# Seven Management Imperatives

ACT WITH STRATEGIC INTENT ⬆

LEVERAGE HYPERCONNECTIVITY ⬆

MANAGE THROUGH COLLABORATION ⬆

USE REAL-TIME PERFORMANCE DATA ⬆

RESPOND TO THE NEW SECURITY ENVIRONMENT ⬆

WORK WITH THE PRIVATE SECTOR IN NEW WAYS ⬆

CUT COSTS AND IMPROVE PERFORMANCE ⬆

**Mark A. Abramson • Gadi Ben-Yehuda • Jonathan D. Breul • Daniel J. Chenok**

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IBM Center for
**The Business of Government**

# Table of Contents

# Foreword

Since 1998, the IBM Center for The Business of Government has tracked the management transformation underway at all levels of government in the United States and around the world. The IBM Center is committed to helping government executives and managers address real-world management challenges with practical ideas and original thinking.

We've reflected on the insights provided by authors of more than 300 research reports and by some 300 senior government executives interviewed over the past 13 years. Through our research and interviews, we identified several broad societal trends that we believe are changing the game for successful leadership at all levels of government.

Based on these insights and trends, we present seven management imperatives. We believe government leaders and managers should incorporate these seven imperatives into their management practices to execute their organization's mission successfully. The societal trends discussed below have made it necessary for leaders and managers to move forward on these seven imperatives.

Jonathan D. Breul

## 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, making it available to a wide range of users. 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 traditional large organizations, both public and private. Bureaucratic hierarchies are now beginning to shift to more collaborative arrangements with teams working together toward common goals.

**Demographic shifts within the workforce.** With multiple generations now in the workplace, government leaders face challenges on how best to organize, operate, and execute their mission most effectively. For example, younger workers are the most comfortable using social media tools and collaborating across organizations. Members of this generation are correspondingly less influenced than older workers are by hierarchical position, and more interested in the specific contribution they or others make. Leaders and managers 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, making it more difficult to address these problems effectively, especially on a large scale. 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.
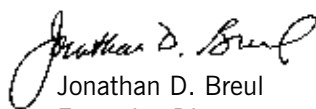
## The Seven Management Imperatives

We believe that the societal trends discussed above will reframe how executives lead successfully in the future. Informed by our research reports and interviews, the IBM Center identified seven management imperatives that government leaders and managers must now respond to 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. Many state and local executives are already responding to these imperatives. In other instances, federal government leaders and managers have spearheaded their use to improve government performance.

The following seven essays describe each imperative and reflect our sense of what lies ahead. We believe that government leaders and managers must incorporate them into their management approaches in coming years. We hope readers will find them both instructive and challenging.

I would like to thank my colleagues at the IBM Center for their insights and contributions to these essays: Mark Abramson, Gadi Ben-Yehuda, Daniel Chenok, John Kamensky, Michael Keegan, and Frank Strickland, Jr.

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# Management Imperative One
## Act with Strategic Intent

## Introduction

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.

As a result, organizations will need to change how they operate in order to achieve multifarious missions and tackle non-routine challenges as they arise. These changes are likely to impact:

- The nature of government work itself

- The expertise needed

- Expectations of citizens

- Advances in technology

- Changes in workforce demographics

Despite the many challenges that have prompted these changes, a single constant remains for government leaders and managers: achieving their organization's mission with strategic intent.

## 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 clearer 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. Effective responses to many of these multi-dimensional issues will require leaders and managers to work across boundaries, within networks, and while leveraging partnerships with both government and non-government entities. Recognizing the viability

> ## Thad Allen on Strategic Intent
>
> Whether responding in the aftermath of Hurricane Katrina, leading the U.S. Coast Guard for the last four years, or most recently coordinating the response to the Gulf oil spill, Admiral Thad Allen (USCG Retired) offers clear insights on the importance of strategic intent in executing mission. His approach also provides a powerful example for government leaders and managers who encounter many non-routine yet mission-critical situations. "I would call it the organizational genius of the Coast Guard—the fact that without having to have a bunch of different agencies do different jobs, we have one agency that can shift its focus and its people and its capability and its platforms to do a specific job one day, and then a different job the next day," explains Admiral Allen. With organizational adaptability, coupled with a strong emphasis on strategic intent, Allen counsels leaders to transcend what he calls the "tyranny of the present," which requires looking beyond the next "annual budget cycle … to lift your head up, look over the horizon, and see where you're going." Through his career, this vision has colored Allen's perspective and informed his leadership. "I've stressed [to] senior leaders to think more strategically … from source to strategy … and to act with strategic intent."

of this non-traditional response paradigm will enable today's government leaders and managers to get ahead of the curve, have an immediate impact, and potentially leverage a fuller range of government assets.

