and between various networks.
- **Edge.** The edge is the point at which organized effort is applied to solve problems. It is the front line of service delivery: government organizations, non-governmental organizations, and private contractors.

The center-edge approach makes several contributions. First, it clearly identifies the different roles that different players in the policy system must play. Second, it provides a strategy for policy implementation through networks and central direction of that policy. Third, it builds a policy implementation system around incentives for service providers; it is structured not by authority but by the flow of information. That provides flexibility for service providers and an accountability strategy for policy makers. Finally, it provides an approach for everyone to learn from the experiences of each frontline service delivery organization at the edge.

Although the center-edge approach is in its infancy, there are examples that fuel its proponents' enthusiasm. For example, John Koskinen headed the President's Council on Year 2000 Conversion, to prevent a potential disaster within computer systems as the calendar turned to January 1, 2000. With a small team, he built an effective network, in both the public and private sectors, that resolved virtually all of the critical Year 2000 (or Y2K) problems before they could cripple society. In retrospect, Koskinen said, if the broad network had not aggressively responded:

> the world as we knew it would end. The New York Stock Exchange would not have been able to open on Jan. 3, the financial markets would have closed, the banks would have had very great difficulty calculating accurately the money they were owed, or the money they owed to others. Payroll systems and

**Figure 2: Managing Networks Through the
Center-Edge Approach**

Governance System
(strategy defined by
the problem)

CENTER
(authority and resources)

MIDDLE
(filters and procedures)

EDGE
(organized effort applied
to problems)

Community
(problem defined
by place)

holes to health. In Philadelphia, the city school district has applied the strategy to education, in its SchoolStat program, and similar systems are being developed in the Los Angeles County Department of Public Social Services and the New York City Human Resources Administration. The armed forces have developed "netcentric warfare" to give central commanders better information about what is happening on the front lines and to give frontline forces access to a broader range of important information.

Network strategists put the puzzle sharply: how best to inform the center about what ought to be done and what has been accomplished; and how best to empower the edge to provide enough operational flexibility to adapt broad policy goals to specific place-based problems. Feedback on performance drives the system.

Network strategists recognize that over-reliance on performance information can risk driving policy through a rearview mirror: charting the future with lessons learned in the past, but with the danger that future problems might not match earlier ones. Moreover, the U.S. Government Accountability Office has found, much of the performance information that government agencies have collected is not put into a language intelligible to policy makers. Greater reliance on performance information can also make everyone in the implementation chain more politically vulnerable, as what works—and what does not—becomes more obvious. This puzzle raises difficult questions about transparency. For example, should performance meetings (like those for CompStat and CitiStat) be open to the public, including the media? Full transparency would suggest the answer should be yes; managers would counter that shining too bright a light on every stage of the process would make everyone too risk averse at each stage, and that summary statistics on a program's overall performance would be reported as satisfactory.

The center-edge strategy is embryonic, but it nevertheless captures crucial problems: how to help the implementation system escape a hierarchy-based straitjacket that might not fit the management process well; how to allow everyone involved in complex policy networks enough flexibility to match broad policy goals to the very different needs of different communities; and how to hold the entire system accountable to elected officials and to avoid having the government be just one player among many in an intricate game. A performance-based, information-driven system offers an intriguing alternative to hierarchical systems that have often broken down under the pressures of 21st century problems.

other basic complicated financial systems in the U.S. would not have functioned. And over time we would have had a clear degradation in telecommunications and some power systems. I think that we wouldn't have had to wait very long, if we had done nothing. As systems started to operate, they would have stopped (Koskinen, 2000).

Instead, with a remarkably small staff at the center, he worked to leverage activity across a broad edge and head off the electronic collapse.

