Seven Management Imperatives

The IBM Center is committed to helping government executives and managers address real world management challenges with practical ideas and original thinking.

Over the last 13 years, we published more than 300 research reports and interviewed some 300 senior government executives. It is from this rich library that we've identified several broad societal trends that we believe are changing what it takes to be a successful leader at all levels of government.

Societal Trends Changing the Game for Government

The role of technology in how people and organizations interact. Technology has made it easier to collect, aggregate, and display data. Citizens can easily access data that makes them more informed and sophisticated actors. This trend has changed the relationship of citizens to their government.

A changing understanding of "the organization." Technological advances have also led to increased questioning of the effectiveness of hierarchies and bureaucracies that typify large public and private organizations. Bureaucratic hierarchies are now beginning to shift to more collaborative teams working toward common goals.

Demographic shifts within the workforce. Government leaders face challenges on how to best organize, operate, and execute their mission most effectively for multiple generations. For example, younger workers are the most comfortable using social media tools and collaborating across organizations. This generation is less influenced than older workers are by hierarchical position, and more interested in the specific contribution they make. Leaders must find new ways to balance the talents and expectations of a very diverse workforce.

The expanding scale of societal problems and fiscal constraints. Today's complex societal problems will require responses that reach beyond traditional agency and government level boundaries. In addition, ever-increasing fiscal constraints will force government leaders and managers to radically rethink how work gets done.

A greater appreciation of engaging employees and citizens. There is a growing understanding that, in order to address complex issues in an increasingly diffuse environment, greater employee engagement and citizen participation must occur. This requires that employees and citizens both play greater roles in identifying problems and delivering solutions than ever before. Engagement increases their sense of legitimacy and ownership.

In a world where increasing demands are becoming routine, and preparation means understanding the big picture and the larger context, these broad societal trends are changing the game for government leaders and managers.

The Seven Management Imperatives

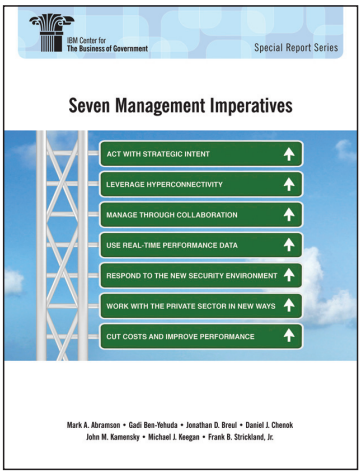
Based on these insights and trends, this forum presents seven management imperatives that government leaders and public managers must pursue in order to successfully manage in this new environment.

- **Imperative One:** Act with strategic intent
- **Imperative Two:** Leverage hyperconnectivity
- **Imperative Three:** Manage through collaboration
- **Imperative Four:** Use real-time performance data
- **Imperative Five:** Respond to the new security environment
- **Imperative Six:** Work with the private sector in new ways
- **Imperative Seven:** Cut costs and improve performance

The impact of these management imperatives will be seen at all levels of government within the United States—federal, state, and local—as well as in governments around the world. In fact, we first saw many of these imperatives in play in other countries; only now are they increasingly taking hold in the United States.

This forum introduces each management imperative based on insights offered in our most recent report, *Seven Management Imperatives*. It reflects our sense of what lies ahead. Government leaders and managers must incorporate these imperatives into their management approaches in the coming years. In the end, we hope that these management imperatives are insightful, instructive, and ultimately helpful to today's government leaders and managers.

For a more in-depth exploration of each management imperative, you may download or order a free copy of the full report at businessofgovernment.org.



Act with Strategic Intent

The United States federal government operates in a period rife with significant, seemingly intractable challenges, including an ever-growing federal deficit, economic uncertainty, unemployment, and an aging infrastructure. These challenges go to the core of effective public management. As Don Kettl notes in *Reflections on 21st Century Government Management,* many problems faced by government allow little time to react; have a high cost of failure; and tend to be critical to citizens' needs. In addition, responsibility for solving these problems often is highly diffused.

Despite the many challenges facing today's government leaders and managers, a single constant remains—the critical importance of achieving an organization's mission with strategic intent.

"We live in a world of dynamic threats and hazards and must adapt accordingly. We will not change for change's sake but purposefully, with strategic intent and always focused on our first priority and duty to the nation: mission execution."