When faced with a complex, fast-moving crisis, Admiral Thad Allen 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.

The Office of Naval Research, the National Aeronautics and Space Administration, and the Transportation Security Administration are models of highly agile agencies. Each agency exhibits the core-ring structure described in Thompson and Mastracci's report, *The Blended Workforce: Maximizing Agility Through Nonstandard Work Arrangements*, with a core of full-year, full-time, permanent government workers, surrounded by workers in contingent or alternative arrangements. These three organizations serve as exemplars of agile agencies with flexible workforces that make heavy use of nonstandard work arrangements.

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. Federal employees have used mobile work technology for a long time. In fact, the federal government has been an early leader in workplace flexibility, implementing initiatives to adapt to the needs of a changing workforce. This can be seen most recently with the passage and implementation of The Telework Enhancement Act of 2010. 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. Gartner, Inc. has highlighted the top 10 technologies and trends that will be strategic for most organizations in 2011. Gartner defines a strategic technology as one with the potential for significant impact on the enterprise in the next three years. Some of these strategic technologies most relevant for today's government manager include: cloud computing, mobile applications and media tablets, social communications and collaboration, video, and analytics.

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." Analytics uses data—structured and unstructured—to uncover patterns, identify opportunities, seek parallels, formulate predictions, and inform decisions. It has the potential to transform information into insights—taking diverse volumes of data and predicting the most likely outcomes of key decisions or events. These insights can make a real difference and enhance an organization's performance. From doctors managing treatment better, to the Social Security Administration adjudicating disability claims more quickly and accurately, or to tax collection agencies ferreting out fraud, success is all about turning analytics into action.

Breakthroughs in data-capturing technologies, data standards, data storage, and modeling and optimization sciences have created opportunities for large-scale analytics programs. "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." In a world inundated with all kinds of information, timely, relevant, and more predictive data can drive better decision-making. 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. According to Admiral Thad Allen, "social media is part of a fundamental change in our sociological structure. John Holdren, who's the science and technology adviser to the president, says that there are three ways to deal with climate change: Adapt, manage, or suffer. I believe that what's happening with information is no less profound and challenging, and therefore the same options apply. There are three ways to deal with this change: adapt, manage, or suffer."

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.

There are many new and complex challenges facing government. Some of the challenges may require government leaders and managers to work across boundaries, in networks, and adapt as change is constant. As Admiral Allen points out, today's government executive "must lead from everywhere." To do that, government leaders and managers should use new and innovative ways to manage people, resources, tools, and technologies. In the end, however, in order to achieve success, an agency must reconcile its end to its means through 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)

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# Management Imperative Two
## Leverage Hyperconnectivity

## Introduction

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; since the Pony Express disbanded, wireless radio, telephone lines, and a highly distributed news-gathering and disseminating industry have enabled us to stay current with events on a daily basis. 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.

Using a free online tool, they can read updates from people waiting for that train, and if their parents or children are vacationing there, they can use their hotel WiFi for free video chats (remembering that it is 13 hours ahead of East Coast time).

The device that connects them to the world might be far closer than a few feet away. It might be the smartphone in their pocket. 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 best to 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. There are four types of connections that organizations must foster and deploy:

- **Connecting people to each other** through social media tools like microblogs, instant messengers, and e-mail

- **Connecting people to data** through access to raw data and visualizations

- **Connecting people to digital content,** such as documents, spreadsheets, and applications

- **Connecting people to sensors,** such as RFID (radio frequency identification) tags, weather stations, traffic cameras, environmental monitors, smartphones, and computers

*"The spread of information networks is forming a new nervous system for our planet. When something happens in Haiti or Hunan, the rest of us learn about it in real time—from real people. And we can respond in real time as well."*

Secretary of State
Hillary Rodham Clinton

## Connection One: 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.

**Metrics.** For this connection, benchmarks and metrics include both hard and soft data. Hard data would include measuring the users of microblogging platforms, instant messages, and listservs or other grouping tools. Examples of soft data would be employee surveys and constituent feedback.