Some jurisdictions have developed real-time performance-based information systems to tie together the center and the edge. The pioneer is the New York City Police Department's CompStat system. The city of Baltimore's CitiStat extended the strategy to a broad collection of city services, from pot-

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Engaging Citizens in New Roles to Solve Public Problems

American democracy faces a profound paradox: More Americans voted in Fox TV's *American Idol* competition than for president. Distrust of government has been a lasting problem, and efforts to rebuild trust have had a spotty record at best. A study by the Pew Research Center for the People and the Press in 1998 found that fewer people than just four years prior believed that government in Washington was too inefficient and wasteful, too controlling and unresponsive. Nevertheless, the Pew report concluded, "No matter how the question is posed, it is a decided minority that has a positive opinion of government." People are more frustrated than angry, but the share of those frustrated by government (56 percent of those surveyed) is enormous (Pew Research Center, 1998). The engagement of Americans in the nation's civic life has declined to a dangerous level, and there are many obstacles to civic engagement.

For the management of public programs, there were two bright signs. First, citizens tended to trust career federal administrators far more than elected officials, by a margin of 67 to 16 percent. Second, since the early 1970s, "confidence in Washington has eroded, while faith in state and local government has actually grown" (American Political Science Association, 2004). Citizens seem to have less distrust the closer they get to the actual delivery of services.

The government's increased reliance on private contractors and non-governmental organizations, along with state and local governments, would seem to offer promise for reducing the gap in trust. So too would a variety of new technologies, from podcasts to e-government, that offer new possibilities for linking citizens to government.

Confounding that hope, however, are several important issues. First, the central idea—that government closer to the people increases citizens' trust—depends on transparency. However, with the proliferation of complex networks in the service delivery system, transparency is more difficult. The more members of these networks share responsibility for service delivery, the harder it is to tell who is responsible for what. The complex of Medicaid-funded nursing home care, for example, might include private physicians, physical therapists, dental technicians, nutritionists, practical nurses, registered nurses, administrators, and a wide variety of other professionals working for a host of organizations. What matters is the care provided to the nursing home resident. Determining just who is responsible for what—and coordinating the various elements of the service system—can prove a daunting challenge.

Second, the transparency argument assumes that if information is produced, citizens will consume it. Declining readership of newspapers and ratings for television news both raise serious questions about this assumption.

Third, if citizens do consume the information, will they act on it? It is one thing for citizens to have greater knowledge about what government is doing. Making that knowledge actionable, however, is quite another. Governmental instruments that are extraordinarily complex, no matter how close, might still seem forbidding to citizens.

Nevertheless, there is a rich lore of government efforts to engage citizens—and citizens' actions to affect government—that offer hope.

- **Citizen forums on government performance.** There have been several notable examples of citizen engagement in charting government's goals and tracking its performance: Oregon Shines, Social Security Administration forums, performance scorecards in Boston and New York, and citizen summits (in communities including Washington, D.C., and Philadelphia). Each of these efforts has engaged large numbers of citizens in defining government priorities and solutions to future challenges. None of them has had sustained impact, but each suggests the potential for involving citizens in governance.
- **Internet.** From Joe Trippi's startling success in using the Internet to raise funds for Howard Dean's presidential campaign to the rapid spread of blogs as forums for public debate, the Internet has had a rapid, significant, but mostly uncharted impact on American politics. The spread of podcasts, from the right (including Jerry Falwell's Thomas Road Baptist Church in Lynchburg, Virginia) to the left (including scores of shows taking on Republicans and conservative talk-show hosts), offers virtually anyone the chance to reach virtually anyone else. The technical and financial barriers to reaching citizens through the Internet remain, but they are quickly evaporating. Large television cable companies like Comcast are increasing their penetration of their markets, and the spread of video-on-demand within these markets is vastly increasing citizens' access to a wide choice of programming, including public affairs. Grassroots technological forces are fundamentally transforming the ways in which citizens can connect with government.
- **E-government.** On the other hand, new strategies of electronic government are making it possible for government to connect in new ways with citizens. Baltimore Mayor Martin O'Malley, for example, uses his CitiStat process not only to track and manage the performance of city agencies but also to connect with citizens. The electronic follow-up

system to electronically filed complaints provides a fresh strategy for linking government with citizens. Even more fundamentally, as Harvard Professor Bob Behn notes, the most sophisticated e-government strategies are really "i-government": innovation, "a completely unprecedented strategy for achieving a public purpose—perhaps even a wholly new public purpose. The innovation lies in the novel use of the information that the electronic technology makes possible" (Behn, 2005).

