DRAFT

Office of Health, Safety and Security
Visiting Speakers Program

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U.S. Department of Energy
Washington, DC

Office of Health, Safety and Security

The Office of Health, Safety and Security (HSS) is the Department of Energy's (DOE) corporate organization responsible for health, safety, environment, and security; providing central-level leadership and strategic vision to coordinate and integrate these vital programs. HSS is responsible for policy development and technical assistance; corporate analysis; corporate safety and security programs; education and training; complex-wide independent oversight; and enforcement. The Chief Health, Safety and Security Officer advises the Secretary and the Deputy Secretary on all matters related to health, safety and security across the complex.

Through its research on sustainability and industry's successful use of its concept, HSS has a clear idea of the types of organizations with which it would be beneficial to collaborate on sustainability. Such outreach efforts provide a cooperative advantage of sustaining an organization's efficiency and vitality by bringing together creative thought and diverse viewpoints toward common goals while demonstrating leadership's commitment to listening to and reflecting the concerns and issues of its shareholders and stakeholders.

As the first phase of its outreach efforts, HSS created a Focus Group forum. The HSS Focus Group forum integrates senior HSS managers from across the organization to discuss and address topics and issues of interest to DOE managers and stakeholders. The objective of the Focus Group is to establish a means for responding to questions and concerns regarding HSS initiatives and activities for improving, the health, safety, and environmental and security performance within the Department and to maintain an ongoing dialogue with involved parties supportive of these efforts.   HSS believes an outcome of these continuing discussions and collaborations will be improved worker health and safety programs and the development of a safety culture at DOE sites.

HSS Visiting Speaker Program

The next phase of HSS' outreach activities has been the creation of the Visiting Speaker Program. The Visiting Speaker Program consists of presentations by leaders drawn from a variety of disciplines to include business, organizational theory, performance management, sustainability, and organizational resilience, made to HSS management and selected attendees from other interested organizations (i.e., Office of Science, Office of Environmental Management, and the National Nuclear Security Administration). The program is intended to focus agency attention at the management level to the emerging challenges and issues threatening the national security and economic prosperity of the United States.

DOE's mission, supported by HSS and other agency organizations, requires the most efficient and resilient leadership and organizational structure for successful mission completion and the continued safety, security, and prosperity of the nation. By inviting and having presenters from the wide range of public and private sector organizations, HSS is encouraging the transformation of government and demonstrating the various stages for change. This includes understanding the depth of the global issues, need for change, tools and means for transformation, and knowing the appropriate performance measurements to determine success and implement evolving management initiatives.

IBM Center for The Business of Government

The IBM Center for Government (Center) was created in 1998 to connect public management research with practice, helping public sector executives improve the effectiveness of government with practical ideas and original thinking. The Center focuses on the future of the operation and management of the public sector.
By sponsoring independent research by subject matter experts in academe and the non-profit sector, the Center creates opportunities for dialogue on a broad range of public management topics.

In its first ten years, the Center has awarded nearly 300 research stipends to leading public management researchers in the academic and non-profit communities that have resulted in over 200 reports - all of which are available online.   The IBM Center publications focus on the major management issues facing all governments today: e-government, financial management, human capital management, managing for performance and results, market-based government, and innovation, collaboration and transformation.

IBM Center for
The Business of Government
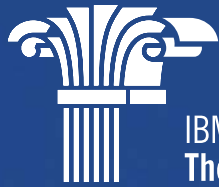
IBM Center for
The Business of Government

Ten Challenges Facing Public Managers

Improving Public Management Through Research

Years of
10
1998 - 2008
Research & Results

Highlights of the IBM Center's Past Ten Years

The IBM Center for The Business of Government connects public management research with practice. Founded in 1998, the Center helps public sector executives improve the effectiveness of government through practical ideas and original thinking. The Center sponsors independent research by top minds in academe and the nonprofit sector.

Research reports and books. Since its creation in 1998, the Center has awarded nearly 300 research stipends to leading public management and business researchers in the academic and nonprofit communities, resulting in nearly 200 reports and books that focus on the major management issues facing government today.

Radio show. The Center produces a weekly radio show, The Business of Government Hour, where we have interviewed over 300 government executives. The show is a conversation about management issues. Many public sector managers have shared how they are changing the way government does business through innovation and promising practices in their organizations. Podcasts and transcripts of these shows are posted on the Center's website.

Events. The Center hosts periodic seminars, symposiums, forums, and lectures on topics of relevance to public managers, featuring prominent leaders in the field. These events bring together those in government who are striving to bring innovation to the front lines. They provide an opportunity to hear, first-hand, from high-level government officials their points of view, challenges, and goals.

Magazine. Twice a year, the Center publishes The Business of Government magazine. The magazine features topical issues facing government managers, and also provides summaries of our reports, radio shows, and events.

Website. We redesigned our website to make it easier to use and expanded its content to include more interactive features. New capabilities include a subject-based search, which compiles information from our reports, magazines, and radio shows; a key-word search; Really Simple Syndication (RSS) news feeds; Podcasting; downloadable two-page summaries to keep you abreast of today's topics; an email newsletter; and a more navigable homepage. Additionally, all our our publications and radio interviews are available for free. Our website is a popular destination with significantly more visitors every year. In 2007, the site saw hundreds of thousands of visitors. Visit the site at *www.businessofgovernment.org*.

Media Citations. Our reports and our senior staff are regularly featured in publications read by government managers. In 2007, we were cited more than 200 times in more than four dozen different publications and on the radio.

Al Morales

Jonathan Breul

What's Ahead

The IBM Center has earned a reputation for a deep understanding of public management issues – rooted in both theory and practice – with a 10-year history of providing government leaders with instructive ideas that inform their actions. We are a trusted source for practical ideas and original thinking from some of the best minds in academe and the nonprofit sector. We are seen as a respected and unbiased source of insights with a proven record for sponsoring salient research topics. In addition, we are looked to as a source for starting dialogues on a broad range of public management topics.

For the past ten years, the IBM Center for The Business of Government has studied the critical changes that are underway at all levels of government in the United States and around the world. Along the way, the Center has helped frame a number of significant management policy issues facing government.

For example, our case study on the Clinton Administration's President's Management Council contributed to its revival when President George W. Bush developed his management agenda. Our series of reports on the use of partnerships and collaborative networks have helped policymakers and program managers learn to work across organizational boundaries in ways that achieve broader outcomes. Our reports on managing for results, performance pay, and competitive sourcing have all contributed to a clearer understanding of the challenges, issues, and solutions government managers have encountered over the past decade. We

are now challenging agencies to develop new business models to exploit the advantages – and manage the risks – of new possibilities such as web-based social media like blogging and the 3-dimensional Internet.

However, the past is only the beginning. We remain committed to bringing independent thinking and practical insights to public sector managers. We need to constantly scan the horizons for the new challenges that will next face public managers. So while we celebrate our past decade, we look forward to the next. We have learned much during the Center's first decade, and we plan to continue doing so in the years ahead. Exciting change is happening throughout government, and we'll continue to document and share that knowledge so you can be inspired by, and learn from, the experience of others.

The following pages are snapshots of what we see as ten "big challenges" in the decade ahead. We look forward to working with you to bring more solutions to government and to the public.

Albert Morales   *Jonathan D. Breul*

IBM Center for
The Business of Government

10 Challenges

Fiscal Sanity

Crisis of Competence

Information Overload

Governing Without Boundaries

E-Government Is Only the Beginning

Government by Contractors?

Results Really Do Matter

"Green" Leadership

Security and Privacy in a Flat World

Expect Surprises

Fiscal Sanity

The nation is at risk of drowning in debt – driven largely by federal commitments to support health care and retirement costs for baby boomers. What's worse, rising health care costs are pushing state and local budgets into crisis as well. America's current social insurance programs are both costly and antiquated. It is time to take a fresh look at reforming these programs to reflect current economic and budgetary considerations.

The next president must devise a solution to these issues. All routes to salvation at the federal, state, and local levels require reforming federal retirement and health care programs before they squeeze out other critical national priorities.

With creative and thoughtful solutions, and some tough choices from both the Executive and Legislative Branches, we can accomplish this goal. Focusing on fraud, waste, and abuse sounds tempting, but it won't solve the problem. Nor can we simply grow our way out of this problem. This will take discipline and leadership. The sooner we get started, the better.

Improving government's ability to manage effectively will only succeed with long-term fiscal sanity.

Crisis of Competence

Many fear a crisis of competence in the federal workforce. "Generation Y" has a strong service ethic, but not necessarily in public service. Unlike Baby Boomers who may have spent their entire career in one job, the new generation doesn't expect that to be the case. Key jobs in public service require substantial experience and training as the work of public servants has become more technical and service-oriented. For example, it takes four years to be certified as an air traffic controller. In recent years, more controllers have retired than are being hired and trained.

Finally, with the experienced middle career ranks thinning out as Baby Boomers retire, the role of contractors has increased. Some fear an over-reliance on contractors for key public functions. However, the issue isn't always "who does the work" but rather "do we have the right talent at the right time doing the right job with the right level of accountability?"

While there are legitimate issues around contracting out the public's business, decisions must be made on the kind of work – and how much – should be delivered directly versus contracted out, or even delegated via grants to states, localities and nonprofits. This will all hinge on the competence of the workforce needed to do the work.
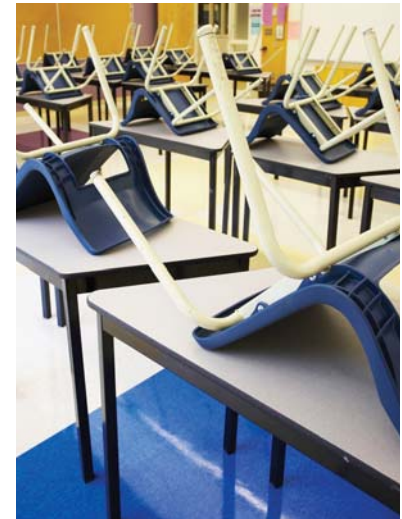
The majority of the baby-boomer federal workforce is nearing retirement and their chairs are at risk of being left empty.
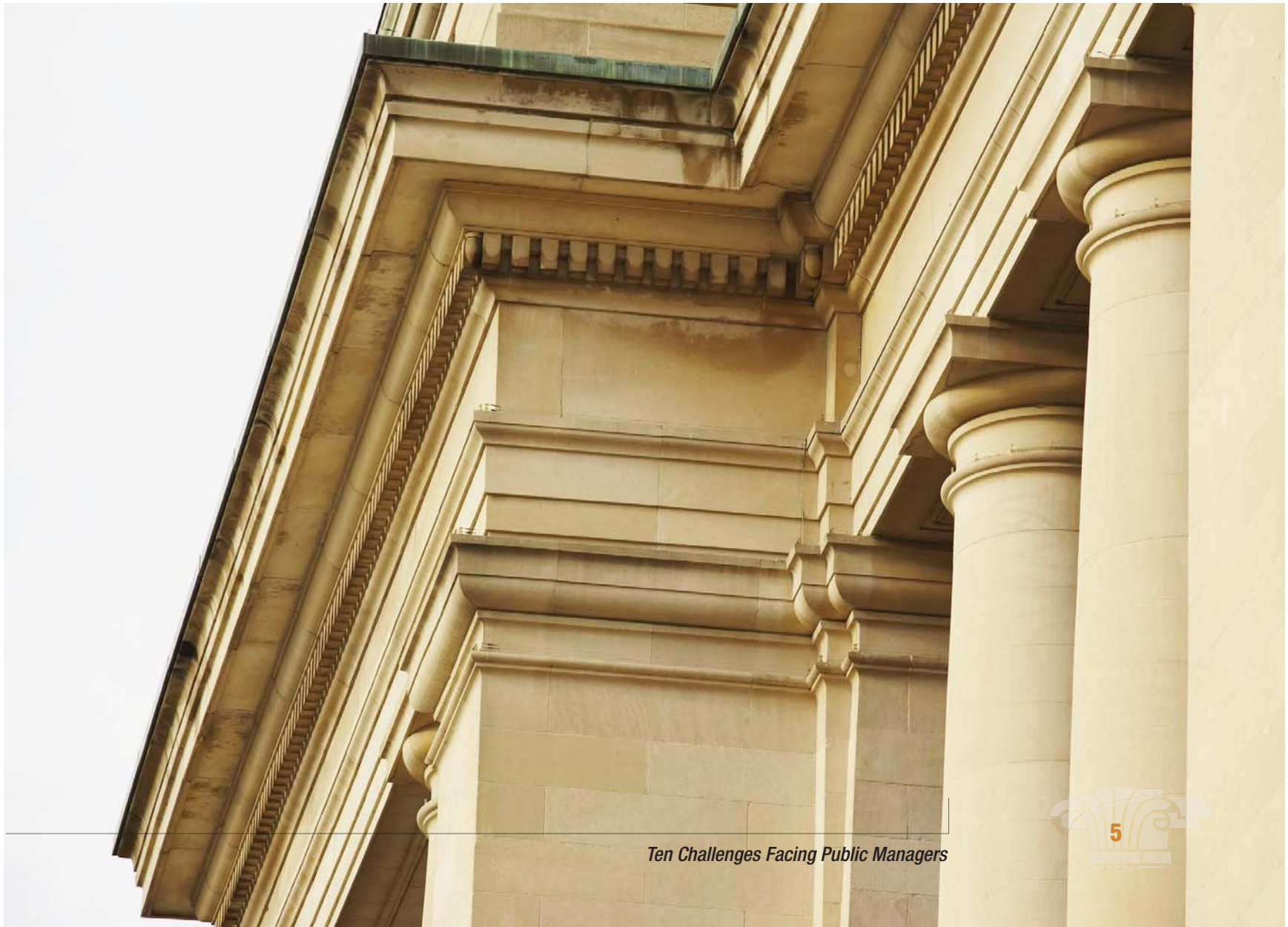
Information Overload

Information overload is increasingly visible in daily life – cellphones, PDAs, email, and instant messages, for example. This overload is also happening in government – hundreds of surveillance cameras in airports, a flood of weather and climate information, increasingly granular Census data, and real-time news events.