**Tools.** Leaders can help people in their organizations connect to one another in three ways:
- Ensuring that the technological infrastructure is robust enough to accommodate constant communication streams, including not only text but other digital content
- Ensuring that the superstructure extends to all employees, connecting them at all times to communications hubs
- Creating an organizational culture that rewards reaching out to others and—even more important—encourages all employees to make themselves available

## Connection Two: 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.

**Metrics.** Success metrics are fairly straightforward. Are people accessing the data feeds? Are they able to conserve resources, using only what is necessary as the situation demands? Are leaders seeing their resources go farther than they had before real-time data was available? If the answer is yes, then this activity is successful.

**Tools.** Leaders and managers can help their employees connect to data through two main activities:
- Opening up data feeds internally, if not to the larger public
- Showing employees how to use the data and ensuring they have the tools to turn data into actionable information

## Connection Three: 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.

**Metrics.** The metrics are fairly straightforward: Are employees using the online applications to create documents and send them through the vetting process? Are employees accessing the content within their organization? Are the documents themselves being updated on the cloud and tagged or organized appropriately?

**Tools.** Leaders and managers can help their employees connect to digital content by establishing and maintaining a beachhead in the cloud. Documents—and the applications with which employees can open and edit them—should not be left to languish on hard drives, but rather should reside in a secure environment that can be accessed by employees whether they are in the office, on the road, or in the field.

## Connection Four: 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.

**Metrics.** The metrics for success in this area are only now emerging. When more fully developed, metrics should answer the question of how often resources are deployed out of scale to the task (either too much or too little). Does the organization know, at all times, where its assets are (everything from trucks to printer paper, to employees to laptops)?

**Tools.** Leaders and managers can help their employees connect to sensors first and foremost by installing the sensors that will reveal what they need to know about their agency. As this technology is only now maturing, it will be important for government leaders and managers to keep watch on this imperative and implement those solutions that make sense for their organization.

## 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. For example, security breaches happen, even at agencies that use only e-mail as a connecting technology.

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.

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# Management Imperative Three
## Manage Through Collaboration

## Introduction

In 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.

This essay will look back and look ahead in order to increase understanding of how government leaders and managers can work in collaborative relationships with other federal departments and agencies, other levels of government, non-profit organizations, private sector organizations, and citizens.

*"Managing a network or managing an organization in a network is a continual balancing act since collaboration cannot be forced by resort to command and control"*

H. Brinton Milward and
Keith G. Provan

## Looking Back: The Successful Creation of Networks

In the past decade the following types of collaborative relationships have been successfully employed.

**Collaborative relationships in emergency situations.** In *From Forest Fires to Hurricane Katrina: Case Studies of Incident Command Systems*, Donald P. Moynihan describes the success of the Incident Command System, in which multiple organizations at all levels of government come together to create a hierarchical-network organization to respond to emergencies such as forest fires. In an earlier report, *Leveraging Collaborative Networks in Infrequent Emergency Situations*, Moynihan described government's response to an outbreak of Exotic Newcastle Disease (END). Moynihan writes that these emergency networks provide government with the flexibility to tackle problems that are beyond the scope of any single organization.

**Collaborative public management networks.** In *A Manager's Guide to Choosing and Using Collaborative Networks*, H. Brinton Milward and Keith G. Provan describe four types of public management networks which came to be increasingly relied upon in recent years:

- **Service implementation networks:** government funds a service under contract but doesn't directly provide the service

- **Information diffusion networks:** primary focus is on sharing information across organizational boundaries

- **Problem-solving networks:** primary purpose is to help organizational managers set the agenda for policy related to a critical national or regional problem

- **Community capacity build networks:** primary goal is to build social capital in community-based settings

## 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. Previously, citizens had to visit agency reading rooms in Washington to review public comments on regulations. The website also allows citizens to sign up for e-mail alerts about specific 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. In Des Moines, Iowa, citizen neighborhood associations undertook a digital survey of their neighborhoods which reported on the physical infrastructure of their community and on nuisance problems. At the federal level, there has been an increased interest and activity in the development of social indicators.