The innovation required to connect citizens better with government depends on information: new tactics for citizens to influence government, new tactics for government to connect with citizens, broader strategies to make information relevant and actionable. This kind of interaction offers new ways to hold policy makers accountable, to help agency managers strengthen their legitimacy, and to help citizens get more responsive government.

The effort to strengthen citizen engagement, however, confronts a tough paradox. Engagement depends on transparency, but the growing complexity of government (especially of government's administrative tools) makes it far tougher for government to be transparent as to who is accountable. Information provides a possible response. Innovations in information—who produces it and who uses it—will be essential to crack this paradox. ■

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Executive Response to Changing Fortune: Sean O'Keefe at NASA

By W. Henry Lambright

This article is adapted from W. Henry Lambright, "Executive Response to Changing Fortune: Sean O'Keefe as NASA Administrator" (Washington, D.C.: IBM Center for The Business of Government, 2005).

The Executive Challenge: Responding to Changing Fortune

What is the role of the agency executive in a rapidly changing environment? As the winds of fortune veer and the situation changes, how does the executive direct his or her organization? How does the executive seek to alter the situation, and is the executive changed in the process of interaction with a new environment?

Such questions are age-old, as relevant to the private sector as the public sector. Long ago, in the early 20th century, a great scholar of organizations, Mary Parker Follett, coined the phrase "the law of the situation." The role of the executive, she said, was to "see what the situation demands, to discover the law of the situation and to obey that" (Babcock, 1998). Years later, a great practitioner of management, James Webb, who led the National Aeronautics and Space Administration to the moon in the 1960s, believed that the executive's function was to manage the organization and environment so they moved in dynamic harmony. "The environment," he said, "is not something apart from the endeavor, it is not just something in which the endeavor operates and [to] which it needs to adjust; it is an integral part of the endeavor itself.... The total [executive] job encompasses external as well as internal elements, and success is as dependent on effectiveness in the one as in the other" (Webb, 1969).

Both Follett and Webb understood that the "situation" was in constant flux. Movement was the reality, and the situation changed, sometimes suddenly. But if the executive were to succeed, he or she had to stay in control by making whatever actions were required by the situation encountered.

Sean O'Keefe was a man who was familiar with public administration theory as well as practice, an avowed admirer

Sean O'Keefe

NASA/KYC

of Webb. Possessing a graduate degree in public administration and exceptional executive experience in government, O'Keefe was appointed to lead NASA because he was an able manager steeped in financial expertise. NASA got top grades for technical excellence in building the space station and, in the view of the Bush White House and Congress, failing grades on the financial management of the station. O'Keefe, coming from the job of deputy director of the Office of Management and Budget, was a perfect match for that situation in the view of many observers. In his first year at NASA's helm, circumstances went well for O'Keefe and he felt the wind at his back.

Then came *Columbia* early in his second year as NASA's chief executive. The situation changed abruptly for the worse. No one truly is prepared for a national disaster like a shuttle failure. O'Keefe called it personally "withering." He told one writer, at a time when events seemed out of his control, that it was taking everything he had ever learned, in reading or practice, to deal with the situation he faced.

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O'Keefe had to change, and NASA had to change. The wind pressed against him and his agency. To his great credit, he got NASA through a turbulent and terrible time.

Then came an unanticipated opportunity to make headway, to point NASA in a new direction for which space enthusiasts had long yearned. For a brief moment, the environment grew receptive to a bold move. Out of the tragedy of *Columbia* arose a sense on the part of the president and many in Congress and the media that astronauts should risk their lives for a purpose larger and nobler than orbiting around the Earth. NASA was about exploration into deeper space, and that destiny had to be proclaimed unambiguously. Again, O'Keefe adjusted, this time to opportunity. He became the steward of President Bush's vision to go to the moon, Mars, and beyond. The financial consolidator and incremental innovator of 2002 gave way to a transforming executive in 2004. In between, he faced his greatest test—that of crisis manager. Had he not performed well in the situation he had in year two, he would not have achieved the Bush vision in year three. Even as he proclaimed that vision, he fought opponents of his decision to terminate a servicing mission to Hubble. A premature leak of that decision put him on the defensive when he wanted to be fully engaged as the president's champion, clearly his priority in year three.