The threats of information overload, and the possibility of missing important information needed to make informed decisions, has increased. However, breakthroughs in data capture, data standards, and data storage have created opportunities for large-scale analysis. These new systems can extract the knowledge needed to create strategy-based solutions. They can also be used to create predictive forecasts and models that improve governmental responsiveness to future events – even non-routine events such as natural disasters, crime waves, or terror attacks. The challenge will be to develop government-wide, as well as mission-specific, information and analytic functions.

The opportunities of "on demand" information are offset by the threat of overload that can lead to missed information that results in bad decisions or even disasters.

4

Government must transform itself to be less hierarchical and more collaborative and transparent.

Governing Without Boundaries

Government is currently organized based on a presumption that the world is relatively stable and predictable, and that government's work can be rooted in large-scale, repeatable routines. This hierarchical bureaucratic model was adopted in the mid-20th century from the corporate world. However, increasingly this does not reflect today's realities. The corporate world has been struggling with how to best organize to deliver services that are increasingly customized and unpredictable. This struggle is reflected in the public sector as well. The challenge on the frontlines of service delivery is to be able to combine knowledge and skills flexibly around changing tasks. Hierarchy and market-based mechanisms struggle with this.

As a result, government is increasingly turning to non-hierarchical ways of doing business, often called "collaborative networks" and "boundary-less organizations." However, these new models raise questions about how to govern effectively in a network-based environment. For example, how do you craft agendas and plans, set priorities, and allocate resources across boundaries that are then accepted as legitimate, credible, and trusted by all those affected?

E-Government Is Only the Beginning

Using information technology is no longer about doing the same things better. It is about recognizing the commonality between agency programs, eliminating redundancy and embracing a customer-centric view. Technology makes it easier to move, manage and manipulate information anywhere on earth. It makes everything more visible. The technology part may be difficult, but the really hard part will be working across different agencies to support the common customers of government.

In this second wave of innovation, we will be challenged internally to work across agencies and we will be challenged externally to redesign programs from the customer viewpoint. This is more of a cultural challenge than a technology challenge.

Public managers will need to embrace the long hard slog to standardize and integrate their operations. They will need to reframe service delivery around the customer. They must do this in an environment where all their actions are more visible and the nature of work and who does it is changing.
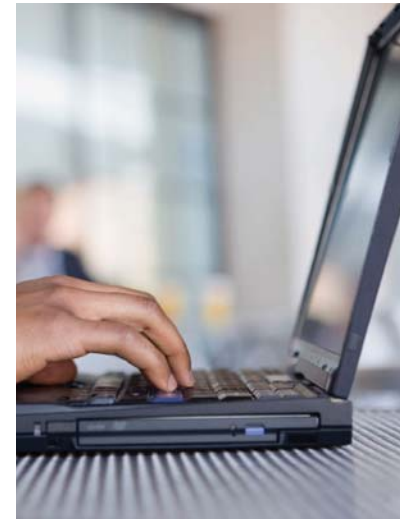
Information technology is changing our daily lives. Over the next decade, it will change the role of government.

For the past decade, government has increasingly contracted out its operations with little or no overall strategy. It is time for realignment.

Government By Contractors?

The federal government currently depends more on contractors than at any time in its history. This stems from political limits on the number of government employees, a broken hiring process, and the need to ramp up quickly to solve immediate problems. Highly experienced federal workers are leaving faster than new ones are coming on board, while contracts are getting more complex. Those government employees who remain must contend with a toxic work environment, are under-resourced, under-supported, often under-trained, and blamed for any real or imagined program failure.

An effective government needs a strong cadre of contractors supporting a strong cadre of government workers, each in an appropriate role. Government must align its roles and capabilities so its programs are more effective. In doing this, it will save billions, and avoid the problems that come when it asks contractors to take on a governmental role.

The government needs to take a strategic look at contracting, decide how to manage it, the appropriate roles for all parties, and the right contracting methods. Most important, it needs to invest the necessary resources to make working for the government more attractive.

Results Really Do Matter

Focusing on accountable, results-oriented management can help government better position itself to meet the new challenges and opportunities of this century. However, federal departments and agencies are confronted with long-standing and substantial challenges to becoming more results-oriented. Solving these problem areas will require a performance-driven system that builds on crosscutting connections between agencies, levels of government, and the nonprofit and private sectors.

To become high-performing organizations, federal departments and agencies must transform their cultures to work closely with other governments, nonprofits and the private sector – both domestically and internationally – to achieve results. Government needs to stick with practices that work and stop those that don't. Part of this entails a reassessment of federal missions and strategies, and the entire mix of policy tools available to address national objectives. Because the public expects demonstrable results from the federal government, government leaders need to increase strategic planning, address management challenges, use integrated approaches, and enhance their agencies' results-orientation.

A focus on results, not just of the organization, but of its contribution to national goals, is essential. In establishing a results-oriented culture that can reach its full potential, the organization and its leaders must carefully select the best solution for the organization in terms of structure, systems, and processes.
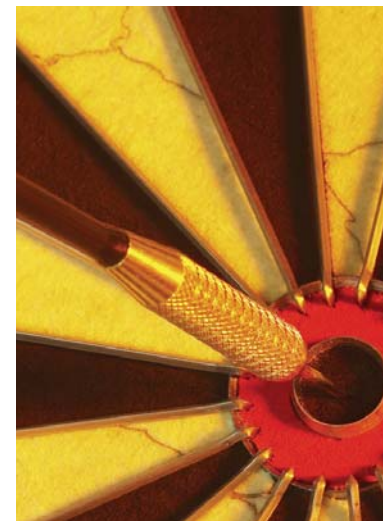
Technology is shifting government's focus from agencies and programs to services and results.

Society is pushing the limits of what the environment can support. Government must lead the way in responding to environmental challenges.

"Green" Leadership

Over the past decade, global warming from the burning of fossil fuels has moved from a high probability to a near certainty. Everywhere on earth the environment faces unprecedented stress from economic growth and increasing energy use. How we and the rest of the world address the environmental challenge will largely determine the quality of life for ourselves, our children, and generations to come.

Technology and markets will play a crucial role, but government actions will be just as critical. People have repeatedly demonstrated innovative approaches around limits to growth if the incentives are right, but this is not yet the case for energy and the environment. Markets on their own undervalue the environment and fail to encourage many energy conservation investments that are economically sound. Many environmental issues, like those resulting from green house gases, require a global approach since little is accomplished if reductions in one country are cancelled out by increases in another country.

Solving our environmental problems requires a blend of public policies and incentives that encourage technology and management innovations across the globe.

Security and Privacy in a Flat World

Security and privacy issues need to be explicitly factored into any technology decision. The Internet, cheap data storage, wireless capabilities and a host of other technologies have helped fuel a decade of economic growth and governmental innovation. Yet, these technologies potentially carry many risks. Since we depend on them more, they matter more. Since they tend to be the same everywhere, vulnerability in one place tends to mean vulnerability in all places. Since they reach everybody, they require that we distinguish between who to let in and who to keep out. Finally, they make it hard to forget. As we use the Internet or text on a phone, we leave behind digital "crumbs" that others can follow

Risks need to be assessed and addressed. Policies need to be developed. In some cases, the most efficient solution must yield to the more secure solution. For security, this is primarily a need to resource and plan for known risks, and hedge against unknown risks.

Privacy issues raise concerns about the role of government. As a society, we have the choice of allowing technology to help the government watch over us (with all its good and bad connotations) or using technology to help us watch the government.
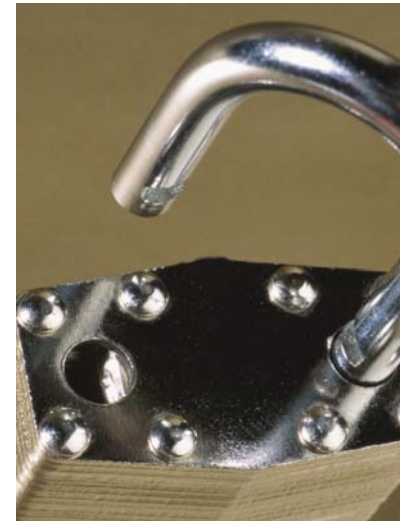
Technology interconnects almost everyone on earth. We need to capture the advantages while managing the risks.

Expect Surprises

Government proved no match for Hurricane Katrina. The country can't afford any more fumbled responses to catastrophic or non-routine management challenges, whether caused by natural or human means.

In the coming years, public leaders can count on more than their share of catastrophic and non-routine management challenges – for example another breakdown in the food safety system, a pandemic, a West Coast earthquake, or bio-terrorism in a major urban area. Responding to such challenges with traditional management approaches will only produce the same results seen in Hurricane Katrina.

With the government facing an array of complex challenges and opportunities for improvement, a strategic, long-term view is critical. Government must carefully consider how best to design programs to manage effectively across boundaries and meet the nation's needs and priorities today and in the future. Policymakers will need forward-looking information to set the stage for early warnings about emerging threats and to make informed choices about effective government responses.

A government designed for efficient, routine operations is increasingly expected to deal with unexpected, non-routine events.

Looking to the Future at the IBM Center

We have learned much during the Center's first ten years, and we plan to continue doing so in the years ahead.
Exciting change is happening throughout government, and we want to continue connecting research to practice.

Improving government performance remains a complex and difficult assignment – both technically and politically.
It is our aspiration to continue to serve as a trusted resource for government executives by providing them with practical insight
and foresight on the transformation of government underway in the United States and around the globe.

We are excited about the next ten years and continuing to develop and communicate new ideas
for improving the management and performance of government. It should keep us busy. Stay tuned!

Six Trends Transforming Government

Mark A. Abramson
Jonathan D. Breul
John M. Kamensky

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FOREWORD

On behalf of the IBM Center for The Business of Government, we are pleased to present this report, "Six Trends Transforming Government," by Mark Abramson, Jonathan Breul, and John Kamensky.

Since 1998, the IBM Center for The Business of Government has been studying the substantial changes that are under way at all levels of government in the United States and in other nations across the world. The IBM Center is committed to bringing cutting-edge knowledge to public managers. In the past eight years, it has released numerous reports on a wide range of public management challenges.

Albert Morales

Recently, the Center's Executive Director, Mark Abramson, and the Center's two Senior Fellows, Jonathan Breul and John Kamensky, stepped back and identified six trends that have the potential to transform government to being more results oriented, performance based, customer focused, and collaborative in nature. In developing the paper, they based these trends on:

- An *analysis* of drivers for change in society

- *Research* supported by the IBM Center for The Business of Government, including the nearly 150 reports and 16 books published since 1998

- Their firsthand *observations* of government activities and initiatives over the past decade

John Nyland

The six trends provide a road map for public managers and policy makers as they face challenges in a world where the unexpected is becoming the routine, and the need to be prepared means understanding the big picture and larger context. The six trends provide potential effective responses to meet the challenges ahead.