**Participating in the delivery of services.** The last decade has also seen increased interest in fostering partnerships between the public sector, the private sector, and the non-profit sector in developing new ways to deliver public 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. With stewardship contracts, the U.S. Forest Service collaborates with communities and stakeholders in the development and implementation of projects.

## 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 to:

*   Standards setting

*   Process standards

*   Enforcement

*   Monitoring

**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. Advantages of developing new types of relationships with the private sector include:

*   Gaining access to private capital which would reduce reliance on upfront appropriations

*   Gaining project cost savings due to private sector expertise and efficiency

*   Opportunities for cost savings when the use of private capital can pay for deferred maintenance

*   Opportunities for earned income when income-sharing is negotiated for specific projects

## The Need for New Collaborative Relationships Within Government

Finally, government organizations will need to develop new collaborative relationships with each other. While there have been examples of such collaboration in the past, in a time of limited resources more collaboration will be needed. Two examples of such collaborative relationships are described below.

**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. These include the development of a federal health information exchange, and sharing of imaging, health assessments, and reassessments. Both initiatives have lowered costs, improved health care delivery to beneficiaries, and improved interoperability. The departments participate in joint work groups. 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. In addition, FedSpace will add file-sharing capability, Wikis, a government-wide employee directory, shared workspace, and blogs.

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# Management Imperative Four
## Use Real-Time Performance Data

## Introduction

Former New York City Mayor Ed Koch was famous for wandering the streets asking random citizens, "How am I doing?" That was his way of getting real-time performance data.

Today, New York's Mayor Michael Bloomberg uses a different approach. He has a webpage, *NYCStat,* which is the city's "… one-stop-shop for all essential data, reports, and statistics related to City services. From this page you can access a wide array of performance-related information including citywide and agency-specific performance, 311-related information, and interactive mapping features for selected performance data and quality of life conditions."

New York City may be on the cutting edge of providing publicly available performance data. But *NYCStat* is not actually real-time. However, *NYCStat* has created a new demand from both agency managers and the public for near real-time data collection and reporting.

In the District of Columbia, citizens can watch snowplows in real time on their computers via GPS in the snowplows' cabs which are then integrated onto Google Maps. Cities across the United States, like those in the District of Columbia, are creating, using, and sharing real-time performance data. Many cities now have traffic cameras on the web so that commuters can choose alternate routes in real time. In fact, governments at all levels are increasingly using this kind of real-time information to make data-informed decisions for both strategic planning and day-to-day operations.

At the federal level, the trend toward the development and use of real-time data has been reinforced by the new GPRA (Government Performance and Results Act) Modernization Act of 2010, which requires agencies to report at least quarterly on their progress toward priority goals and to hold regular meetings on the actions necessary to keep performance on track. The act also imposes consequences for poor performance, making it more likely that federal leaders and managers will demand frequent, high-quality data from their programs. At the same time, it will create an expectation by the public that such information will be available to them as well.

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."

*"… for each agency priority goal, review with the appropriate goal leader the progress achieved during the most recent quarter, overall trend data, and the likelihood of meeting the planned level of performance …"*

GPRA Modernization Act of 2010

The imperative for government leaders and managers 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.

The most common approach to increasing availability is to compile existing data into a single compendium, or single web portal, and publish it on a regular schedule. But publishing random data isn't helpful. Agency leaders will need to prioritize their data collection and sharing by linking them to clearly defined outcome goals and identifying 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.

This single-portal approach is being pioneered at the federal level via several government-wide web portals. The Data.gov website is a collection of machine-readable data sets, but it is not seen as being useful to the casual user because the data presented require further manipulation. A similar one-stop site, covering federal spending data, is USASpending.gov. There, financial data can be manipulated and downloaded, but this also requires some expertise.

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 enter their zip codes and see a geographic display of projects (including the amount of money spent on each project) in their neighborhoods. The public interest in Recovery.gov has been far higher than for Data.gov or USASpending.gov, although there were a number of initial challenges to the site's data reliability. These challenges led to rapid revisions in data collection and verification processes, thereby improving the data in a very short space of time.

The government-wide Performance.gov portal currently provides internal government users in-depth performance information for about 125 high-priority agency goals from across the government. This site is seen as a precursor to a much larger government-wide portal for performance information required by the GPRA Modernization Act of 2010.