Admiral Thad W. Allen, Coast Guard Commandant (Retired)

What is Strategic Intent?

For today's government leaders and managers, it is imperative to work toward executing their mission with strategic intent. Strategic intent focuses on an organization's vision, goals, and objectives necessary to achieve its mission; it is marked by clarity of focus, a desired end, a flexibility of means, with criteria used to chart progress. It represents a need to think ahead and plan backward from an envisioned future, making it clear how to take effective action in the present.

Using Strategic Intent to Anticipate Non-Routine Problems

Today's increasingly complex public management problems do not respect bureaucratic boundaries. When faced with a complex, fast-moving crisis, Admiral Thad Allen (USCG Ret.) advises that leaders must constantly adapt their mental models and create "unity of effort." This unity-of-effort approach applies outside of crisis response as well. Government leaders and managers are increasingly finding that traditional hierarchical organizations do not allow them to successfully address complex problems, such as homeland security, emergency disaster response, and social services delivery.

Using Strategic Intent to Manage People and Resources

It is vital that today's government leaders and managers develop ways to access the talent pool outside the traditional 30-year career employment model. According to James Thompson and Sharon Mastracci, that model greatly impedes managerial flexibility when either rapid increases in demand require more staff or budget reductions require less. It is critical that today's government manager recognize the viability of nonstandard work arrangements, including part-time, seasonal, and on-call workers, as well as temporary agency and contract personnel.

Along with nonstandard work arrangements, government leaders and managers have other options, including flexible work arrangements. Technology, remote connectivity, voice and electronic communications, paperless work processes, and other innovations make information and work increasingly mobile. In *Implementing Telework: Lessons Learned from Four Federal Agencies,* Scott Overmyer describes the technological, social, operational, and management risks that face managers in implementing a telework strategy.

Using Tools and Technology to Facilitate Strategic Intent

Government executives today have a host of tools and a vast array of technologies that they can harness to meet their missions. Given this new operating environment, it is imperative that government executives view these tools and technologies through the prism of both their mission and strategic intent.

The world has moved from a PC-centric to an Internet-centric universe. This trend is facilitated by the advent of cloud computing and includes the idea of Software as a Service (SaaS). According to David Wyld, "All in government IT—and in government itself—need to be aware of cloud computing and consider the possibilities it holds along with the people, technology, procurement, and governance issues raised by its advent." It is imperative for today's government executive to recognize that technology trends such as cloud computing undoubtedly will change how agencies approach IT.

Another new strategic tool is analytics. "One of the biggest technology challenges going forward is analytics," notes David McClure, associate administrator at the General Services Administration. "We've created a tsunami of information and data. We've got to be able to use, sift, analyze, and get value out of this information because it's a gold mine." Tom Davenport defines analytics as "the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions."

"It is a crucial issue for every leader. It always starts with the data," explains Dave Wennergren, assistant deputy chief management officer and former deputy chief information officer of the U.S. Department of Defense, "if you can decouple data from applications and systems you have the ability to do things with the speed never before dreamed possible. If data is available to be consumed I can mash it up and I can get capability to people in hours and days, not weeks or months."
It is imperative that government executives recognize that data, analytics, and fact-based decision-making can make a powerful contribution to the achievement of government missions.

Turning analytics into action becomes even more of a priority in a Web 2.0 world. Whether it's President Obama's call for more open government or the increasing expectation of citizens to access government services using the web, it is imperative that today's government executive recognize the promise and understand the perils of social media tools in meeting their agency's mission. Dave Wennergren puts a finer point on the importance of leveraging social media to meet mission. "If you don't take advantage of this Web 2.0 world—social media and social networking—then you are completely missing the point. These kinds of tools are crucial to getting the work done."

Conclusion

Tom Shoop points out in the February 2011 issue of *Government Executive* that "mission clarity is one of the strongest predictors of success, and conflicting missions can bring an agency to its knees." It is a management imperative for government executives today to keep their mission front and center. Keeping focus on the strategic intent of mission is key.

Leverage Hyperconnectivity

From the Pony Express in 1860 to today's digital revolution, the scope of our connectivity has increased in every dimension. Our connections are faster, farther-flung, and more complete and immersive than ever before. In the last decade, however, we have crossed a significant threshold, from connectivity into hyperconnectivity.