The turbulence O'Keefe endured in his tenure was unusually intense and dramatic, but it is not unusual. Every executive faces changing situations. Sometimes "the law of the situation"—what he or she must do—is clear. Other times it is uncertain, and the executive copes to give it meaning for himself, his organization, and the public-at-large. For a while, there may be stability between organization and environment, but that equilibrium can be destroyed in an instant, as it was for O'Keefe at the time of *Columbia*.

Readers will judge for themselves how O'Keefe fared as NASA executive in his three years. His critics are many, as are his supporters. In various ways there were not only three major situations he faced, but there were three faces to Sean O'Keefe in dealing with those situations. The central lesson of his experience, for others who would aspire to lead, is to be as prepared as possible for the unexpected.

In *The Prince,* written in 1513, Niccolo Machiavelli advised the prince to be alert to changing "fortune." Sometimes, fortune would smile and other times frown. In either event, the leader had to discern the options and make the best choice possible to retain and use his power effectively. While most readers today would not favor some of Machiavelli's methods, all would probably agree with his point about fortune. There will occur for most executives shifting circumstances, many beyond any leader's full control. Sometimes they will win and sometimes they will lose in their contest with fortune. But they must anticipate change and be forceful in meeting the tests that come their way. To do otherwise is to surely lose.

Management Lessons Learned from O'Keefe's Tenure as NASA Administrator

Lessons from Period One: O'Keefe as Consolidator and Incremental Innovator
1. Mitigate the immediate problem, but monitor the solution over time.
2. Communicate a vision.
3. Deal with the next worst problem.

Lessons from Period Two: O'Keefe as Crisis Manager
1. Take charge of crisis—be decisive, open, and consistent.
2. Develop a close but visibly independent relationship with investigators.
3. Hold individuals accountable but reject a "public hanging."
4. Embrace the investigators' report, but don't close off options.
5. Use crisis to leverage transformative change.

Lessons from Period Three: O'Keefe as Steward of the President's Vision
1. Get a presidential policy off to a fast start.
2. Avoid distractions.
3. Emphasize safety, have a contingency plan, communicate to the public the risks of space.

Conclusion

Sean O'Keefe was appointed NASA administrator at the end of 2001 and served until February 2005, a little over three years. The years were tumultuous, and each had a different emphasis. His initial role was to solve the space station's financial mess. His credentials were primarily those of a financial manager, a master bean counter to many in Washington, D.C. His vision speech at Syracuse University emphasized science-driven goals and developing technology, not human spaceflight to specific destinations. It featured education as an initiative and reflected his "back to basics" approach.

Then came February 1, 2003, and the course of O'Keefe's tenure dramatically changed. Although the Columbia Accident Investigation Board (CAIB) indicted him for "schedule pressure," few blamed him for an event CAIB amply demonstrated was rooted in NASA's history and culture. To his immense credit, O'Keefe got NASA through the *Columbia* inquiry with minimal damage to the agency, and he initiated needed organizational changes to enhance safety values. Then, he used the disaster masterfully to help forge a new direction for NASA. Getting a presidential exploration decision and start-up resources was an artful display of bureaucratic maneuvering. He used his experience in government and White House connections to the hilt, turning *Columbia*, its aftermath, and the president's attention into a window of opportunity for change. Hubble came as an unwanted distraction that complicated his attempt to sell moon-Mars and festered as a problem for his successor when he left.

So there were three O'Keefe's, one featured in each year of his tenure: the financial manager, the disaster leader, and the embattled policy entrepreneur. *Columbia* was unquestionably the centerpiece of his tour. O'Keefe's tenure at NASA was brief but extraordinarily eventful. The most important legacy he left was not financial reform or even the International Space Station. NASA's financial reform and space station construction were both interrupted by *Columbia*, becoming much less of a priority to O'Keefe. Hence, his mark will most likely be the space exploration initiative. Ironically, his own Hubble Space Telescope decision hurt the selling of the initiative.