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. For example, information useful to program managers will be very different than infor-mation useful to members of Congress or the public.

*"There is no substitute for talented people who can translate the context of issues into the right ques-tions. 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

Better analysis starts with clear goals and priorities that are linked to progress measure-ments. 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.

As part of their efforts to improve analysis, agencies must also improve their information presentation and dissemination capacities. "The federal government needs to treat data presentation and dissemination strategically," Metzenbaum notes. This includes experi-menting with different formats, such as visualization and social marketing.

Alfred Ho, in his 2007 report for the IBM Center, examines how government agencies and citizen groups analyze and report on government performance. Ho's report presents different strategic approaches in which government focuses on operational outputs and citizens focus on strategic community outcomes.

## 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 informa-tion; 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.

Robert Behn and Shelley Metzenbaum have advocated the use of "performance-stat" systems, based on models developed in city and state governments. Agencies, they note, should run goal-focused, data-driven meetings to drive progress toward govern-ment-wide priority goals. Metzenbaum, in her 2009 report for the IBM Center, declares, "To be useful, measurement cannot just be collected, it must be used." She observes,

"Goal-focused, data-driven meetings have proven remarkably effective in a variety of settings for a variety of reasons. They tap into the motivating power of senior level attention … They also provide a venue to raise issues that need attention, quickly get approvals if needed, hear advice from others who may have dealt with similar situations, and solicit advice."

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. In their 2004 report for the IBM Center, Harry Hatry, Joseph Wholey, Shelli Rossman, and Elaine Morley note that agencies that pioneered the use of predictive data, such as the Veterans Health Administration (VHA), "made significant progress in implementing nationally recognized clinical interventions … [and] are nationally recognized for prevention and early detection of disease." As a result, VHA lowered mortality rates for its patients, sometimes more effectively than the private sector has.

Sometimes better action comes from a shared understanding of mission. Agency leaders and managers should therefore develop strategies to effectively communicate trends and targets. Some, such as the Defense Finance and Accounting Service (DFAS), use a variety of measures including customer satisfaction, financial efficiency, and program effectiveness. In their 2006 report for the IBM Center, Nicholas Mathys and Kenneth Thompson describe how DFAS used a balanced scorecard as a strategic management tool. Other agencies, such as the Food and Drug Administration, have chosen to create agency web-based performance portals where each major program produces its own performance report that summarizes performance trends along with program descriptions. These are the basis for leaders and managers to understand and address trends in performance.

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# Management Imperative Five
## Respond to the New Security Environment

## Introduction

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.

Like the strongest nation-states, malicious groups now have global reach. The homeland is no longer a safe haven, and threats are just as likely to strike any government or civilian target as they are to strike a military force. In many cases security threats originate from within a controlled border, including the controlled boundaries of a government organization's own facilities and networks. Thus, just as every citizen must be alert to these threats, government leaders and managers must now consider security—protecting people, information, and infrastructure—as one of their strategic responsibilities.

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? This essay seeks to give government leaders and managers a clearer understanding of the problem and a strategic, yet practical, approach to their response.

*"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

## 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, as Timothy McVeigh did in bombing the Murrah Federal Building in Oklahoma City where 168 people died. Bradley Manning, the Army soldier who disclosed hundreds of thousands of classified government messages to Wikileaks, also succeeded in an asymmetrical attack. 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. Furthermore, these security threats are no longer contained "over there," as Americans prefer to view their wars, but can strike at home and abroad through terrorist tactics, cyber attack, and weapons of mass destruction. Individuals and small groups can cause disproportionate damage to people, property, and the performance of governments and businesses. 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. Governments cannot easily control the availability of technology that can be used to both serve and slaughter mankind. These weapons and the warriors who wield them blend in with civilian environments.

Therefore, the threat is well hidden until it chooses to strike, and even difficult to identify afterward. This makes it exceedingly difficult for the most sophisticated departments and agencies to detect all threats. 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. For example, cyber attacks over networks are nearly continuous and extremely difficult to attribute to a specific actor. Beyond the network threat, there are threats from the supply chain and from insiders. 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. For example, if an organization's most sensitive information is heavily secured behind physical and electronically controlled access measures, then vulnerabilities to insider threats may require most of the organization's attention. 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, given how well they blend into the environment and their agility prior to the attack. Consequently, the organization's security strategy cannot rely completely on strong defenses. 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. The threats are distributed and hidden within the organization's operating environment, but they are not invisible or impervious to active counter-measures. The government workforce and the citizens served by government are also part of the operating environment. The government workforce should be engaged as part of the proactive elements of the organization's response strategy.