As an example, most urban Americans are rarely more than a few feet away from a device that can not only tell them the weather in Indonesia, but display satellite imagery of the

Kuala Lampur Pasar Seni RapidKL train station, and from there allow them to check on the next train arriving on the Kelana Jaya Line.

We are living in a hyperconnected world because at all times we have access—not only to one another—but to data, information, and even things in the real world that are plugged into a sprawling communications infrastructure that never closes down.

Government leaders and managers now confront the challenge of determining how to best use the new tools of hyperconnectivity. We believe that these tools are here to stay. Leaders and managers must now learn how to deploy these tools effectively to their organization's advantage.

Connecting People to Each Other

Connecting people to each other will help disseminate knowledge organically—offering a deeper and more intuitive understanding of the agency and its protocols than standard documentation is able to impart. By making it easier for employees to communicate and connect—both in real time and asynchronously, both in structured and ad-hoc groups, both in formatted and free-form communications—leaders and managers will enable their employees to maximize both knowledge and time.

Connecting People to Data

Connecting people to data allows an organization to allocate resources based on the needs of the moment. Real-time data are available through any number of channels, such as data feeds and dashboards. These channels will give employees access which will help an organization acquire a nimbleness that may belie its size or bureaucratic structure.

Connecting People to Digital Content

Connecting people to digital content streamlines the creation, editing, vetting, and dissemination process. This applies to any kind of content from speeches to policy papers to internal guidance. Storing documents and applications in the cloud (whether within or beyond the firewall) allows multiple users to work on a document simultaneously, dramatically speeding the time from conception to completion. Further, connecting people to digital content in this way ensures that everyone will always have access to the same draft of every document.

Connecting People to Sensors

Connecting people to sensors is an emerging type of connectivity, and it stands to release tremendous potential for streamlining operations and freeing up resources to be allocated in real time in response to real-time needs. Sensors are all around today:

- RFID (radio frequency identification) tags attached to items of every description that track not only their location, but their condition as well
- Environmental sensors that operate in buildings and outdoors
- Cameras that monitor traffic, watch over facilities, and peer back at employees as they use their laptops

These sensors, if connected to networks and mined for data, can help leaders know what is happening as it is happening, allowing them to base their decisions not on conjecture or possibly outdated information, but on up-to-the-minute and precise measurements.

Looking Ahead

The technologies that enable hyperconnectivity can be harnessed, ignored, employed on an ad-hoc basis, or incorporated thoughtfully into an agency's strategy to carry out its mission. The only thing that leaders and managers cannot do with these technologies is make them go away, nor can leaders shield themselves or their agencies from every negative side effect.

What is certain, however, is that as more leaders and managers learn to connect people to each other, to data, to digital content, and to physical assets, their organizations will reap the rewards in lower operating costs and improved performance.

Manage through Collaboration

Over the past decade, government at all levels made much progress in building collaborative relationships. There are two areas in which government has clearly moved toward increased use of collaboration. The first is governments coming together to create ad hoc collaborative networks in response to emergency situations. The second is the creation of new networks which allow governmental and nongovernmental organizations to work interdependently to exchange information and/or jointly formulate and implement policies or programs throughout their respective organizations.

While these two types of collaborative relationships (networks in emergency situations and collaborative management networks) are still necessary and useful, the complex societal issues facing government will require new types of collaborative relationships to be forged. Increased fiscal constraints will push managers to develop new ways of doing business with citizens, the private sector, and other government organizations.

The Need for New Collaborative Relationships with Citizens

There are an increasing number of examples of new relationships with citizens at all levels of government. Instead of going through intermediary organizations as in traditional public management networks, government will increasingly go directly to citizens. Examples of such direct outreach include:

Soliciting citizen input. The federal government has expanded the use of its website Regulations.gov. The website now describes itself as the citizen's voice in federal decision-making. Citizens can share their knowledge and make their voice count. The website seeks comments from the public on the over 8,000 regulations issued annually by the federal government. Citizens can find, read, and comment on regulations.

Identification of street-level problems. At the local level, there are numerous examples of new ways in which citizens participate in reporting street-level problems such as potholes, graffiti, and crime. With the increased use of mobile and GPS technologies, citizens now frequently submit real-time reports to local governments, which assist in the identification

of problems or necessary repairs. Citizens are also now sending photographs of problems to local government.