Whether O'Keefe's arguably premature departure from NASA will prove damaging to sustaining the space exploration vision remains to be seen. A great deal of selling of that initiative lies ahead. Meanwhile, NASA has the shuttle and space station programs to surmount. O'Keefe worked to change the NASA culture and make it more safety-conscious while also pursuing return to flight. On July 26, 2005, Space Shuttle *Discovery* lifted off and 14 days later, on August 9, landed successfully. The flight went well, but again foam came off the external tank. NASA had more work to do, admitted that fact, and delayed subsequent shuttle flights to deal with the foam questions. For O'Keefe, the continuation of the foam problem had to be frustrating, but the way NASA handled the issue could be seen as marking a change in the direction of caution, as O'Keefe had intended.

Clearly, O'Keefe *began* a lengthy and complex process of change involving NASA, the shuttle, the space station, and the moon-Mars exploration vision. Seeing the process through will require many years and a relay of NASA leaders after O'Keefe. Moving forward in space is a marathon race, and O'Keefe ran only the first lap.

Thus, the three-year tenure of O'Keefe, while brief, was eventful. It illustrated vividly the degree to which an executive faces rapidly changing fortune. Sometimes the situation he faces is the result of his own actions, but frequently he must respond to events over which his control is limited at best. A new situation can hurt as well as help the executive. A crisis in particular can lead to upheaval, and can destroy or elevate the leader. It concentrates attention on the executive and raises expectations that he "do something." How the leader performs usually depends on how he plays the hand he is dealt.

O'Keefe generally handled *Columbia* well in a strategic sense, although he may have stumbled a bit tactically. In the end, he showed how experience and political connections in Washington can be turned to advantage. Steering NASA potentially out of the low Earth orbit in which it has been mired since Apollo's end was a major move. When he arrived at NASA, O'Keefe spoke of getting NASA back to its roots. When he left, he had succeeded in part by the new

TO LEARN MORE

Executive Response to Changing Fortune: Sean O'Keefe as NASA Administrator *by W. Henry Lambright*

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

emphasis on exploration. The way he got the presidential decision and initial funding for it was highly skillful. He pointed NASA and the nation in the right direction, although financing and implementation over the long haul will be tortuous in the extreme.

For a man who started as a bean counter, the moon-Mars exploration vision represents quite a legacy.

Central lessons from O'Keefe's tenure at NASA include the following:

1. Anticipate changes in fortune and have contingency plans for them; be "light on your feet"; adapt to new exigencies.
2. Be proactive in meeting the tests that come; think strategically, with care to tactics.
3. Minimize negative impacts of changed situations; do not make them worse by your own choices.
4. Maximize opportunities that changing fortune presents for major, transformative decisions not otherwise possible.

Epilogue

When Sean O'Keefe left NASA to become chancellor of Louisiana State University (LSU) in February 2005, he no doubt looked forward to respite from the stress of Washington. Now he would deal with football coaches and parking lots instead of Congress and the unremitting pressure of a disaster-prone space shuttle.

But on August 29, 2005, Hurricane Katrina made landfall and tore into the Gulf Coast. The levees guarding New Orleans were breached and water flooded the city. Baton Rouge was relatively spared the brunt of hurricane damage, but the city and LSU quickly saw their roles changed dramatically. Baton Rouge, already the state capital, now became the seat of the New Orleans government. It also became a hub for federal, state, and local emergency relief efforts. LSU was in the middle of all the forces converging on Baton Rouge, and O'Keefe, as its chancellor, was once again forced to put his crisis leadership skills to work.