**Third, prepare to recover after an attack.** Even after preparing strong offensive and defensive measures against today's threats, an organization cannot be certain that an attack will not occur. 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? Has the organization ensured that leader responsibilities are communicated two levels down, so that operations can continue even if several of the

organization's leaders are out for a time? 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.** Interagency operations for national security have historically come together at the highest levels of government, such as the National Security Council. National security is no longer primarily the domain of the U.S. Department of Defense. 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. While insurgencies are but one threat, leaders can derive ideas for interagency operations by reading the U.S. Government Counterinsurgency Guide, co-authored by the U.S. Department of State, the U.S. Department of Defense, and the U.S. Agency for International Development.

**Fifth, continuously create knowledge—the basis of all security operations.** The capability to create knowledge—infusing data with meaning relevant to the problem—is the leader's most important capability, as knowledge enables more effective and efficient security strategies and operations. Security against 21st-century threats requires much more than spectral, geospatial, and other technical measures of accuracy, prevalent in traditional conflicts with nation-states. 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. Computers are becoming the human's apprentice, learning to effectively process natural language, large volumes of unstructured data, and complex questions to produce meaningful answers. Every government leader and manager has access today to mountains of data relevant to securing their enterprise's operations. 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. Citizens need connection to the world; citizens need protection from the world's threats. Governments have a responsibility to share information; governments have a responsibility to secure information. Government organizations should not react to these realities by summarily choking off connectivity or by creating new security organizations and mechanisms.

Government organizations need to ensure that policies are in place for protecting networks and networked information. The organization's knowledge base must begin with

a thorough understanding of these policies, as well as any governing privacy policies. Organizations are likely to find that much of the policy required is already in place. Leaders and managers need to be diligent in ensuring implementation and oversight. By starting with this knowledge, leaders and managers are equipped to advocate changes to policy and the new capabilities required to implement policy.

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# Management Imperative Six
## Work with the Private Sector in New Ways

## Introduction

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.

The new federal government website, Challenge.gov, serves as a one-stop entry point where agencies can ask for innovation in over 100 areas, and the reward is recognition and/or a stipend (usually ranging from $10,000 to $25,000) that is far less than would have been spent on a contract. These emerging avenues for public-private interaction allow the federal government to move more quickly with limited resources, as well as have new ways to seek out innovation and new ideas or solutions from the public.

One example of this new path to harness ideas from the private sector is the U.S. Department of Transportation's (DOT) use of Challenge.gov. DOT has launched the "Connected Vehicle Technology Challenge" which seeks approaches for how "smart" cars can connect electronically to support goals that include road safety, improved traffic flow, and emergency response efficiency. Submissions will be reviewed by a panel of DOT experts, and winners will present their findings at a major intelligent transportation conference in the fall. The DOT challenge received over 20 submissions in a three-month period, stimulated multiple discussion groups, and has some 200 supporters— tremendous traction that reaches a broader audience than could be reached through a traditional contract solicitation.

## Background

Government has traditionally leveraged the private sector (including industry, non-profits, and academia) through the formal contracts and grants process. The form of such engagement is well-known: agencies gather information, develop requirements, match requirements with available funds to determine what they can afford, solicit proposals that include a host of compliance-related provisions required under law and policy, and finally make an award. This process can sometimes takes years to complete.

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

At the same time, technology—including evolving social media and similar ways to reach experts and large numbers of affected parties—now allows government organizations to access services and expertise more easily and more effectively than in the past. Such innovation points to new ways of working through contracts and grants processes, as well as alternatives to those processes.