Development and collection of community and social indicators. In the last decade, over 70 communities in the United States and Canada have launched community indicator projects in which citizens come together (often in collaboration with the local government) to select topics to address, select indicators, collect data, and disseminate the data collected.

Participating in the delivery of services. In her report, *Strategies for Supporting Frontline Collaboration: Lessons from Stewardship Contracting,* Cassandra Moseley describes how the U.S. Forest Service developed stewardship contracting, which allows the agency to contract with local citizens groups and companies to perform restoration work in national forests.

The Need for New Collaborative Relationships with the Private Sector

Just as governments at all levels are developing new relationships with citizens, government is also developing new relationships with the private sector. With tighter resource constraints, government organizations will need to develop new cost-effective approaches to accomplish their missions. Examples of such approaches are discussed below.

Creating collaborative voluntary partnerships. In *The Promise of Voluntary Partnerships: Lessons from the Federal Aviation Administration,* Russell Mills describes how the Federal Aviation Administration (FAA) has developed a series of voluntary regulatory partnership programs in which industry and government work together to ensure industry regulatory compliance by exchanging information and ideas without fear of attribution. These voluntary partnerships, cautions Mills, should be viewed as complementary to traditional approaches to regulation, and not as a replacement for them.

Creating new co-regulation strategies. In their report, *Food Safety—Emerging Public-Private Approaches: A Perspective for Local, State, and Federal Leaders,* Noel P. Greis and Monica L. Nogueira recommend that government begin to develop various forms of co-regulation in which government and the private sector work together to develop joint approaches.

Working with the private sector on capital projects. In *Transforming Federal Property Management: A Case of Public-Private Partnerships,* Judith Long recommends that government explore how it might more effectively work together with the private sector in areas such as federal property management.

The Need for New Collaborative Relationships Within Government

Finally, government organizations will need to develop new collaborative relationships with each other. Two examples of such collaborative relationships are:

Department of Defense (DoD) and Department of Veterans Affairs (VA) health data sharing initiatives. Over the last decade, DoD and VA have pioneered a series of health data-sharing initiatives. As VA and DoD health data-sharing capabilities continue to

mature, there should be further opportunities to streamline and promote additional efficiencies.

FedSpace: a new collaborative intranet for federal employees and contractors. In response to President Obama's Open Government Initiative, the General Services Administration took the lead in creating FedSpace, which is being designed as a secure intranet and collaborative workspace for federal employees and contractors. FedSpace will enable government employees to work securely and collaboratively across agencies by leveraging common tools, making content and resources available, and providing Web 2.0 technologies.

Use Real-Time Performance Data

Harry Hatry, a pioneer in the performance measurement field, recently predicted that "performance data in the future will be able to be processed continuously and in real time," and that "managers and their staffs will be able to obtain such information easily and quickly, no matter where the managers are. The information will come from a variety of mobile sources."

The imperative for government executives over the next several years will be to take action to realize Hatry's vision and respond to the new demands of political leaders and the public for information that can be used for decision-making and accountability. This imperative will challenge leaders and managers to take action to:

- Collect better data
- Conduct better analysis
- Make better decisions
- Take smarter action

Action One: Collect Better Data

The first action leaders and managers will need to take to create a real-time performance data environment is to increase data's availability and reliability.

Agency leaders will need to prioritize their data collection and sharing by linking them to clearly defined outcome goals and identify what performance information is needed to track progress against them. There will also be a need for leaders and managers to allow easy feedback, via social media tools, from employees and—where appropriate—the public. This creates an early warning system to alert program managers about possible performance and data reliability problems.

The best example of a cross-agency, data-intensive web portal that includes interpretive tools is Recovery.gov, which tracks spending and performance under the American Reinvestment and Recovery Act of 2009 (Recovery Act). It provides basic performance information about the uses of Recovery Act money. The portal is updated quarterly and displays information in different ways for different audiences. For example, citizens can

"There is no substitute for talented people who can translate the context of issues into the right questions. These questions, in turn, become the data that matters. Success today requires increasingly sophisticated combinations of knowledge, technical expertise, and insight."