O'Keefe suspended classes and converted his university into a medical receiving center for victims of the disaster using the Pete Maravich Assembly Center. Thousands of people were flown to the university, where the major athletic facilities were turned into vast field hospitals. O'Keefe worked with other administrators and LSU's student government to organize an army of student, staff, and faculty volunteers to help Katrina's victims with food, water, clothing, and communications. As thousands of evacuees streamed into Baton Rouge, university volunteers helped them find places to stay. O'Keefe had a brother in New Orleans who found shelter, along with others, at O'Keefe's home, which soon became

Photo courtesy of Jim Zietz, LSU Public Affairs

Chancellor Sean O'Keefe and U.S. Surgeon General Vice Admiral Richard H. Carmona walk outside the Pete Maravich Assembly Center at Louisiana State University.

filled to capacity with people and their pets. O'Keefe found himself hosting, escorting, and helping a range of public officials concerned with the public health aspects of the disaster and the university's role therein.

O'Keefe simultaneously dealt with a myriad of lesser but still important issues, such as the upcoming football game with Arizona State. He arranged for it to be played in Tempe rather than Baton Rouge and for the proceeds from the game to go to Katrina relief funds. He decided to resume classes on September 6, and held a public forum with the university community commending everyone for their work to date, but warning of complications ahead as LSU accepted hundreds, maybe thousands, of displaced students from ruined campuses in New Orleans. Much was uncertain, and it would be a long while before "normalcy" returned to LSU. However, he declared, LSU was the "flagship" university of the state system and would step up to the unprecedented challenge of recovery.

As an executive, O'Keefe was getting plenty of experience leading organizations through crises. ■

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New from the Center: Recently Published Reports

Collaboration: Partnerships and Networks Series

Cooperation Between Social Security and Tax Agencies in Europe
Bernhard Zaglmayer, Paul Schoukens, and Danny Pieters

This report contends that as social policy continues to evolve, governments around the world may need to look beyond the traditional structures of social security and taxation. Today, there are varying levels of interaction between those organizations in European nations. This report describes the relationship between social security and taxation organizations in nine European nations—Austria, Belgium, Denmark, Estonia, Germany, Ireland, Italy, the Netherlands, and the United Kingdom— and makes a series of important observations about the potential evolution of cooperation between social security and taxation organizations in the years ahead.
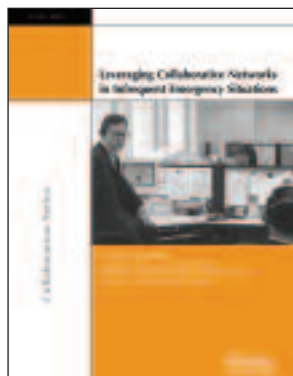
Leveraging Collaborative Networks in Infrequent Emergency Situations
Donald P. Moynihan

This report reviews a highly successful model of network collaboration that contained the outbreak of Exotic Newcastle disease (a highly contagious disease among poultry) in California in 2002. The success of the effort was in part the result of the incident management system approach taken, a model of collaboration broadly applicable to all infrequent emergency situations. The lessons learned and recommendations contained in this report are clearly applicable to the management of other "infrequent" public emergencies—for example, those increasingly faced by agencies such as the Centers for Disease Control and Prevention, the Federal Emergency Management Agency, the Department of Homeland Security, and others.

E-Government Series

Computerisation and E-Government in Social Security: A Comparative International Study
Michael Adler and Paul Henman

This international study provides comparative data on the history of computerization, current scope, past and present aims, consequences of computerization, surveillance and data collection, and the experience of and attitudes to new and emerging technologies in 13 Organisation for Economic Co-operation and Development countries. The countries included in the study (Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, the Netherlands, Norway, Sweden, the United Kingdom, and the United States) represent a mix of policy and organizational systems.

The Next Big Election Challenge: Developing Electronic Data Transaction Standards for Election Administration

R. Michael Alvarez and Thad E. Hall

In this report, Professors Alvarez and Hall discuss the challenge of moving toward the implementation of a set of electronic transaction standards (ETS) for election administration across the nation. According to the authors, such a standard would allow election management systems to communicate seamlessly and share data to create "a more accurate, cost-effective, and accessible election process and voting experience." Such a standard would enable state and local governments to adopt a modular approach to better integrate election management and voting products, make possible the development of truly integrated voter registration systems, and enhance the ability to conduct consistent and effective post-election audits of elections.