We hope this report will provide that bigger picture by offering insights into the future to help government leaders anticipate the challenges ahead and begin to respond to them.

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Six Trends Transforming Government

By Mark A. Abramson, Jonathan D. Breul, and John M. Kamensky

Introduction

Since 1998, the IBM Center for The Business of Government has been studying the substantial changes that are under way at all levels of government within the United States and in other nations across the world. Donald Kettl, Stanley I. Sheer Endowed Term Professor in the Social Sciences at the University of Pennsylvania and one of over 250 individuals who have received Center research stipend awards, observes how these changes are being driven by a series of new imperatives in the United States. "These imperatives," he writes, "emerge from America's struggle to deal with deep challenges facing the nation. At the core is a fundamental problem: The current conduct of American government is a poor match for the problems it must solve."

The "poor match" he describes is reflected in media accounts that have showcased highly visible challenges such as the government's disappointing response to Hurricane Katrina, the complex implementation of the Medicare prescription drug benefit, and information technology failures such as the abandonment of the Federal Bureau of Investigation's attempts to upgrade its computer capabilities. Increasingly, the challenges now facing government are more complex and require a new set of imperatives for success. Kettl describes these imperatives facing the performance of government in the 21st century as:

- A policy agenda that focuses more on problems than on structures

- Political accountability that works more through results than on processes

- Public administration that works through networks rather than through hierarchies

- Political leadership that leverages action rather than simply makes decisions

- Citizenship that is based on involvement rather than remoteness

Fortunately, there is a set of trends we have observed that seems to be responding to these imperatives and is leading to improved government performance. These trends, often in combination with one another, make it more likely that government will be able to successfully respond to the ever-increasing and complex challenges it faces today and will continue to face in the future. The IBM Center's research over the past eight years has documented a wide range of management challenges facing government leaders and responses to those challenges. Based on this research, the Center has identified six significant trends that are transforming government performance (see Figure 1 on page 4):

Trend One: Changing the Rules
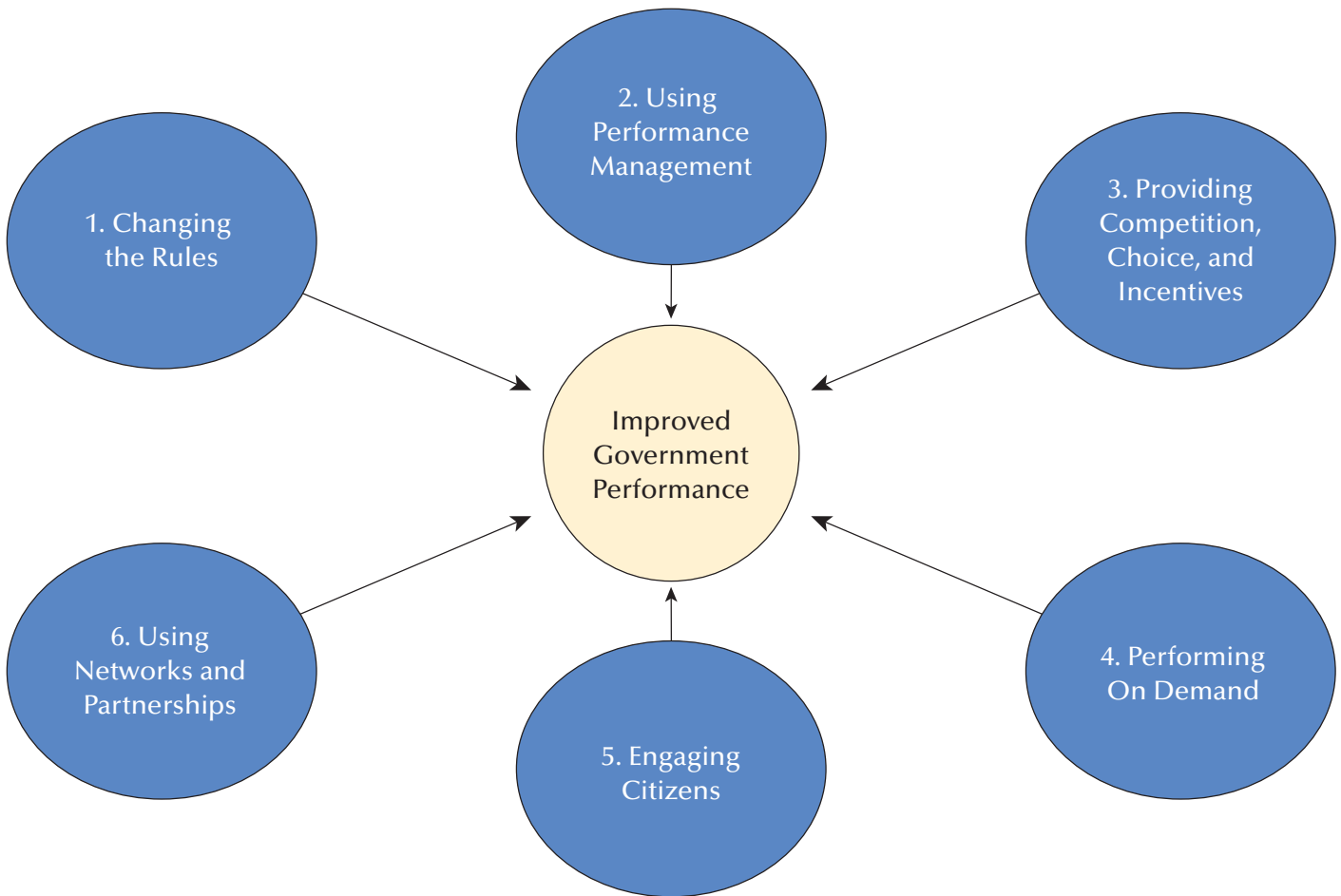**Trend Two:** Using Performance Management
Trend Three: Providing Competition, Choice, and Incentives
Trend Four: Performing On Demand
Trend Five: Engaging Citizens
Trend Six: Using Networks and Partnerships

Figure 1: Six Trends Transforming Government Performance

These innovative approaches to improving government performance are being driven, in part, by advances in technology that have resulted in significant changes in the operation of organizations in both the public and private sectors. The technology budget for the U.S. federal government, for example, has nearly doubled since 2001 to over $65 billion. Technology should now be viewed not only as a fundamental tool for government, but also as a driver for transforming the operations of government. For example, the Internal Revenue Service is shifting from an organization managing over a billion pieces of paper each year to one now managing paperless electronic tax filing transactions—and increasing customer satisfaction dramatically.

We have observed the six trends discussed in this report occurring at all levels of government within the United States—federal, state, and local—and governments across the world. In fact, many of the trends were first seen in other countries and now increasingly in the United States. Many of these trends became commonplace in state or local governments before being widely adopted by the U.S. federal government. In other instances, the federal government was in the lead, spearheading a trend that led to improved government performance.

Trend One: Changing the Rules

The first trend transforming government has been the ongoing effort to change the *rules of the game* of government: the formal laws, administrative requirements, and organizational structures that create and shape the actions of civil servants and citizens. In many ways, this trend is a common thread through the other five. By changing the rules of the game, managers gain more flexibility, which allows them to more effectively use performance management; provide competition, choice, and incentives; perform on demand; engage citizens; and use networks and partnerships. This trend also aims to remove impediments to achieving high performance in government.

The rules of the game relate to the core administrative procedures governing civil service systems, procurement practices, budgeting, and financial management. Governments are increasingly discarding one-size-fits-all approaches, and permitting departments and agencies more "managerial flexibility," with customized operating procedures and approaches to delivering services. Going one step further and providing program managers with more managerial flexibility in combination with holding them accountable for performance (Trend Two) appears to be a powerful incentive for encouraging performance-based management. Additionally, providing managers with such authority gives those who know the most about an agency's programs the power and flexibility to make those programs work.

Two useful ways of thinking about managerial flexibility are "letting" managers manage and "making" managers manage. The first, "letting" managers manage, is predicated on liberating them from *ex ante* controls on inputs and operating procedures maintained by central agencies, such as the U.S. Office of Management and Budget or the U.S. Office of Personnel Management (especially with respect to financial and human resources). The second, "making" managers manage, is premised on setting clear and reachable targets and holding managers personally and organizationally responsible for improved performance.

Human Capital

Reform of the U.S. federal civil service system has become a major national issue, much as it has in other countries over the past decade. After decades of relative stability, the federal personnel system is now in the midst of a period of profound change. Beginning in the 1990s, a number of federal agencies that were experiencing pressure to improve

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WHY THE CENTER?

By 1998, government—at all levels—had witnessed a decade of rapid change and innovation. While tales of great deeds and reinvention had become folklore among government executives, there was little systematic understanding of what had actually occurred during the preceding decade and what had been the impact of this increased emphasis on change. To document and better understand the impact of change and reform in government, the IBM Center for The Business of Government was created in July 1998.

The primary focus was the research program, to which leading researchers in the academic, nonprofit, and journalism communities across the nation could apply. Recipients of the $20,000 research stipends produce a 30- to 40-page research report in a six-month time period. The Center publishes these reports and widely disseminates them to managers at all levels of government. Since its creation, the Center has awarded over 250 stipends to experts in the field of public management and published 150 reports to date.

performance were granted special personnel flexibilities. The Internal Revenue Service (IRS), for example, received significant human resource flexibilities as part of the IRS Restructuring and Reform Act of 1998. Since passage of that law, the IRS has made remarkable strides in modernizing its structure, its business practices, its technology, and the processes by which it collects taxes. The human resource management (HRM) flexibilities provided in the reform act were critical to the success of that transformation.

In their report for the Center, James R. Thompson and Hal G. Rainey write, "The scope and nature of the HRM changes at IRS exemplify many of the ideas associated with strategic HRM and human capital philosophy. One of the tenets of strategic HRM is that practices must be 'tailored' to an organization's particular mission, technology, and culture. IRS leadership has designed and implemented the new set of HRM practices to support organizational transformation as well as to reinforce the values and practices upon which that transformation is based." The IRS's use of special authorities has not been without controversy. Some senior career civil servants have complained that executives hired under the new special authority are receiving a higher level of pay than members of the career Senior Executive Service. Yet, special recruiting authorities have proven to be a valuable addition to the agency's hiring portfolio.

A major issue in the debate over the creation of the Department of Homeland Security was the amount of managerial flexibility to be given to the new department in the areas of hiring, firing, promoting, moving, and retaining federal civil servants. The Homeland Security Act of 2002 authorized significant changes in the management of human capital. Congress and the president exempted the Department of Homeland Security from key provisions of the federal civil service law, including those relating to compensation, classification, hiring, and promotion. In addition, on a government-wide basis, the same law did away with the "rule of three," an artifact of federal hiring practices that dates back to the 1870s.

At a forum sponsored by the IBM Center for The Business of Government, Under Secretary of Defense for Personnel and Readiness David Chu said, "The current system is not agile enough. The civil service system has the right values, but its processes are outdated." Pentagon officials are now busy implementing the National Security Personnel System to modernize the department's civilian personnel system by reclassifying jobs and placing employees in broad pay bands intended to give managers greater flexibility in hiring and setting pay raises. The General Schedule and its guaranteed raises are to be replaced by performance-based increases determined after more rigorous and meaningful performance reviews.

In his report for the Center, Howard Risher focused on performance-based pay and concluded that, based on an examination of years of research, organizations benefit when they recognize and reward employee and group performance. Risher emphasizes that there are no textbook answers and that new pay-for-performance policies must "fit" the organization and its approach to management. He also warns that the transition to a pay-for-performance environment is not going to be easy, suggesting that it may well prove to be the most difficult change any organization has ever attempted. In her 2006 report for the Center on performance accountability, Shelley Metzenbaum supports Risher's contention that a shift to performance-based pay is risky. In fact, she concludes that the risks and potential damage to an organization's performance are not worth the effort. Metzenbaum argues that an improperly designed performance pay system "can rob goals and measures of their ability to stimulate the kind of effort and innovation that results

What Is Transformation?

by Jonathan D. Breul

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

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

The Imperative for Change

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

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

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

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

- Rising public expectations for demonstrable results and enhanced responsiveness
- Selected trends and challenges having no boundaries
- Past fiscal trends and significant long-range challenges
- Additional resource demands due to recent terrorism events in the U.S.
- Government performance and accountability and high-risk challenges, including the lack of effective human capital strategies

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

Before   After

Transformational Change

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

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

The Way Forward

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

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

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

in continual, sometimes dramatic, improvements in societal conditions. And, they easily provoke unproductive fear that interferes with improvement efforts, especially when account-ability expectations are left vague." Nevertheless, she concludes that measuring performance is an essential element of accountability, but caution must be used if tied to pay.