Institute for Business Value

enter their zip codes and see a geographic display of projects (including the amount of money spent on each project) in their neighborhoods.

State governments are increasingly providing real-time data as well. For example, the states of Alaska, Arkansas, and Colorado all have an "open checkbook" policy, whereby all checks written by the treasurer go online so citizens can follow expenditures. Many municipalities provide real-time, online traffic video, snowplow tracking, and citizen tracking of 311 open service requests for potholes, graffiti, and burnt-out street lights.

Action Two: Conduct Better Analysis

The flood of new data calls for increased use of new analytic tools by both decision-makers and the public. This means leaders and managers will have to understand who their users are and what kinds of data and data displays will provide meaning for them.

Better analysis starts with clear goals and priorities that are linked to progress measurements. For example, the Obama administration has worked with agencies to identify a small number of priority performance goals. These goals have become the focus of increased analysis. In this new environment, as Shelly Metzenbaum notes in her 2009 report for the IBM Center, agencies should be expected to conduct analyses:

- To know the direction of performance trends for key indicators
- To understand the causes for performance change or have a plan to discover the causes
- To search for performance-improving opportunities to promote and performance-dampening conditions to prevent

In today's environment, agencies should expect questions and be prepared to answer them.

Action Three: Make Better Decisions

The third action will be to use the new data and analyses effectively to make choices and set priorities. Hatry says, "The challenge today is no longer in collecting information; the challenge now lies in using the information that is regularly collected." Program effectiveness can be improved by taking timely corrective action based on information collected.

In his 2007 report to the IBM Center, Robert Behn emphasizes that performance-stat systems should be viewed as a leadership strategy designed to produce clearly specified results. The common feature of all the performance-stat systems he examined: the organization's leader meets with his or her management team to focus attention and assess progress toward the organization's goals.

Action Four: Take Smarter Action

The fourth action is to create a real-time performance data environment that ensures the ability to use data to take smarter action. This means that real-time data should not be collected and used solely to react to past events. Using smart sensors and interconnected data sets will allow more sophisticated analyses of data that are predictive in nature. This means leaders and managers can foresee and forestall potentially adverse performance. This predictive approach would not only be based on better data that links plans, targets, day-to-day operations, and resources, but would also include improved risk analysis.

Real-time performance data are already in use. For example, they are being used to predict flooding in vulnerable communities so that populations can be relocated in advance;

to forestall air traffic delays due to congestion; to improve food safety initiatives, and to rapidly determine eligibility for Social Security or veteran's disability benefits.

Sometimes better action comes from a shared understanding of mission. Agency leaders and managers should therefore develop strategies to effectively communicate trends and targets. These are the basis for leaders and managers to understand and address trends in performance.

Respond to the New Security Environment

Government leaders and managers have a fundamental responsibility to protect citizens from security threats. The weapons and tactics employed in many of today's security threats do not require the traditional armies of the past. Malicious groups of people, down to a hostile individual operating within the homeland, can acquire and employ commercially available technology to inflict major destruction.

This puts most government leaders in the difficult position of coming to terms with a major new responsibility in the midst of a threat environment that can sometimes feel as if threats are poised to strike around every corner. How does one make sense of the problem and begin to craft practical and affordable security strategies?

Understanding the Problem

The ratio of size to impact is asymmetrical. Leaders now confront an operating environment where a single person can achieve tremendous destruction. Small groups can achieve exponentially greater effects, as seen in the 2008 Mumbai attacks, and small groups can form into a globally destructive network, witness al-Qaeda. Leaders and managers must be aware that security threats begin with the individual actor.

The threats are hidden in plain sight. There was a time when security threats were found by monitoring the behavior of large missiles, bombers, and tanks. While these threats are still relevant, many of today's security threats are armed with the tools of peaceful civilian work—chemicals, nuclear material, the Internet, commercial aircraft, cell phones, and other commercial technologies.

Since size is no longer required to achieve substantial effect, an individual or a small group can be a nationally significant threat. These threats are just as likely to achieve their desired effects by striking targets outside the traditional national security domain. This puts every government leader in a position of responsibility for countering security threats. Countering these threats requires fundamentally different response strategies than those of the past century. There are five core elements to an effective and affordable response strategy.