These changes will affect how government does business in three ways:

- Fostering a new culture of acquisition

- Introducing new tools for engaging with the private sector, and

- Moving to shorter phases of activity, which increase the importance of measuring results in each phase

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—devoting their energies to making sure that the I's are dotted and T's crossed to mitigate against protests, Inspector General (IG) or Government Accountability Office (GAO) investigations, or political criticism. The current oversight environment accentuates this trend: agencies are under the spotlight from Congress, especially through hearings that focus attention on problems with contracting processes and actual contracts. 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. For example, the Office of Management and Budget (OMB) oversees the Partnership Fund for Program Integrity Innovation, a statutorily chartered and funded initiative that supports pilot projects to bring cost savings and efficiencies to the delivery of federal benefits by state and local governments—pilot proposals for the fund include ideas from non-traditional actors. In the information technology arena, 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. OMB is working with agency contract, IT, legal, and ethics staff to implement these improvements. Industry needs to operate differently as well—many companies are guarded in what they tell the government, for fear of releasing proprietary or competitive information that may be used against them by competitors. 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.

**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.

These influences will require a different and more people-focused set of actions from both government and industry, as long-standing relationship patterns adjust. Moving to a culture of continuous interaction, improvement, and risk-taking is not easy. The United States Army is an example of a government agency making the attempt to get it right in the information technology arena. Army Major General Mark Bowman recently said: "There is a culture of, 'This is the way we do IT,' and that's the wrong approach. We need to be able to accept a 70- or 80-percent solution and keep revising" (Corrin). Keeping the contract, program, and functional workforce motivated, their knowledge updated, and their communications open will be keys to agency success.

## 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. For example, social media can help agencies interact with their industry counterparts in new ways. Steve Radick recently wrote that "social media and the principles of openness, collaboration, and authenticity are transforming how the government does business." Acting in a nimble and flexible fashion to use the right tool for the right purpose at the right time, so as to best support agency mission, is likely to yield significant benefits for government leaders and managers.

*"(Prizes and challenges) are a fundamental recognition that the best ideas of how to do anything never reside within any single unit, office, or person. 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

## 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. This technical path reinforces acquisition policy since the Clinton administration, which formally embraced modular contracting for IT under the "Raines Rules" that were issued by the then-OMB director and subsequently enshrined in Circular A-130. IT contracting is again at the leading edge of this movement—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. As releases become more frequent and non-traditional engagements—which tend to be of limited duration—become more prevalent, 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. Additional focus is needed in this area. 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, government leaders and managers will need to continue to focus on executing their organization's mission goals. Emerging new avenues for public-private interaction will allow government organizations to do this faster with limited resources by using the increased number of tools now available to reach the private sector and the public at large.

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.

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# Management Imperative Seven
## Cut Costs and Improve Performance

## Introduction

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

Recent discussion of the fiscal crisis has been limited to these three approaches, and discussion centers on draconian, across-the-board spending reduction or equally sweeping tax hikes. Based on the experience of the technology industry, there is a better way. Government has an opportunity to dramatically reduce spending and cut the deficit, while also improving its level of service. By harnessing major technological shifts and adopting proven, commercial best business practices, leaders and managers can not only make government far more productive, but also foster greater innovation in areas ranging from health care to education and energy—innovation that will generate economic growth and job creation.

Innovative approaches have been used effectively throughout the past several decades to create new technology models. Again and again, new capabilities have simultaneously reduced costs and sparked innovation. While businesses and governments are inherently different in many ways—responsibilities, objectives, and mandates—both employ millions of professionals to provide goods and services to hundreds of millions of customers and constituents. Not all private-sector solutions are applicable or advisable in a government setting. In both the public and private sectors, the more productive and efficient the operations, the more services can be delivered at the lowest cost. Given the current fiscal outlook for governments at all levels, maximizing government productivity will be essential to maintaining the services citizens want at prices taxpayers can afford.

## 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. Such cuts erode the quality of services and affect the morale of public servants. Over time, they erode citizens' confidence in government. Too often, budget-cutting exercises involve a small number of people working in relative secrecy. In contrast, drastic austerity measures require a more open and inclusive approach, one that engages a large set of stakeholders and gives greater emphasis on program evaluations and cost/benefit analyses than occurs in the normal budget process. 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

Government organizations often cut discretionary costs, such as information technology, travel, and training, which can have an immediate, significant impact. Unfortunately, as soon as the external pressure is gone, these costs creep back into the cost base. 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

Faced with the need to make severe budget cuts, government organizations may react in one of two ways:

- One group of leaders and managers will use the necessity for cuts as a catalyst for change. They will seize the opportunity to streamline business processes, shed unnecessary functions, and optimize IT systems.