However, performance-based pay is not the only dimension of civil service reform at the federal level. Many human capital management experts believe that other agencies would do well to heed the lessons of the Government Accountability Office's (GAO) use of human capital to transform their culture to a performance-oriented one. In their report for the Center, Jonathan Walters and Charles Thompson examine the challenges of implementing human capital reforms at GAO, where the comptroller general's push on human capital management has been central to transforming the organization.

Changes in personnel rules have not been limited to the federal government in the United States. As the debate over how to fix the civil service has played out nationally, states, for the most part, have adopted incremental approaches to reform. Specifically, many states have adopted reforms such as streamlining testing, simplifying job classifica-tions, and building more flexibility into compensation systems. They have proceeded with such reforms sometimes in cooperation with organized labor but more often with some form of opposition, or at least considerable skepticism.

While dozens of states have done some form of chipping away, three states decided that incremental change wasn't good enough. The three—Texas, Georgia, and Florida—came up with a more radical prescription for fixing civil service: "Blow it up." All three states changed the way they recruit, hire, promote, classify, and compensate state employees. In a 2002 report for the Center, Jonathan Walters notes that "the current evidence around the impact of such sweeping change will no doubt be tantalizing to state officials who have long chafed under what they view as long-outdated—even archaic—personnel rules and regulations. Moreover, at a time when competition for quality employees is on the rise and state governments are facing a potentially significant wave of retirements, evidence of the benefits of substantial rollbacks in civil service might prove quite tempting."

Financial Management
The federal government has a long history of adopting and adapting successful and prudent business practices from the private sector. This is best illustrated in the financial management arena by the enactment of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act (GMRA) of 1994 with its requirements for agencies to undergo financial audits similar to those in the private sector. Agency efforts to get and keep clean audit opinions have been supported by policies and practices that make use of key organizational factors and management strategies: leadership support, positive resource allocations, constructive partnerships with auditors, cooperation with function and line managers, short-term systems solutions, and extraordinary effort.

In his report for the Center, Douglas Brook writes, "Clean audit opinions have been achieved more often by agencies with fewer institutional impediments. Consideration must be given to institutional factors … in setting goals and evaluating the performance of agencies in implementing the CFO Act and GMRA."

This increased emphasis on measurement—linked to the Government Performance and Results Act and, more recently, the Budget and Performance Integration initiative under

the President's Management Agenda—has prompted federal executives to develop new methodologies to understand and document the "true costs" of providing services within their own organizations and to other units of government. Lloyd Blanchard, in his report for the Center, examines how two very different federal agencies—the National Aeronautics and Space Administration and the Small Business Administration—used different approaches to successfully meet these new requirements to link performance with full-cost and efficiency information.

The movement toward managing costs at the Air Force Materiel Command (AFMC) has been chronicled for the Center by Michael Barzelay and Fred Thompson. In describing how General George T. Babbitt created a cost-conscious environment at the Air Force Materiel Command, Barzelay and Thompson write, "By the end of Babbitt's three-year tour of duty as commander, AFMC managers had accumulated substantial experience with the cost management approach, including the expanded scope of AFMC's influence over the allocation of resources within a financial management performance framework acceptable to the Air Force." The question facing other government agencies is whether they will adopt a similar cost management approach, which Barzelay and Thompson characterize as a focus on accomplishments (rather than a focus on inputs) and substantial efforts to maximize productivity and understand costs.

Another important recent innovation in financial management has been the remarkable expansion of information technologies, which brings both opportunities and challenges for many federal government programs, including credit programs. In his 2005 report for the Center, Thomas Stanton explains that opportunities occur as federal credit agencies can now develop risk management systems that might have been unavailable or unaffordable in the past. New technologies also bring challenges, because the private sector increasingly can apply its information superiority to compete effectively against government programs and to attract more creditworthy borrowers from those programs.

Finally, in an effort to help move forward with efforts to modernize the U.S. federal government's $375 billion grant system, Timothy Conlan, in his report for the Center, analyzes three recent reform initiatives—performance partnerships, Grants.gov, and extended waiver authority—to explore their potential to mitigate some of the challenges of grants management and design.

Organizational Structure
Following the September 11 terrorist attacks, there has been renewed interest in structural reform of government departments and agencies. Three prominent examples are the formation in 2001 of the Transportation Security Administration, the merger in 2002 of 22 agencies and 170,000 employees into a new Department of Homeland Security, and the creation late in 2004 of the Office of the Director of National Intelligence. Experience provides some lessons about preferred organizational forms. Elements such as leadership, quality of personnel and systems, level of funding, and freedom from unwise legal and regulatory constraints may be as important as organizational structure in the search for solutions to many problems that confront government agencies and programs.

In her report for the Center, Hannah Sistare makes the case that large-scale reorganizations can be an important tool for the president and Congress to improve executive branch management. Arguing that we should no longer allow the difficulty of government

TO LEARN MORE

Organizational Structure

Reforming the Federal Aviation Administration: Lessons from Canada and the United Kingdom
Clinton V. Oster, Jr.

Government Reorganization: Strategy and Tools to Get It Done (2004)
Hannah Sistare

Making Public Sector Mergers Work: Lessons Learned (2003)
Peter Frumkin

Moving Toward More Capable Government: A Guide to Organizational Design (2002)
Thomas H. Stanton

reorganization to serve as an excuse for not addressing the issue, she outlines four techniques for getting it done: virtual reorganization, coordination mechanisms, commissions, and reorganization authority.

In his 2002 report for the Center, Thomas Stanton sets forth reasons why reorganizations are often needed: "There are a number of sound reasons to create a new organization or to reorganize. These include the need to: (1) combine related programs from disparate governmental units to provide an organizational focus and accountability for carrying out high-priority public purposes, (2) help assure that information flows to the proper level of government for consideration and possible action, (3) change policy emphasis and assure that resources are more properly allocated to support high-priority activities, and (4) determine who controls and is accountable for certain governmental activities."

In his 2003 report for the Center, Peter Frumkin examines six case studies of public sector mergers—four at the state level, one at the local level, and one at the federal level. In contrast to Stanton, Frumkin does not primarily focus on the decision to merge or reorganize organizations. His emphasis, instead, is on lessons learned in successfully implementing mergers. Based on his research, Frumkin concludes that managers must focus on five critical areas in implementing mergers: choosing targets wisely, communicating effectively, implementing quickly, creating a new culture, and adjusting over time.

MANAGEMENT EDUCATION FOR THE NEXT DECADE

Government leaders can learn about management in a variety of ways. Executives can take classes at Gettysburg National Park to learn management lessons from the Civil War. Executives can visit leading corporations across the nation, including IBM, to benchmark best practices. Disney World offers classes on customer relations. There is also no shortage of universities offering classes in the latest management technique or approach.

Based on our assessment of the six trends transforming government over the next decade, we recommend a different approach to management education. Our recommendation is a visit to a nearby amusement park to ride the latest roller coaster. We believe that the next decade will best be characterized by a topsy-turvy ride for government leaders. There will be many ups and downs as government learns to respond to the transformation currently under way.

Each of the six trends discussed here will require a steep learning curve and will be characterized by constant learning and adaptation. Government leaders will have to learn to live with and effectively use the new "rules" in human capital, financial management, procurement, and organizational reform. Mistakes will be made and some adjustments to the new rules must be expected. The emphasis on performance will also require trial and error as government learns how to measure performance and reward or penalize executives for that performance. New approaches to service delivery will continue to be controversial, and government may change its current stance on the delivery of services by non-traditional organizations, not just once but several times. Finally, increased collaboration will also require a steep learning curve as government learns how to partner with non-profit and profit-making organizations.

While a trip to Gettysburg or a major corporation will certainly be a learning experience, we also recommend a trip to your local amusement park to experience a roller coaster. Life in government in the years ahead might very well resemble that ride.

In his recent report for the Center, Clinton Oster discusses another type of change to organizational structure—the movement of organizations from the public sector to the private sector. Professor Oster's report focuses on how the United Kingdom and Canada responded to the challenge of finding new mechanisms and approaches to fund capital investments to modernize their national air traffic control systems. Both Canada and the UK have converted to private sector operating models for their air traffic control systems. According to Oster, the current method of funding the United States air traffic management system has proven more volatile in behavior than the related cost structures, leading to swings in funding gaps or surpluses. By describing the models adopted by the UK and Canada, and evaluating their successes and challenges, Oster provides valuable information and insights for the forthcoming debate over alternative air traffic management models for the United States.

2 Trend Two: Using Performance Management

A second key trend, perhaps the linchpin, is the increased use of *performance management* in governments across the world. A recent report for the Center by Burt Perrin provides substantial evidence that governments around the world are moving toward a results-oriented approach in a wide variety of contexts. Based on a two-day forum sponsored by the World Bank and the Center—involving officials from six developed and six developing countries—Perrin identifies state-of-the-art practices and thinking that go beyond the current literature. He makes it clear that there is no one "correct" or best model that could or should apply in all countries. Yet both developed and developing countries have demonstrated that it is possible to move toward an outcome orientation that places emphasis on results that matter to citizens.

The Perrin report on performance management across the world follows a series of Center reports over the last eight years that examined how federal, state, and local governments in the United States developed strategic approaches to link organizational goals to intended results, oftentimes in customer-centric terms and occasionally beyond the boundaries of individual agencies. Center reports have documented several of the more innovative approaches.

Focusing on the federal level in the United States, Philip G. Joyce's report for the Center found that strategic planning and the supply of performance and cost information has increased substantially in the years since passage of the Government Performance and Results Act. Joyce argues that the federal government has never been in a better position to make its budget decisions more informed by considerations of performance. He illustrates many potential uses of performance information in the federal budget process and numerous examples, particularly at the agency level, where such information is being used.

In another report about U.S. federal government agencies' efforts to improve performance, Nicholas Mathys and Kenneth Thompson describe how two large federal agencies adapted a private sector practice—the balanced scorecard—to their operations and have used it for more than five years to focus and drive their performance. Both the United States Postal Service and the Defense Finance and Accounting Service created performance measures, such as assessing the "voice of the customer," the "voice of the employee," and the "voice of the business," which helped create focus, set clear goals and strategies, and translate those strategies into action.

Finally, in a third report focused on U.S. federal government efforts to improve performance, Patrick Murphy and John Carnevale describe how the Office of National Drug Control

Policy (ONDCP) attempted to create crosscutting goals and measures. ONDCP is responsible for coordinating the efforts of over 50 federal agencies in the war on drugs. In their report for the Center, Murphy and Carnevale note that the system ONDCP put in place "represents the most extensive and systematic attempt to date at measuring performance for a crosscutting issue at the federal level." ONDCP pioneered the use of "logic models" that trace the cause-and-effect interactions between the different elements of the overall anti-drug strategy—such as the interplay between treatment, prevention, and supply-reduction strategies. Since then, the federal government has extended efforts to measure results across agency boundaries in other policy arenas, learning from the collaborative process put in place by ONDCP. For example, Murphy and Carnevale recommend starting with a clear sense of mission, creating a credible process, and designating someone to drive the process. This has been done in areas as diverse as border control and land management for wildfire prevention. Current performance management efforts led by OMB reflect these and other varied lessons of more than a decade of experience (see the sidebar "Performance Management in the U.S. Federal Government").

In her 2003 report for the Center, Shelley Metzenbaum focuses on the relationship between the federal government and state governments in the United States, and examines three federal agencies that set goals for or measure the performance of states and often found themselves in testy territory. She explores how federal agencies can take a wide range of beneficial actions using goals and measures with states to improve program outcomes. Her look at selected experiences from several federal agencies suggests fruitful performance

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PERFORMANCE MANAGEMENT IN THE U.S. FEDERAL GOVERNMENT

In 2006, the Government Performance and Results Act (GPRA) became a teenager, celebrating its 13th anniversary. Its significance is that it created a statutory framework for organizational accountability in the performance of missions and programs by requiring federal departments and agencies to create longer-term strategic plans, develop annual performance plans, and report annually on their performance against those plans.

During the 1990s, the U.S. federal government struggled with procedural solutions for improving the performance of its programs. Congress launched successive waves of government-wide statutes during this time period all aimed at improved federal management, including the Chief Financial Officers Act (1990), Government Performance and Results Act (1993), Government Management Reform Act (1994), Clinger-Cohen Act (1996), and Government Paperwork Elimination Act (1998). In more recent years, the focus on performance and results has moved government policy makers from a fixation on process (how decisions are made) to an emphasis on results (outcomes that Americans care about). Results-based management provides a way of focusing on what government does, instead of solely on what it spends. Agencies are beginning to take steps to hold managers accountable for their contributions to results, and recognizing and rewarding those contributions. Equally important, they are beginning to provide managers—those who know the most about the agency's programs—with the power to make those programs work with increased managerial flexibility and authority.