Developing an Effective Response

First, focus on vulnerabilities, not just threats. Security threats are persistent and ubiquitous. In confronting this dizzying array, leaders and managers must focus their energies on analyzing their enterprise's vulnerabilities.

Not every enterprise will have the same vulnerability to every threat. It would exhaust an organization to defend uniformly against every possible threat. Investments should be focused on mitigating the specific vulnerabilities of the organization's particular operating environment.

Second, a response strategy must have proactive as well as defensive measures. It is essentially impossible to detect and defend against 100 percent of the attacks posed by individuals and small groups. Leaders and managers must ensure that their strategy combines proactive and defensive measures. Proactive measures include an informed and engaged workforce and citizenry, equipped and motivated to contribute in areas including sensing, identifying, and reporting threats.

"Today's threat picture features an adversary who evolves and adapts quickly and who is determined to strike us here at home—from the aviation system and the global supply chain to surface transportation systems, critical infrastructure, and cyber networks."

Janet Napolitano, Secretary Department of Homeland Security

Third, prepare to recover after an attack. Leaders and managers must assess their enterprise's resiliency to various forms of attack. How will the organization recover operations if one or more key leaders cannot function? How will the organization ensure continuity of operations in the midst of a disaster? The probability and consequences of a major attack or natural disaster on the enterprise are such that the organization must include recovery planning as part of its strategy for dealing with threats.

Fourth, plan and conduct interagency operations as the norm. As Secretary of Defense Robert Gates has said, today's threats require response strategies that incorporate the "whole of government." Government leaders and managers must become adept at not only working horizontally in their own departments or agencies, but across multiple departments, agencies, and other levels of government. Effectively preventing, responding to, and recovering from major attacks will require the capabilities and resources of many different organizations.

Fifth, continuously create knowledge—the basis of all security operations. Government leaders and managers must understand a more complex and nuanced picture of the situation that includes physical, virtual, social, and cultural dimensions. Doing so requires that leaders and managers learn to create knowledge from the massive data available to them.

Fortunately, analytic capabilities are improving at a rapid pace. Leaders and managers must gain an understanding of today's mature analytic capabilities, and leverage those capabilities to inform security strategy, plans, and operations.

Looking Ahead

An organization's knowledge system depends on networks, which carry the data and information that feed analytics. But networks require connectivity and connectivity creates vulnerabilities. The price of interconnectivity is the continuing tradeoff between opportunity and vulnerability. Government organizations need to ensure that policies are in place for protecting networks and networked information.

Work with the Private Sector in New Ways

Government leaders and managers are increasingly doing business using methods and approaches that differ from the traditional contracts and grants process. Today, government leaders and managers need to know how to use innovative acquisition methods that shorten the lifecycle of a contract, as well as how to leverage new ways of tapping into the private sector that include challenges and prizes—where the government poses a challenge and unleashes private-sector innovation to develop a solution without going through a formal contracting process.

Background

Government has traditionally leveraged the private sector (including industry, non-profits, and academia) through the formal contracts and grants process. A variety of circumstances have accelerated the need to change the traditional engagement model:

- Agencies lack resources (both money and people) to meet their needs adequately through formal contracts
- Grant funds have been limited by discretionary spending cutbacks
- The contract process itself has become laden with many requirements and conditions that make it more difficult for government to issue a Request for Proposal, for industry to respond, and for government to make a decision
- Traditional, multi-year contracts have been increasingly criticized for going over budget, being behind schedule, and missing performance milestones

Leaders and managers will now be able to conduct business more effectively. Managers who continue to rely on old-school approaches and do not use innovative business channels will not serve their organizations nearly as well.

Fostering a New Culture of Acquisition

Traditionally, government contracting officials and managers have been risk-averse. This is a counterweight to innovation, as agency contract, program, IG, legal, and political staff seek ways to add controls in response to oversight. At the same time, the seeds of a new culture are emerging, fueled by the following three major drivers.

New partnerships. Agencies are actively encouraged to look outside the government contractor orbit for sources of value. The Office of Management and Budget (OMB) oversees the Partnership Fund for Program Integrity Innovation that supports pilot projects to bring cost savings and efficiencies to the delivery of federal benefits by state and local governments. OMB issued a 25-point improvement plan in February 2011, which actively encourages federal departments and agencies to explore alternatives to the traditional grants and contracts process.