RFID: The Right Frequency for Government

David C. Wyld

This report provides an overview of a major new technology now making great inroads in both the public and private sectors—RFID technology. RFID stands for radio frequency identification. Professor Wyld describes RFID technology and how it is being increasingly used. Three cases of RFID application in supply chain management are highlighted: (1) the Department of Defense, (2) the Food and Drug Administration and pharmaceutical industry, and (3) the Department of Agriculture's National Animal Identification System. The report concludes with a discussion of future government roles in fostering RFID technology.

Financial Management Series
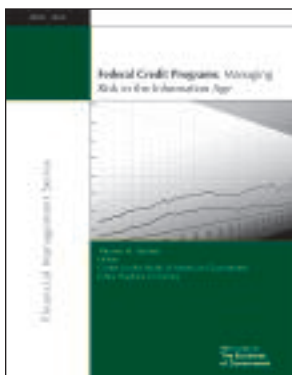
Federal Credit Programs: Managing Risk in the Information Age

Thomas H. Stanton

This report highlights the fundamental tensions that federal credit programs face between doing good and doing well. On the one hand, the government provides support through loans and loan guarantees to borrowers who are not considered adequately served by commercial credit markets. On the other hand, the government cannot afford to lose large amounts of money by paying for an unacceptable number of defaults on federal loans. The report concludes with 10 recommendations for federal credit agencies, as well as several core lessons from research conducted for the study: (1) federal credit agencies must establish management information systems and risk monitoring systems; (2) the availability of positive models shows that this can be done; (3) effective risk management also requires processes to allow senior managers to review relevant information and take action to deal with emerging risks; and (4) a sound statutory framework is needed to help many credit programs succeed. The report also includes case studies of promising practices in risk management. Stanton concludes that federal credit programs have much to teach one another.

Grants Management in the 21st Century: Three Innovative Policy Responses

Timothy J. Conlan

The federal grants system has come under increased stress in recent years. This report analyzes three recent reform initiatives in the area of grants management: performance partnerships, Grants.gov., and extended waiver authority. Professor Conlan explores the potential of each to mitigate some of the challenges facing grants management and design, concluding with a series of recommendations to improve federal grants management.

Human Capital Management Series

The Blended Workforce: Maximizing Agility Through Nonstandard Work Arrangements

James R. Thompson and Sharon H. Mastracci

This report examines the current use of nonstandard work arrangements in the federal government (such as part-time, seasonal, on-call, and temporary employees) and whether opportunities for expanded use exist. Three government case studies expand on this research: the Office of Naval Research/Naval Research Laboratory, the Transportation Security Administration, and the National Aeronautics and Space Administration Glenn Research Center. The authors describe the advantages of nonstandard work arrangements. They recommend that these types of arrangements receive more attention by human resource management offices across government and that consideration be given to incorporating such positions into the human resource management strategies of agencies.

The Transformation of the Government Accountability Office: Using Human Capital to Drive Change

Jonathan Walters and Charles Thompson

The authors present a description of the transformation of the Government Accountability Office (GAO). The report discusses challenges faced and overcome, mistakes made, and lessons learned. It challenges the reader to think broadly about human capital management as a driver for organizational transformation and what it can mean for the public sector as a whole. Like GAO, other public and private organizations have successfully used human capital management to transform their organizations. Three keys appear to be essential. First, transformation cannot occur in a vacuum, but rather thrives in an environment of trust, transparency, and accountability. Second, it is imperative to pay attention to leadership development as part of the transformation effort; first-line managers have a key role. Finally, open and honest communication across organizational levels is essential.

Market-Based Government Series

International Experience Using Outsourcing, Public-Private Partnerships, and Vouchers

Jón R. Blöndal

This report is based on research conducted by the Organisation for Economic Co-operation and Development (OECD), including site visits, interviews, and two major OECD conferences. It focuses on key design and implementation issues for three principal market-type mechanisms used to provide public services in OECD countries: (1) outsourcing, (2) public-private partnerships, and (3) vouchers. The report describes each of these instruments, surveys their use in OECD countries, analyzes the key design and governance issues around each mechanism, and offers an overall assessment for the future use of each instrument.