The president's FY 2003 budget represented a major step toward performance-based budgeting for the federal government. As part of the budget process, the Office of Management and Budget (OMB) evaluated the results of 20 percent of all federal programs using the Program Assessment Rating Tool (PART). By February 2006, in the FY 2007 budget, OMB reported the results of assessing a total of 80 percent of the programs, and then used these assessments to inform budgeting decisions, support management, identify program changes, and promote performance measurement and accountability.

management practices that federal agencies can adopt to work more constructively with state and local governments to deliver improved societal results to the public.

State governments in the United States have often been in the lead in the development of performance management systems. In their report for the Center, Julia Melkers and Katherine Willoughby examine performance measurement in state governments and the lasting quality of these reforms. They identify two important changes from the past. First and foremost, the integration of performance-based budgeting efforts has occurred along with other public management reforms. Second, information technology advances have dramatically changed the way performance information can be maintained and examined over time.

At the local level in the United States, two cities have pioneered the use of crosscutting performance management as a way of improving organizational performance. The New York City Police Department (NYPD) attributes the city's 67 percent drop in its murder rate between 1993 and 1998 to its CompStat program. In his report for the Center, Paul O'Connell documents how the New York Police Department actively uses performance data to create and enforce accountability in each of the police precincts on a weekly basis. He describes how the department shifted from being a centralized, functional organization to a decentralized, geographic organization. By using, as former Mayor Rudolph Giuliani described it, "a computer-driven program that helps ensure executive accountability," the department was able to change its culture to allow greater participation in decision making, leading to more collaborative problem solving between different city departments, such as the housing authority, the subway system, and the district attorney's office.

The success in New York City inspired the Baltimore CitiStat program. There, the same approach was used, but it was extended beyond law enforcement to a range of other city services. In his report for the Center, Lenneal Henderson describes how Mayor Martin O'Malley established the CitiStat program shortly after he took office in 1999. CitiStat requires agencies to generate data on key performance and human resource indicators every two weeks for review by the mayor's staff. It reaches beyond city-funded programs to include state and federal programs targeted to solving the same social challenges, such as reducing the number of children with elevated levels of lead in their blood. By marshalling resources against this problem, the city was able to reduce blood lead levels in children by 46 percent in two years. These kinds of results were replicated in other program areas. Henderson concludes that CitiStat is an effective strategic planning tool and accountability device for effectively delivering government services to achieve priority social outcomes.

But as the CompStat and CitiStat cases show, performance tools aren't always the solution. "How can the leaders of a public agency improve its performance?" asks Bob Behn in his report on the 11 better practices for improving performance. The "leadership question," he notes, is not the question usually asked. Usually we ask the "systems question." But he observes that a performance system cannot impose improvements; improvements must be led. Complying with the requirements of the latest performance management system might help, but the future of good performance lies in the hands of good leaders. His advice on what leaders should focus on, such as "check for distortions and mission accomplishment" and "take advantage of small wins to reward success," relates to practices that can only be led, not mandated.

Likewise, in her 2006 report for the Center on performance accountability, Shelley Metzenbaum focuses on the behavior of leaders of high-performing organizations. She says that managers should be held to account more for how they manage for performance than for whether they meet their targets. The goal, she says, is not compliance but rather improvement. Pointing to the success of the CompStat and CitiStat efforts, she says that the key role of a leader in a performance-oriented organization—once goals, targets, and strategies are set—is to engage in feedback. She says feedback should encompass both one-on-one mechanisms as well as group forums for "interactive inquiry" so team members can join the leader in assessing progress and identifying ways to improve performance.

3 Trend Three: Providing Competition, Choice, and Incentives

A third trend is the use of market-based approaches, such as *competition, choice, and incentives.* Just as was seen with Trend Two, this trend is not limited to the United States. In his report for the Center, Jón Blöndal of the Organization for Economic Cooperation and Development (OECD) describes the use of outsourcing, public-private partnerships, and vouchers in 30 developed countries. He finds that the emphasis in use among the tools varies by country and by policy area, but that their use continues to increase because the record of "the efficiency gains is substantial."

In the United States, this trend has grown significantly in the past decade and has been enveloped in controversy, often based on ideology and politics. On taking office in 2001, U.S. President George W. Bush called for a "market-based government" that is rooted in "competition, innovation, and choice." His administration's efforts have achieved limited success and are seen as politically controversial.

However, because of the importance of this trend in both government and business, the Center has supported a series of reports on the use of a variety of market-based tools in hopes that the controversy could be re-framed in non-ideological terms, first by creating greater clarity as to what constitutes market-based government, and second by examining the facts of competitive sourcing and defining a broader basket of policy "tools" that can be used to build a market-based government.

A new Center book, *Competition, Choice, and Incentives in Government Programs,* edited by John M. Kamensky and Albert Morales, surveys the spectrum of federal, state, and local experiences over the past two decades and defines market-based government as "a body of tools and incentives that guide public action by embodying some of the beneficial characteristics inherent in private sector markets." These characteristics can be defined from two perspectives: inside and outside government. From the perspective of inside a government organization, these characteristics include competition, focused incentives, flexibility, and the use of contracts. From the outside perspective, the characteristics include voluntary entry/exit, choice, transparency, efficiency, responsiveness, and clearly defined and measurable objectives or services.

By combining the vantage points of these two key stakeholder groups, market-based tools can be used to mimic the self-organizing dynamics of the private sector market by creating competition, rather than rules, to set the price of services, and incentives to set the desired levels of performance, in ways that create more efficient and effective services than traditional means.

But what about the specific tools to create market-based government? In the United States, the most politically prominent tool—competitive sourcing—has been the dominant

approach used by the Bush administration. Competitive sourcing occurs when an agency takes a function currently being delivered by government employees and puts it up for bid between these employees and the private sector, where the best bid wins. In a series of reports for the Center, Jacques S. Gansler and William Lucyshyn examine this tool. They found that competition can achieve "better results at lower costs, regardless of whether the winner is the public or the private sector." They found that over a 10-year period, the results of 1,200 competitions in the Defense Department resulted in an average savings of 44 percent over what those costs would have been otherwise. In addition, they found that, of the 65,000 civilian employees affected, only about 5 percent were involuntarily separated. Still, even given the potential impact of this tool to improve efficiency and reduce costs with a minimal effect on employees, its future use is uncertain because of political concerns about potentially adverse effects on the federal workforce, as well as recent legislative action constraining the use of competitive sourcing.

Gansler and Lucyshyn also found that for many agencies, using other market-based tools may make them more comfortable, especially if they start with entrepreneurial approaches for internal operations. A 2000 report for the Center by Anne Laurent examines a dozen organizations in the federal government that pioneered new business models for delivering internal services as diverse as payroll processing and timber measurement. One successful entrepreneurial approach has been the operation of franchise funds, as John Callahan describes in his report for the Center. Franchise funds, he notes, "were designed to break up internal government monopolies and encourage competition for and reduce the costs of providing common administrative services."

These are just a few of more than two dozen different market-based tools that policy makers have at their disposal and should be considered, such as public-private partnerships, vouchers, tradable permits, bidding, bartering, and more (see Table 1 on page 16). The range of tools that can be used under a market-based government framework can be grouped into three sets of strategic approaches:

- The delivery of government services to the public via a range of market-based tools (with a special emphasis on public versus private sector competition)

- The delivery of internal government services using market incentives

- The setting of regulatory standards or pricing levels, rather than using command and control, as a way of influencing private sector behavior

Many strategies based on competition, choice, or incentives are not new. For example, the concept of public-private partnerships has long been used effectively in the building of highways and other large infrastructure projects. In his report for the Center, Trefor Williams describes the various types of public-private-partnership models used around the world. He argues that in the future, the use of such partnerships will be driven not only by the shift from buying goods to buying services, but also by government's need to develop innovative funding approaches. Williams writes: "In the decade ahead, a major challenge for government at all levels—federal, state, and local—will be to find and develop new ways to finance and implement large-scale projects. In the future, large-scale projects will not be limited to just highways and infrastructure as they will increasingly include large-scale technology projects. The use of public-private partnerships will offer an increasingly attractive alternative to traditional approaches to the financing and procurement of large projects."

TO LEARN MORE

Competition, Choice, and Incentives

Competition, Choice, and Incentives in Government Programs (Rowman & Littlefield Publishers, 2006)
Edited by John M. Kamensky and Albert Morales

International Experience Using Outsourcing, Public-Private Partnerships, and Vouchers (2005)
Jón R. Blöndal

Designing Competitive Bidding for Medicare (2004)
John Cawley and Andrew B. Whitford

Competitive Sourcing: What Happens to Federal Employees? (2004)
Jacques S. Gansler and William Lucyshyn

Implementing Alternative Sourcing Strategies: Four Case Studies (2004)
Edited by Jacques S. Gansler and William Lucyshyn

Transborder Service Systems: Pathways for Innovation or Threats to Accountability? (2004)
Alasdair Roberts

Moving to Public-Private Partnerships: Learning from Experience Around the World (2003)
Trefor P. Williams

Franchise Funds in the Federal Government: Ending the Monopoly in Service Provision (2002)
John J. Callahan

Entrepreneurial Government: Bureaucrats as Businesspeople (2000)
Anne Laurent

New Tools for Improving Government Regulation: An Assessment of Emissions Trading and Other Market-Based Regulatory Tools (1999)
Gary C. Bryner

Table 1: Strategic Approaches to Market-Based Government and Their Associated Tools

Strategic Approach	Examples of Specific Tools
Market-based approaches to delivering public services	• Competitive sourcing • Public-private partnerships • Vouchers • Outsourcing • Co-sourcing • Contracting out • Privatization • Divestiture or asset sale
Market-based approaches to delivering internal government services	• Government-operated franchise or revolving funds (e.g., shared services) • Performance-based organizations • Pay for performance • Competitive grants, loans, loan guarantees
Market-based approaches to setting regulatory standards or prices	• Tradable permits • Auctions • Bidding • User charges/fees • Bartering • Risk-based enforcement • Deposit/refund systems • Tax incentives • Subsidies • Taxes

Source: John M. Kamensky and Albert Morales, eds. Competition, Choice, and Incentives in Government Programs *(Rowman & Littlefield Publishers, 2006).*

How far can or should contracting out and privatization go? A thought-provoking Center report by Alasdair Roberts offers a new perspective on how government is getting its work done via contracting out and privatization. He notes that, more and more, government services are not being delivered by a place-based or program-based governmental organization but rather through a national or global network of boundary-spanning for-profit or nonprofit organizations. He cites examples of water systems, healthcare systems, and correctional systems operated by global companies, and privately operated cross-jurisdictional school systems. He observes that this trend has the potential for more efficient and effective services for citizens because lessons and innovations developed in one part of the world can be quickly diffused within a company to a location it operates in another part of the world. However, Roberts also cautions that governments face new challenges in ensuring democratic accountability in this new environment. He describes examples of how citizens, as consumers, have begun to create new accountability mechanisms that go beyond traditional government approaches, such as protests and

boycotts. Until these accountability issues can be addressed, he concludes, this trend has mixed implications for greater governmental effectiveness.

The use of market-based approaches within a government setting, such as in creating regulatory standards or setting prices, is also increasing. Historically, this has been piloted in the environmental policy arena, such as through the use of tradable permits for pollution or tax incentives for buying energy-efficient cars. For example, in his report for the Center, Gary C. Bryner examines emissions trading and other market-based regulatory tools for achieving improved environmental quality.

In a recent report for the Center, John Cawley and Andrew Whitford describe the use of competitive bidding as a tool to set payments for the managed care portion of Medicaid. They describe the various forms of bidding, the federal experience in different federal healthcare programs, and the lessons learned that can help the federal government do a better job in the future. Their recommendations for healthcare have applicability to other policy arenas.

No single market-based approach seems to work in all circumstances. But choosing from a range of tools can help public organizations more readily adapt market-based approaches to solving their challenges in service delivery and achieving regulation-based goals. The bottom line seems to be that these approaches have broad applicability across different government policy and program areas—and work when properly managed.