More open communications. The pendulum is swinging back toward more openness in how agencies and industry communicate. OMB has recently issued a memorandum on "myth busting" designed to improve communication and address misconceptions about the acquisition process. Industry needs to operate differently as well. Building trust on all sides will take time and will rely on government leaders and managers to model openness in their interactions with the public and private spheres.

"We're setting up challenges and contests to allow citizens and organized groups to actually come up with new proposals on how government could deliver a service or build a new way to organize and use information or actually develop a product. Instead of competing through a traditional procurement process, government executives have the ability to use challenges and prizes to access the talent and creativity from the various sectors. This is groundbreaking."

David McClure
U.S. General Services Administration

Need for increased skill sets in the acquisition workforce. The capacity of the existing acquisition workforce to meet these challenges continues to lag—both in terms of number of workers and skill sets. OMB is working to increase the skill sets of the acquisition workforce to be more agile in terms of rolling out contracts, better able to work with new processes like challenges, and more adept at helping new firms who bring innovation and value into the federal space.

Introducing New Tools for Engaging with the Private Sector

A flexible culture will be necessary for managers to adapt to new private sector engagement channels. Traditional contracting will continue to retain its core place in agency acquisition. However, in a resource-constrained environment emerging tools can also be obtained at a fraction of the cost of many contracts. The Obama administration has expanded the number of tools available to federal government managers, including:

- **Challenges,** as discussed above
- **Prizes,** which offer a specific financial or similar incentive for rewarding good ideas—as Luciano Kay writes, prizes have the potential "to induce technological innovation and accomplish broader economic and societal goals"
- **Fly-offs,** where agencies narrow down the set of bidders and then make a final selection under a second "mini-competition"
- **ExpertNet,** through which agencies will be able to seek advice from leading thinkers or convene a discussion among knowledgeable actors on particular subjects online

These initiatives are just the start of what is likely to be a wave of innovation in how government works with the private sector.

Moving to Shorter Phases and Better Measures

OMB's current policies employ a longstanding tenet of best practices in contracting: achieve functionality in manageable phases to reduce risk and achieve tangible benefits, rather than wait for large "big bang" modernizations to take hold. OMB intends to propose changes in the budget process that promote faster turnaround for spending money as technology and business requirements change, instead of the current 18–24 month budgeting cycle. Shorter cycles are likely to expand beyond IT to reduce risk and increase value in other areas of government acquisition.

An equally important piece of the technical puzzle involves measuring outcomes. Assessing whether a program is on track is essential for any decision to move to the next phase. This is an emerging but critically important success factor for modular contracting to work. Gerald Blasi writes that in assessing contract outcomes, "more work needs to be done in order to establish what constitutes accountability, what performance should be measured and how that performance is measured."

Conclusion

As the business of government becomes more flexible and operates in shorter spans of time, the success of public sector leaders and managers in this environment may be

characterized by "think big, act small." In other words, they must first set a broad vision that implements the agency mission; and then implement that vision with a flexible culture, wise operational use of both traditional contracts and an array of new tools, and a plan of action that is funded and executed in measurable, manageable chunks.

Cut Costs and Improve Performance

The federal government faces an estimated annual structural deficit of $500 billion to $700 billion. A deficit of this magnitude represents a major threat to the economic health of the nation. The structural deficit is defined as the portion of the total annual deficit that results from a fundamental imbalance in receipts and expenditures, not just one-time occurrences or changes in the economic cycle. Steps to reduce and eliminate this structural deficit are urgently needed.

The Congress, the Obama administration, and state and local governments must put government spending on a path of fiscal sustainability for the longer term. Policy makers have focused on three cost-cutting opportunities for doing this:

- Eliminating wasteful programs
- Taking a longer-term view that focuses on entitlement program policy changes
- Using proven cost-saving strategies from the public and private sectors to make the daily operation of government much more efficient and deliver improved performance at a lower cost

Traditional Budget-Cutting Exercises Will No Longer Work

We have heard it before—the need to "do more with less." But the situation is different this time, and much more difficult. Drastically reducing costs is a major undertaking, not a normal budget-cutting exercise. And, importantly, it presents an opportunity to not just cut programs and discretionary costs, but to transform *how* government does its business.