Transformation of Organizations Series

Executive Response to Changing Fortune: Sean O'Keefe as NASA Administrator

W. Henry Lambright

This report describes the tenure of Sean O'Keefe as administrator of the National Aeronautics and Space Administration (NASA) and how he faced three difficult challenges during his three years there. His first challenge was to solve the space station's financial mess. His second was to manage the aftermath of the *Columbia* shuttle disaster. And his third challenge was to steward the president's 2004 vision for the further exploration of space. Professor Lambright explores lessons learned about how executives deal with rapidly changing environments and changing fortunes.

Transforming the Intelligence Community: Improving the Collection and Management of Information

Elaine C. Kamarck

This report offers a unique perspective on transforming the nation's intelligence community. Instead of the traditional top-down approach to reforming the work of the intelligence community to improve national security, Dr. Kamarck offers a "bottom-up" approach. She recommends the creation of a new culture among frontline analysts that builds upon lessons learned from the field of knowledge management. The report recommends combining the implicit knowledge of individual analysts with the explicit knowledge developed within their organizations. The report describes how the principles of knowledge management can be applied within the intelligence community to transform it to increase its effectiveness in the nation's war on terrorism.

Ramping Up Large, Non-Routine Projects: Lessons for Federal Managers from the Successful 2000 Census
Nancy A. Potok and William G. Barron, Jr.

This report tells the story of a management success: Census 2000. The decennial census is the largest peacetime mobilization in the United States. The 2000 census mobilized more than 860,000 census takers at its peak, a large "ramp-up" in capability and staffing. The authors, former Census Bureau executives, describe some of the key strategies used by staff to "ramp up": an integrated management structure, non-traditional recruiting, an integrated on-demand technology system, commercial procurement practices, commercial supply chain practices, and collaboration with partners. The report is aimed at federal managers from across the government who may be called upon to take on large, non-routine projects, such as those needed in the aftermath of Hurricanes Katrina and Rita.

Special Report Series
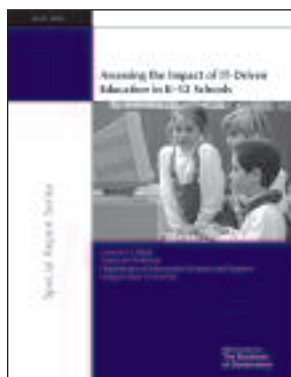
Assessing the Impact of IT-Driven Education in K–12 Schools
Ganesh D. Bhatt

This report details a methodology that may be used to assess educational return on investment (ROI), in particular in the area of technology investments. The analysis of ROI in education is fundamental in the management philosophy and application of data-driven decision making. School leaders must know which programs deliver the biggest value for the dollar spent in order to target funding where it is needed most. As this report was written, most school districts continued to make decisions on spending in a void, without consideration of what learning gains will be realized from each taxpayer dollar invested. Yet, with the advent of data-driven decision making and public pressure on funding streams, school district leaders are demanding to know how investments will increase—or facilitate an increase in—student achievement.

Investing in Supply Chain Security: Collateral Benefits
James B. Rice, Jr., and Philip W. Spayd

This report asserts that while the United States and other governments have taken steps to secure international transportation systems, supply chains remain vulnerable to terrorist attacks and are exposed to the introduction of unauthorized people or weapons. It also responds to an industry concern that government action to impose tougher standards and processes erodes trade efficiency by adding cost and complexity. In this report, Rice and Spayd help business leaders and security managers quantify the business case for increasing investment in security. They discuss investments in supply chain security that have shown promise to create collateral benefits, as well as emerging benefits that need to be considered.

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This report describes methods that political executives can use to overcome common problems in the design, alignment, use, and communication of performance metrics and information. It serves as a companion to Wye's report "Performance Management for Career Executives: A 'Start Where You Are, Use What You Have' Guide."

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