4 Trend Four: Performing On Demand

A fourth trend transforming government is performing *on demand*. In terms of performance, governments are being pushed like never before to measure and improve program performance. In terms of responsiveness, government organizations across the world know they have to be much better at sensing and responding to economic, social, technological, and health changes or crises—be they terrorism, mad cow disease, or the processing of drug benefit claims. Those forces, coupled with new technical possibilities, are driving different choices about program design and operations—and their underlying computing infrastructures. These challenges require a deep and potentially difficult transformation: moving from business as usual to what is increasingly being characterized as performing "on demand."

On demand is defined as the horizontal integration of processes and infrastructure that enables day-to-day interactions across an entire enterprise—and with key partners, suppliers, and customers—thus enabling government to respond with speed and agility to demands and challenges.

On demand government has four major characteristics. The first is *responsiveness:* Whatever the legislative, organizational, or operational change, governments are able to react quickly to meet present or potential needs. The second is *focus:* As organizational processes are transformed and the roles of key players, including suppliers, are optimized, governments have greater insight into what functions should be done by the government itself or could be done by other institutions, public or private. The third is *variability:* Open, integrated technology infrastructures foster collaboration and the creation of services to meet evolving needs, enabling governments to deliver the right service, at the right place and time, to the right degree. The fourth is *resilience:* Governments can maintain their service levels no matter the impediment or threat. While technology has always supported governmental operations, in on demand it is the prime enabler of resilience.

There are two important dimensions to the trend toward performing on demand:

- **24/7 capability:** This dimension is often the one most commented on in the context of on demand capability. Just as citizens can buy books and other products 24/7, they have come to expect government to provide the same capability. Many governments have responded effectively, including numerous state government departments of motor vehicles that allow individuals to renew their driver's license or registration online 24/7.

- **Non-routine capability:** In the months since Hurricane Katrina, this dimension of performing on demand has received increased attention. At the federal level, organizations such as the Federal Emergency Management Agency (FEMA) have re-evaluated their capacity to respond to non-routine events.

As noted in the Introduction, the Internal Revenue Service has dramatically changed how Americans approach their tax-filing responsibilities, creating one of the big success stories in government service delivery improvement. An increasing number of Americans are filing their taxes electronically—via phone or the Internet—and find this approach far preferable to the traditional paper filing. It has been so successful that Congress has challenged the IRS to have 80 percent of its filings electronic by 2008.

But this is not an isolated instance of improved electronic on demand service delivery. The Government Paperwork Elimination Act of 1998 set the stage for a more comprehensive approach to electronic government. This law required virtually all government services to be available electronically by October 2003.

In their report for the Center, Steven Cohen and William Eimicke offer a checklist for how a government agency should approach this task. In describing their first checkpoint for developing a web strategy, they write, "There is evidence to suggest that development of a strategy is one of the most important factors in developing successful technological applications." And that is exactly what the Office of Management and Budget has done. In mid-2001, OMB chartered a task force, dubbed "Quicksilver," to sort through more than 1,200 ongoing e-government initiatives and develop an overall government strategy. It established several operating principles ("simplify and unify" and "buy once, use many times"). It created a four-part framework (government to citizen, government to business, government to government, and government to employee). The task force designated 24 initiatives to be the priority pilots for this framework and created a governance structure around these projects. OMB is now linking together these projects and others through a broader federal enterprise architecture and an integrated capital investment policy.

While the OMB strategy is still undergoing implementation, observers are already assessing progress. In 2002, the Center published a pair of studies—one on the state of federal government websites and the other rating the functionality of the 50 state web portals. In her report for the Center, Genie Stowers reviewed 148 federal agency websites and found that they are increasingly being designed and organized with the user in mind and were more content- and service-oriented than the first wave of government websites created in the mid-1990s. One of Stowers' key insights is that "the content and structure of the site should be organized so that those who are unfamiliar with government can find the services and information they need without having to understand how government agencies are structured."

In their report for the Center, Diana and Jon Gant evaluated state government websites, using slightly different criteria than Stowers did. Oftentimes, state websites are a good

predictor of potential future federal trends. The Gants found that states are also providing an increased number of services online, and are going a step further by organizing services around events (such as professional licensing) instead of by the agency in which the services are located. One result might be that as government becomes more accessible online, there will continue to be a greater blurring in citizens' minds as to which agency, and which level of government, is providing their services. The award-winning FirstGov.gov, the one-stop portal for the federal government, is a case in point. It has a link to state driver's license agencies to help citizens renew their driver's licenses, even though this is clearly a state, not a federal government, function.

A number of recent Center reports have examined government's increasing movement toward using an on demand approach to solve operational and business problems. In his 2004 report for the Center, David Wyld presents a good news story in which government leaders are increasingly turning the burden of managing and maintaining unneeded property into a chance to derive significant revenue and an opportunity to devote more of their attention to their primary mission and operations. From the local police department to state governments to the Department of Defense, public sector executives are succeeding at selling both everyday items and high-end surplus goods on online auctions, as well as creating markets for unusual public properties, such as school buildings and airports.

In another report for the Center, David Wyld focuses on the potential of RFID, or radio frequency identification, technology to make government more on demand. RFIDs are small electronic tracking devices that are beginning to replace bar codes. For example, RFID will allow the flow of goods and information to be accelerated, with a higher certainty of information for decision making. RFID will also enable important increases in the on demand capacity of government, including the delivery of military supplies in the field. RFID, as described by Wyld, offers the potential to provide significant on demand improvements in many areas, including increased safety for patients, faster movement of automobiles from manufacturer to dealer, and greater national security.

But the on demand concept is not limited to the use of technology or computers to perform more responsively. Human resources can also be viewed as part of the on demand movement. In their report for the Center, James Thompson and Sharon Mastracci spotlight a number of federal agencies that have had experience with what they call "nonstandard work arrangements," such as part-time, seasonal, and on-call jobs. They examine the experiences of 13 federal agencies that rely upon the flexibility of such on demand work arrangements. As the workflow fluctuates—either in a predictable manner by hour, week, month, or season, or in an unpredictable manner as when the economy is in recession—workers in nonpermanent jobs can be furloughed or let go.

Another Center report describes how other nations are also moving toward on demand responsiveness. In her report, Mita Marra describes how Italy created CONSIP—a public company owned by the Ministry of Economy and Finance—which transformed the way Italian public agencies purchase goods and services with e-procurement on demand solutions. Recognizing the need to be much better at sensing and responding to the particular needs of public agencies, the Italian government developed CONSIP with both the information technology platform as well as the operational procedures to create an electronic catalog, online auctions, and an electronic marketplace at the national level. Interestingly and unexpectedly, several dynamic regional and city governments, such as Salerno, developed their own procurement support agency—local versions of CONSIP.

TO LEARN MORE

Delivering On Demand Services

E-Government 2003
(Rowman & Littlefield Publishers, Inc., 2002)
Mark A. Abramson and Therese L. Morin, editors

State Web Portals: Delivering and Financing E-Service (2002)
Diana Burley Gant, Jon P. Gant, and Craig L. Johnson

The State of Federal Websites: The Pursuit of Excellence (2002)
Genie N. L. Stowers

E-Government 2001
(Rowman & Littlefield Publishers, Inc., 2001)
Mark A. Abramson and Grady E. Means, editors

The Use of the Internet in Government Service Delivery (2001)
Steven Cohen and William Eimicke

In his report for the Center, M. Jae Moon describes the potential use of mobile technology (or m-government) to improve and enhance the responsiveness of government services. M-government includes providing information and services to public employees, citizens, businesses, and nonprofit organizations through wireless communications networks and mobile devices such as pagers, personal digital assistants (PDAs), and cellular phones. He describes the potential of m-government to dramatically improve the delivery of emergency and public safety services, such as combating fires and natural disasters and enhancing public safety and homeland security.

5 Trend Five: Engaging Citizens

A fifth trend—*engaging citizens* in government—is also contributing to the transformation of governments at all levels. Research shows that when citizens are directly engaged with government, policy and service-level decisions are seen as more legitimate and challenged less frequently, and policy and program initiatives have a greater success rate. In addition, by actively engaging citizens, research has shown that trust in government increases.

To better understand this trend, it is useful to segment the public into three roles in which Americans interact with government:

- **As *consumers* of government information:** This is one of the oldest, most traditional roles of government—providing information for the public to use in a variety of ways. For example, citizens are major consumers of government statistics, as well as government information on safety and health.

- **As *customers* of government services:** During the 1990s, both the public and private sectors placed increased emphasis on "customers" and customer service. For example, in the federal government, agencies such as the Social Security Administration and the Centers for Medicare & Medicaid (formerly the Health Care Financing Administration) devoted increased efforts to improving the quality and responsiveness of their interactions with citizens.

- **As *citizens* participating in government decision making and policy making:** The challenge of this role involves moving beyond the traditional vehicle of voting as the primary mechanism by which citizens participate in government. New technologies—both face-to-face technologies and electronic technologies—have created new opportunities for governments across the world to engage citizens more directly in decision making and policy making.

Representative democracy has been the traditional approach for how democratic government works. In the United States, this occurs through Congress, state legislatures, and city halls. In those forums, informed and deliberative debates can occur, resulting in collective decisions. But in the past decade, an increasing trend has been the creation of broader direct engagement with citizens in informing and making decisions that affect them. Technology is beginning to create a new set of forums that allows this on a larger scale. This technology extends from the traditional forum for citizen participation—voting—to new and innovative approaches, such as the use of surveys, wikis, and blogs.

In a new report for the Center, Carolyn Lukensmeyer and Lars Hasselblad Torres describe the changing landscape of citizen involvement in government worldwide. They describe a shift from the traditional "information exchange" to an "information processing" model

of engagement, where citizens are no longer just consumers of government programs and policies but actively engage in shaping them. They describe a spectrum of citizen engagement models, ranging from informing citizens of planned efforts, all the way to empowering citizens to directly make decisions. For example, in some communities in Brazil, citizens vote on how some budget items are spent in their neighborhoods. Lukensmeyer and Torres provide a series of examples of cutting-edge citizen engagement models at work, both face-to-face and online engagements. They conclude their report with recommendations to federal agency leaders and government-wide policy makers, recommending the creation of "champions" to review potential existing bureaucratic barriers to the use of these tools and to serve as advocates for their use in large-scale initiatives.

In his report for the Center, Robert Done examines the most traditional citizen engagement tool: voting. He assesses an early effort at Internet voting by examining the pilot effort in Arizona to allow both online registration and online voting. Done describes some of the technical and political challenges of moving into this arena, but concludes that this approach has broad implications for increasing voter participation in the future.

In their report for the Center, R. Michael Alvarez and Thad Hall address some of the issues raised by Done. They stress the importance of creating electronic data transaction standards as a way to administratively improve the security and reliability of electronic voting—either at the polls or at home.

In another report for the Center, Marc Holzer and his colleagues examine the potential for "digital" citizen participation beyond the ballot box. His team concludes that a range of new information and communication technologies "have the potential to help make citizen participation an even more dynamic element of the policy-making process." Their study highlights three cases where different models are used to engage citizens, ranging from static information dissemination to a dynamic model with extensive interactions between government and citizens. They outline practical steps for enhancing citizen involvement, including clearly defining the issues to be deliberated, providing background materials in advance to participants, and ensuring online facilitators are skilled in moderation techniques.

As both citizen interest increases and technology improves, the foundation of "deliberative democracy" is growing. This has the potential to shift citizen involvement in public issues away from the shrill, divisive tone that has increasingly dominated the political scene over the past decade to a more deliberative approach—an approach characterized by Lukensmeyer and Torres as one in which "participants come to a shared understanding of underlying issues and trade-offs" and, as a result, better decisions are made and citizens experience greater satisfaction. If this is possible, then the potential to solve seemingly intractable challenges, such as healthcare, global warming, and social security, are enhanced.

6 Trend Six: Using Networks and Partnerships

"Although public institutions are organized in hierarchies, they increasingly face difficult, non-routine problems that demand networked solutions," observes Don Kettl in a Center report on the challenges facing government leaders in the 21st century. The Center has been closely watching the evolution of the use of both networks and partnerships as new approaches for how government works in diverse policy arenas. This approach is growing for two primary reasons. First, citizens increasingly expect government to deliver results—clean air, safe food, healthy kids, safe streets. And second, the challenges the country faces—and citizens expect to be addressed—are

far more complex than in the past. The terrorist attacks of 9/11, the outbreak of severe acute respiratory syndrome (SARS), Hurricane Katrina, and the potential of a bird flu pandemic are all examples of the increasing complexity of non-routine, large-scale challenges facing the country. Responses to these new challenges are characterized by:

• Reaching outside the boundaries of any one agency
• Not being part of the traditional service delivery system now in place in most agencies
• Not playing by the same rules as traditional service delivery systems

As a result, the reality is that the challenges of today's complex society are such that individual agencies and programs cannot succeed in delivering results on their own any longer. The fundamental performance improvement challenge facing government today is for leaders to achieve results by creating collaborative efforts that reach across agencies, across levels of government, and across the public, nonprofit, and private sectors. A key tool for doing this is the use of networks. A recent book, *Collaboration: Using Networks and Partnerships,* edited by John M. Kamensky and Thomas J. Burlin, and several recent Center reports describe why networks are becoming more prominent, how public managers' skills will have to change to be successful in managing partnerships and networks, and how specifically they can be used.