Across-the-board cuts and undifferentiated freezes that affect all programs and services in the same way can have perverse effects. Rather than looking only at program cuts, leaders and managers should view the need to achieve drastic reductions as an opportunity to reconsider their entire organizational structure as well as program business models.

Traditional Cost-Cutting Exercises Often Prove to be Temporary

More successful organizations invest in central staff who help identify systemic costs associated with organizational and program complexity and supply chain improvements. In doing so, they must be mindful of two important points.

Establish top-down cost savings targets. Delegating the responsibility for cost-cutting to the frontline organizations often results in cuts to long-term

investments, like training, not to low-priority or poorly performing projects. Central staff focused on operational improvements can provide an enterprise-wide view to objectively identify high-priority and high-performance activities, not just set overall cost-reduction targets for the organization.

Recognize and capitalize on the cost of complexity. Failing to estimate and account for the cost of too many separate operations and support activities can lead organizations to overlook savings from reducing, standardizing, or sharing services, or making supply chain improvements. Central staff are in a better position to identify enterprise-wide and cross-agency opportunities to capitalize on redundancies.

New Approaches are Needed to Truly Transform the Way Government Does Business

A big risk in the current cost-cutting debate is that not enough attention will be focused on the opportunity to improve operational performance by being smarter about the way government does business. The IBM Center for The Business of Government's *Strategies to Cut Costs and Improve Performance* describes seven specific initiatives where technology-enabled productivity solutions can make a material difference in the performance of government programs, based on the experience of real cost savings and efficiencies achieved by public and private sector organizations. These seven strategies constitute a starter list of initiatives of this type.

By aggressively implementing these strategies, sustainable cost savings can be realized while, in many cases, improving operational performance.

Seven Strategies to Cut Costs and Improve Performance

- Consolidate information technology infrastructures
- Streamline government supply chains
- Reduce energy use
- Move to shared services for mission-support activities
- Apply advanced business analytics to reduce improper payments
- Reduce field operations footprint and move to electronic self-service
- Monetize the government's assets

Source: Charles L. Prow, Debra Cammer Hines, and Daniel B. Prieto, Strategies to Cut Costs and Improve Performance. *IBM Center for the Business of Government. 2010.*

Getting it Done

The best approach is for top officials to appoint and empower a single individual to manage cost-cutting activity. While they may be supported by departmental staff or outside volunteers, someone needs to own the task and, ideally, report directly to the agency head. The secretary or deputy secretary should recruit a highly respected and experienced former CFO from the private sector to serve as the department's "uber-manager" with the explicit mission to achieve dramatic cost saving.

Leaders such as cabinet secretaries or department heads will be critical enablers for cost-savings ideas, but we recommend that someone outside the impacted agencies be appointed to take the lead role for two reasons. First, those officials, like their elected bosses, have a great deal on their plate. Their days are filled with a constant stream of crises. Second, we believe that appointing an external voice can help inform the decision-making of agency heads as they make the tough choices about what must be cut.

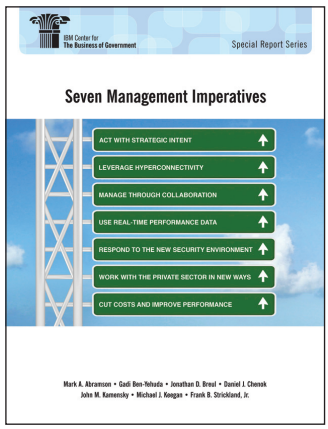
The Role of Leaders and Managers

Cost-cutting is tough, unpleasant work. It requires choices that most of us would rather not make. Therefore, unwavering leadership is the most important characteristic for senior officials to display in a successful cost-cutting effort. While an individual department head might be able to reduce costs for a few years in an agency, it is very hard to bend the overall cost curve unless top leadership demands it.

This will be where government leaders and managers come in. They will be the ones who do the heavy lifting to implement major program adjustments and cutbacks, as well as harness major technological shifts and not just cut costs, but also adopt innovative practices to make government far more productive. ■

TO LEARN MORE

Seven Management Imperatives
by Mark A. Abramson, Gadi Ben-Yehuda, Jonathan D. Breul, Daniel J. Chenok, John M. Kamensky, Michael J. Keegan, and Frank Strickland, Jr.



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