- Another group will adopt a bunker mentality and sideline management reform, cutting projects and jettisoning management improvements, believing that management reforms represents a luxury they can no longer afford.

*"Even when we cut back, we nibble—we rarely eliminate… And at some point we need to send some kind of shockwave across the federal government that this time we really mean it."*

Senator Mark Warner,
Remarks at the Center for American Progress, February 17, 2011

*"So far, we're in a survival mode … consolidate, cut, furlough, fire … You've got to look forward and say, "We are on a different growth path. How do we redesign programs, from prisons to elementary schools to pensions? In that way, it's a watershed … [It could be a] leadership period … [with great potential for] innovation and experimentation, creativity and modernization."*

Ray Sheppach
Former Executive Director
National Governors Association
December 2010

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.

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### 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.*

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## Getting it Done

The problems of mounting debt and deficits can't be solved overnight, but must be addressed now. An initial step in achieving dramatic cost savings—the "how" it will be done—is deciding "who" will do it. In the private sector, this would be the job of the Chief Financial Officer (CFO). However, in many government organizations, the CFO or the budget officer, as one former CFO expresses it, is very good at getting money from Congress to fund various programs and making sure that money is spent—but is not experienced with considering how effectively or efficiently that money is spent.

The chief executive officer/chief operating officer model that is prevalent in the private sector does not work as well in government. Cabinet secretaries have huge jobs. With many direct reports just in the Office of the Secretary, they need their deputy to serve as an alter-ego in many capacities, not just as a chief operating officer. While some deputy secretaries have been very attentive to management, others have not.

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.

People often ask how the role of cabinet secretary, department head, or legislator fits into this model and whether these officials should own cost-savings activity in their areas of influence. These leaders 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.

How this process will play out over the next few years remains to be seen. In many respects, identifying sources of savings (whether policy changes or operational improvements) is the easy part. The challenge will be to turn ideas into action. Most important, we know that the proposed operational and process improvements do not just cut costs; they also foster collaboration, idea sharing, and a culture of innovation.

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.

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Mr. Abramson is the author or editor of 18 books and has published more than 100 articles on public management. From 2005 to 2008, he served on the editorial board of the *Public Administration Review* as Case Study Editor. He is the co-editor of *The Operators Manual for the New Administration* and *Getting It Done: A Guide for Government Executives.*

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He also served for eight years as the U.S. Delegate to the Paris-based Organization for Economic Cooperation and Development (OECD), where he was elected Vice-Chair of its Public Management Committee.

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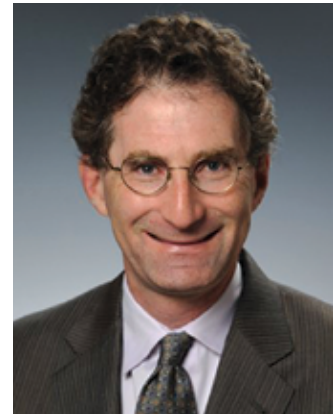**Daniel Chenok**

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During 24 years of public service, he had a significant role in helping pioneer the federal government's performance and results orientation. Mr. Kamensky is passionate about helping transform government to be more results-oriented, performance-based, customer-driven, and collaborative in nature.

Prior to joining the IBM Center, he served for eight years as Deputy Director of Vice President Gore's National Partnership for Reinventing Government. Before that, he worked at the Government Accountability Office where he played a key role in the development and passage of the Government Performance and Results Act of 1993.

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Prior to joining IBM, Mr. Strickland co-founded Edge Consulting, a consulting firm that achieved national recognition for pioneering work in the application of operations research methods and IT to quantify the value of intelligence. He helped lead Edge Consulting from a start-up to significant annual growth, culminating in its acquisition by National Interest Security Company.

Mr. Strickland was a career intelligence officer with 24 years experience in the Central Intelligence Agency's Senior Intelligence Service and the U.S. Marine Corps, where he led programs focused on developing innovative solutions and methodologies to measure and analyze mission performance. In recognition of his accomplishments, the CIA Director awarded him with the National Intelligence Medal of Achievement. Mr. Strickland also received the National Reconnaissance Office's Medals of Distinguished and Superior Service.

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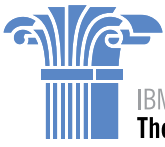
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