In a 2006 report for the Center, Brint Milward and Keith Provan provide a useful typology for better understanding the types of networks that government executives can deploy to more effectively meet the challenges of the future:

• **Service implementation networks:** This type of network consists of intergovernmental programs, such as Temporary Assistance for Needy Families, and service programs for groups, including the mentally ill, the aged, and abused and neglected children, which are often funded by federal grants to the states.

• **Information diffusion networks:** This type of network is a common form of network within any level of government in which government organizations need to develop the means to share information across departmental boundaries.

• **Problem solving networks:** This type of network has several different purposes, including helping managers set an agenda in regard to a policy involving a critical national or regional problem.

• **Community capacity building networks:** This type of network is established to build "social capital" so that communities will be better able to deal with a variety of problems related to education, economic development, crime, and other public policy challenges.

In her report for the Center on homeland security, Elaine Kamarck writes, "As bureaucratic government has failed in one policy area after another, policy makers have looked to implement policy through networks instead." One example of not following the traditional rules is highlighted in another report for the Center by Kamarck on the creation of frontline knowledge networks within the intelligence community. While she describes potential changes in the intelligence community, lessons can be applied in other arenas as well. She observes that a top-down view of organizational reform is one approach to improving an organization's effectiveness. However, a bottom-up view is also important, since that is where the work occurs. She advocates the need to empower frontline workers with the tools to get their jobs done.

The field of knowledge management may be a key approach to doing this, she notes. This would provide greater access to real-time information by analysts, a greater use of matrix management, and the strategic rotation of employees. Knowledge management—how organizations "create and use knowledge as part and parcel of their organizational culture"—stresses the importance of combining both the implicit knowledge of individual analysts (highly personalized experience and wisdom) with the explicit knowledge developed within their organizations.

In his report for the Center, Robert Agranoff explains that operating in networks changes the nature of government organizations and requires executives with different managerial skills than in the past. In a network, a government manager serves as a convenor and becomes a participant, not a leader. In some cases, the government partner in a network may play a mediation role. Resources are more dispersed and cannot be controlled centrally, with program implementation occurring through the partners involved in pooling knowledge and technologies—not through government-owned and -operated programs.

Agranoff also observes that government is not a bystander in a network. It possesses the legitimacy to deal with public problems and policy solutions, retains the authority to set rules and norms, contributes resources, and retains and shares knowledge. As a result, important networks cannot be sustained without a governmental role.

In their report for the Center, William Snyder and Xavier de Souza Briggs describe a new tool for public managers called "communities of practice." This particular type of network features peer-to-peer collaborative activities that build members' skills. Used successfully in the private sector in large companies, communities of practice are "social learning systems" where practitioners informally "connect to solve problems, share ideas, set standards, build tools, and develop relationships with peers and stakeholders." As informal networks, these communities complement an organization's formal units by reaching across organizational boundaries. Because they are inherently boundary-crossing entities, they are particularly suited to large organizations and federal systems.

In his report for the Center, John Scanlon tells the story of how the career leadership within the federal Bureau of Primary Health (part of the Department of Health and Human Services) used a collaborative approach to move beyond the traditional federal agency and program goals. Their mission was to pursue a "national goal" of providing 100 percent of community residents access to quality healthcare and eliminating health-status disparities between uninsured and insured populations. Because of their professional commitment to improving public health, staff at the Bureau of Primary Health created a self-organized group with a common vision and an impossible goal. Nevertheless, in a three-year period, they created a self-sustaining movement of multiple partnerships with leaders at the national, state, and local levels committed to a common vision with measurable goals.

In his report for the Center, Donald Moynihan describes a successful federal, state, and local battle against an outbreak of Exotic Newcastle Disease, which is lethal to chickens but not humans. He describes how these agencies at all levels came together to deal with an infrequent event—it was the first outbreak in 30 years. To do this, they used an approach first piloted in the 1970s by the Forest Service to fight forest fires, the Incident Command System (ICS), which allows agencies to create a resilient network. In summing up the lessons from this effort, Moynihan notes that success depended upon the existence of a network of relationships that had been developed long before the outbreak. In fact, the way the

outbreak occurred and spread was an unpredictable event. However, he says that the way to foster and build these pre-incident relationships is through the use of frequent exercises that build, test, and reinforce those relationships.

In Kettl's report on 21st century challenges, he writes about alternative ways to span organizational boundaries and observes, "One of the most promising solutions is performance management. ... performance management becomes more than a tool of measurement and more than a driver of management—it becomes a language for talking about common action." This notion of a common language is at the heart of a success story described in a report for the Center by Mark Imperial. Imperial presents case studies of how three watershed governance efforts used networks and performance management as tools to bring together diverse stakeholders and agencies around achieving an agreed-upon outcome: clean water.

In summary, the use of interpersonal networks, organizational partnerships, and performance management can be used as an effective strategy for providing public managers with greater leverage to achieve national goals. But, as shown in the Scanlon and Moynihan reports, the critical element seems to depend more on having the right kinds of people involved in the network than relying on traditional policy management approaches that depend more heavily on institutional arrangements, legislation, or the budget process. Developing networks and partnerships will be the true challenge of national leaders, whose policy successes are increasingly dependent on the power of collaboration in areas as diverse as homeland security, job training, and poverty reduction.

Looking to the Future

We have learned much during the Center's first eight years, and we plan to continue doing so in the years ahead. Exciting change is happening throughout government, and we want to document and share that knowledge with others in government so they can continue to be inspired by, and learn from, the experience of others.

The imperatives and strategies described in this report are making a difference in government today. But improving government management remains a complex and difficult assignment, both technically and politically. Management is no longer seen as a centralized, one-size-fits-all, uniform undertaking. Because the world has changed, government cannot be effective if it tries to repeat the successes of the past. In a summer 2005 forum on the toughest management challenges facing government in the years ahead, participants highlighted three:

- **Using networks to organize for routine and non-routine problems.** Although public institutions are organized in hierarchies, they increasingly face difficult, non-routine problems. The realities of governments throughout the world make it likely that government will continue to be organized hierarchically. How can government resolve these tensions?

- **Developing a way to govern though a "network of networks."** As agency leaders find new ways to leverage action through the use of networks, how can they shape the behavior of those at the edge of the service system—both inside and outside government—to effectively solve problems?

- **Engaging citizens in new roles to solve public problems.** As government actions become more complex, citizens must take on new roles. New technologies such as e-government and podcasts have arisen that allow direct participation and immediate action. What role can citizens play in solving society's problems?

While the solutions are not obvious, it is the aspiration of the IBM Center for The Business of Government to continue to serve as a major resource for government leaders by providing them with cutting-edge knowledge on the transformation of government now under way in the United States and across the globe on these and related issues.

If the 21st century has provided any lessons so far, it is the power of the unexpected. From the terrorist attacks of 9/11 to the unacceptable response to Hurricane Katrina, what has been starkly revealed is how systems in place to meet anticipated problems failed when the unanticipated happened. Given this, isn't it futile to try to predict the future? On the contrary. With the disclaimer that no one knows for certain what may come next, the IBM Center for The Business of Government believes that understanding these six trends can help government leaders be better prepared to meet the challenges of the 21st century.

TO LEARN MORE

Future Trends

The *Next* Government of the United States: Challenges for Performance in the 21st Century (2005)
Donald F. Kettl

ABOUT THE AUTHORS

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Mr. Abramson is co-editor of the *IBM Center for The Business of Government Book Series,* published by Rowman & Littlefield Publishers. He is also the author or editor of 13 books and has published more than 100 articles on public management. In 2005, he was appointed to the editorial board of the *Public Administration Review.*

Prior to helping found the IBM Center for The Business of Government, he served as Chairman of Leadership Inc. from 1994 to 1998. From 1983 to 1994, Mr. Abramson served as the first President of the Council for Excellence in Government in Washington, D.C. and was one of several Council founders.

Mr. Abramson was elected a fellow of the National Academy of Public Administration in 1992. Since 1995, he has served as an evaluator and team leader for the Innovations in American Government Awards Program sponsored by the John F. Kennedy School of Government at Harvard University. In August 2005, Mr. Abramson was recognized by the Center for Leadership and Management at the Graduate School, USDA, for "Outstanding Leadership and a Life Long Commitment to Public Service and Collaboration." In 2003, he was recognized for distinguished public service by Phi Alpha Sigma, the honorary public administration society. Mr. Abramson holds a Master of Arts in Political Science from Syracuse University, a Master of Arts in History from New York University, and a Bachelor of Arts from Florida State University.

Jonathan D. Breul is a widely recognized expert on the policy and practice of improving government management and performance. He is currently Partner, IBM Global Business Services, and Senior Fellow, IBM Center for The Business of Government.

Formerly Senior Advisor to the Deputy Director for Management in the Office of Management and Budget in the Executive Office of the President, Mr. Breul served as OMB's senior career executive with primary responsibility for government-wide general management policies. He helped develop the President's Management Agenda, was instrumental in establishing the President's Management Council, and championed efforts to integrate performance information with the budget process. He led the

overall implementation of the Government Performance and Results Act. In addition to his OMB activities, he helped Senator John Glenn (D-Ohio) launch the Chief Financial Officers (CFO) Act.

For nearly eight years, Mr. Breul served as the U.S. delegate and elected vice chair of the Organization for Economic Cooperation and Development's (OECD) Public Management Committee. He is a fellow and member of the Board of Trustees of the National Academy of Public Administration and an adjunct professor at Georgetown University's Graduate Public Policy Institute.

Mr. Breul has received numerous awards including *Federal Computer Week's* 2002 "Federal 100." In 1998, he received the Elmer Staats Award from the National Capital Area Chapter of the American Society for Public Administration. In 1995, he received the Mydral Award for Public Service from the American Evaluation Association. He holds a Master of Public Administration from Northeastern University and a Bachelor of Arts from Colby College.

John M. Kamensky is a Senior Fellow at the IBM Center for The Business of Government and an Associate Partner with IBM Global Business Services.

During 24 years of public service, he played a key role in helping pioneer the federal government's performance and results orientation. He is passionate about creating a government that is results oriented, performance based, customer focused, and collaborative in nature. He is the co-editor of *Managing for Results 2002, Collaboration: Using Networks and Partnerships, Managing for Results 2005,* and *Competition, Choice, and Incentives in Government Programs.*

Prior to joining the private sector in February 2001, Mr. Kamensky 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 for 16 years, where he played a role in the development and passage of the Government Performance and Results Act. He is a fellow of the National Academy of Public Administration. Mr. Kamensky received a Master of Public Affairs from the Lyndon B. Johnson School of Public Affairs, in Austin, Texas.

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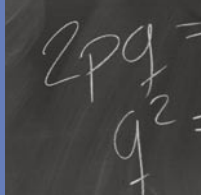
IBM 2006 Global CEO Study: Public and private sector leaders agree that organizational performance depends on pervasive innovation

Extent of fundamental change needed over the next two years

Moderate change 15.53%

Extensive change 76.70%

Little or no change 7.77%
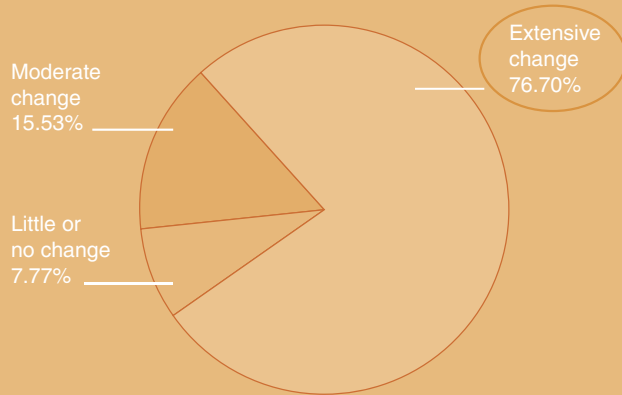
Senior officials in the public sector were in remarkable agreement with private sector CEOs that the performance of their organizations depends on implementing innovative practices in all aspects of the work they do. In a study conducted by IBM, 765 CEOs and senior leaders from around the world were interviewed in the largest study of its kind conducted in years. Over 100 were senior public officials, such as agency and cabinet-level leaders.

Overwhelmingly, officials and business executives said innovation led directly to more profitable or productive agencies and enterprises. Further, transforming organizational structures and changing the workflow are crucial activities that correlate strongly with increased financial and budgetary performance.

They also agree that collaborating and partnering with outside organizations is proving essential for success. Equally important is the integration of business and operational practices with technology.

Public and private sector officials pointed out, however, that gaps between desires and performance exist in how they remodel organizations, leverage partnerships and alliances, and integrate business and technologies.

Both also reported that intensifying innovative practices in their organizations requires the personal involvement and focus of the CEO or senior public officials, and cannot be delegated to mid-level management as occurred in the past. CEOs can overcome internal obstacles and redirect resources to new initiatives more effectively than anyone else.

Public sector officials, like their counterparts in companies, have already launched initiatives to transform their agencies in this new age of global operations and extensive use of the Internet to deliver information and services. Officials fund innovations within agencies, often nurture pilot programs, and hold agency heads accountable for results. IBM's annual E-Readiness survey, conducted in collaboration with the Economist Intelligence Unit, confirms that dozens of national governments are aggressively pursuing organizational restructuring, modernizing the delivery of new services, and developing national policies to facilitate economic development.

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"We must develop the right business model for our organization, develop the most effective ways of delivering these services, and manage risk. Innovation and risk-taking are fundamental."

So where do the new ideas for innovation come from? Public officials rely extensively on employees, academics, associations, and other organizations with whom they partner. The private sector does the same. However, the private sector takes the additional step of integrating feedback and suggestions from customers to a larger extent than do government agencies.

Overall, when innovation as an institutional strategy is deployed, private and public officials report similar benefits. The first and most visible is improved quality of service to customers and citizens, followed closely by reduced operating costs and, third, increased speed and ability to change as circumstances warrant. Senior officials in both communities credit results to their organizations' ability to foster cultures of innovation, and that all begins with the personal leadership of senior officials.

When asked what advice they would give to peers around the world, they offered five recommendations. First, think broadly, act personally and lead the effort. Second, challenge the business model to be significantly different from what it is today. Third, use the integration of business operations and technology to ignite innovation. Fourth, massively expand collaboration within the departments or divisions, across the enterprise, and with other governments. Fifth, push people to work with outsiders and make that activity integral to the organization's culture and operations.

The complete CEO study report includes a series of recommendations for the public sector and offers questions senior officials can ask themselves and their institutions to further stimulate their innovation strategies.

Improve government
service delivery

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Federal Emergency Management Agency (FEMA):
Updating flood maps quickly and accurately

FEMA implements Flood Map Modernization (Map Mod) to update the Nation's flood maps efficiently by providing mapping contractors with the tools to create digital flood maps and update flood information

Challenge

Working with U.S. flood maps that were out of date, FEMA could no longer accurately gauge flood risk in many areas. As a result, many properties in danger of flooding were not insured because their owners did not recognize the risk. FEMA knew it needed to update the country's flood maps, but its prior mapping process was neither digital nor automated. If FEMA went ahead with its existing processes, the updating effort would require decades of work. Instead, FEMA looked for a way to automate the full lifecycle map-ping process to create digital flood maps.

Solution

To launch Map Mod, FEMA engaged a highly decentralized team of independent mapping con-tractors, giving them the tools and associated training they need online. FEMA uses its Mapping Information Platform (MIP) to provide these contractors with:
• Mapping tools to produce and maintain digital
  flood hazard data and maps
• Program management tools to monitor and control
  map development

• Access to flood hazard data and maps via
  the Internet
• A state-of-the-art, secure, scalable and
  reliable infrastructure

Benefits of innovation
• Gives community planners and local officials a
  better understanding of flood hazards and risks
  to their community
• Provides detailed information to builders and
  developers for making decisions on where to build
  and how construction can affect flood zones
• Offers one-stop access to flood map updates
  for insurance agents, companies and
  lending institutions
• Helps home and business owners to make more
  informed decisions about their current flood risks

IBM is proud to host FEMA's portal (https://hazards.fema.gov), providing the public with fast, easy access to information online on disasters and hazards, including floods.

FEMA: Stemming the tide of disaster with better information.

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National Geospatial Intelligence Agency (NGA):
Bringing new resources to disaster relief

United States Intelligence agency traditionally responsible for combat support, leverages its geospatial imagery to provide disaster relief to millions, implementing a 24x7, real-time, imaging delivery system, allowing rescue workers and officials to better plan and execute recovery strategies

Challenge

In addition to supporting national security through satellite imagery intelligence, NGA plays a critical role in disaster and humanitarian relief efforts. The Agency provides real-time imagery to many stakeholders (e.g., U.S. national policy makers, military forces, state and local governments, disaster relief agencies). With the rise of low-cost, widely accessible Web-based technologies, NGA looked to broaden its mandate by providing commercial imagery to new customers via the Internet (e.g., commercial sectors, U.S. citizens).

Solution

NGA launched a Web portal solution, called NGA-Earth. NGA-Earth represents an innovation in NGA's business model by providing unclassified, low-cost imagery quickly to rescue workers and the public. The Portal had its first major test in the aftermath of Hurricane Katrina. It was the first time geospatial data and imagery were widely available to the public during a natural disaster.

In fact, the demands on the NGA-Earth Portal post-Katrina were so immense and immediate, NGA quickly moved to an IBM Web-hosted environment to provide a more robust and on demand infrastructure.

This solution can readily accommodate the security, scalability and dynamic imagery capabilities needed to respond to unpredictable catastrophic events. NGA has since leveraged this solution for Hurricanes Rita and Wilma, as well as the Pakistan Earthquake, the U.S. Super Bowl and the 2006 Winter Olympics.

Benefits of innovation

• Saves time by enabling those involved with rescue efforts to determine which roadways are usable prior to committing to any particular route
• Allows private companies like utilities to view the condition of their infrastructure over hundreds of square miles prior to sending anyone into the field, enabling a faster assessment of priorities and better coordination of recovery efforts
• Enables displaced home owners to view their homes and neighborhoods over the Web instead of trying to visit in person, reducing the load on the surviving infrastructure, including gas, food and hotels, and enabling police and rescue workers to focus on those who most urgently need help

NGA: Harnessing technology to help people recover from unprecedented disasters.

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Department for Environment, Food and Rural Affairs: Changing the face of farming

Web portal solution is taking the paperwork out of farming – and helping farmers save time, stay informed and learn about best practices

Challenge

Like all government departments, the United Kingdom's (UK) Department for Environment, Food and Rural Affairs (DEFRA) is under constant pressure to improve service quality and cut costs by increasing its efficiency. With this in mind, DEFRA chose IBM to help develop and implement a seven-year IT renewal and transformation program. One of the first initiatives was to create an online service for farmers and growers to address three main goals:
• Improve customer service to the farming community
• Provide farmers with quality, timely information
• Give farmers the opportunity to learn about best practices and benchmark the performance of their business

Solution

Working in partnership with core DEFRA, DEFRA agencies and public bodies, IBM developed the strategic vision for a new service: the Whole Farm Approach (WFA). The WFA service currently comprises two main elements:
• *The Web portal*: This is the channel through which the UK's 150,000 farms can register to participate in WFA. It provides a series of tools such as business benchmarking and useful links to relevant Web sites.

Before going live, a program of pilots and consultation activities with farmers in different regions ensured that the portal reflected their requirements and interests. For example, farmers can now apply for waste exemption licenses and can complete their annual agricultural survey online. More online services will follow.

"The WFA is expected to save the farming industry an estimated £16.5 million per year by 2008 thanks to reduced administration and operational efficiencies."

- *The appraisal*: This electronic self-assessment questionnaire seeks information on farmers' current activities and on some of the wider aspects of farming, such as health and safety.

IBM also put in place a balanced scorecard to measure key indicators of success and track the delivery of business case benefits. By continually listening to farmers' needs, the WFA team can assess new requirements and plan enhancements to the program.

Benefits of innovation

- Keeps farmers better informed about how to comply with legislation, and helps them evaluate the strengths and weaknesses of their businesses more easily
- Will reduce time that farmers spend filing forms by an estimated 15 percent
- Is expected to deliver a net present value of £93 million over ten years
- Will save the farming industry an estimated £16.5 million per year by 2008 thanks to reduced administration and operational efficiencies

DEFRA: A whole new approach to farming.

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Federal Emergency Management Agency (FEMA): Updating flood maps quickly and accurately

FEMA implements Flood Map Modernization (Map Mod) to update the Nation's flood maps efficiently by providing mapping contractors with the tools to create digital flood maps and update flood information

Challenge

Working with U.S. flood maps that were out of date, FEMA could no longer accurately gauge flood risk in many areas. As a result, many properties in danger of flooding were not insured because their owners did not recognize the risk. FEMA knew it needed to update the country's flood maps, but its prior mapping process was neither digital nor automated. If FEMA went ahead with its existing processes, the updating effort would require decades of work. Instead, FEMA looked for a way to automate the full lifecycle mapping process to create digital flood maps.

Solution

To launch Map Mod, FEMA engaged a highly decentralized team of independent mapping contractors, giving them the tools and associated training they need online. FEMA uses its Mapping Information Platform (MIP) to provide these contractors with:
• Mapping tools to produce and maintain digital flood hazard data and maps
• Program management tools to monitor and control map development

• Access to flood hazard data and maps via the Internet
• A state-of-the-art, secure, scalable and reliable infrastructure

Benefits of innovation
• Gives community planners and local officials a better understanding of flood hazards and risks to their community
• Provides detailed information to builders and developers for making decisions on where to build and how construction can affect flood zones
• Offers one-stop access to flood map updates for insurance agents, companies and lending institutions
• Helps home and business owners to make more informed decisions about their current flood risks

IBM is proud to host FEMA's portal (https://hazards.fema.gov), providing the public with fast, easy access to information online on disasters and hazards, including floods.

FEMA: Stemming the tide of disaster with better information.

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Benefits of innovation

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NGA: Harnessing technology to help people recover from unprecedented disasters.

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National Nuclear Security Administration Advanced Simulation and Computing: Transforming the role of supercomputers

United States defense program laboratory develops the world's most powerful supercomputer to ensure the safety of current nuclear weapons

Challenge

The Advanced Simulation and Computing (ASC) Program is a coordinated effort led by the U.S. Department of Energy's National Nuclear Security Administration (DOE/NNSA) and carried out by the three defense program laboratories: Lawrence Livermore, Los Alamos and Sandia. ASC's mission: to develop high-performance computing capabilities needed to ensure the safety, security and reliability of the United States' nuclear deterrent without nuclear testing.

This initiative has resulted in a transformation in the role of supercomputers in scientific discovery. The ASC program at Lawrence Livermore National Laboratory (LLNL), in partnership with IBM, has played a leading role in this transformation.

Solution

Through the ASC program, LLNL and IBM have brought the 100-teraflop ASC Purple and the 360-teraflop IBM Blue Gene®/L (BGL) systems into production. These systems are managed as shared resources for use by code developers, designers and analysts at all three labs.

ASC Purple and BGL represent the first and third most powerful capabilities in scientific computing today, and are suited to perform distinctly different but complementary scientific tasks. Because of its unique design, BGL lends itself to tackling materials science calculations – such as what happens to nuclear materials when they age. BGL complements and supports the massive numerical simulations of nuclear weapons performance conducted on ASC Purple.

Benefits of innovation

- Enabled the DOE/NNSA to change from validating the nation's nuclear deterrent by exploding nuclear devices in the Nevada desert to ensuring the performance and safety of weapons through simulation combined with surrogate experiments
- The IBM Blue Gene system, first developed through the ASC program, has raised the bar for high-performance computing and is now being used for scientific research at centers throughout the United States, Europe and other parts of the world.

LLNL: Nuclear security and safety without nuclear testing.

Photo courtesy of LLNL

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United States Coast Guard (USCG): Creating a culture of innovation

One of the United States five Armed Services, the Coast Guard measurably improves
its team effectiveness through a formal innovation program

Challenge

The USCG's mission is to protect the public, the
environment and U.S. economic interests – in the
nation's ports and waterways, along the coast, on
international waters, or in any maritime region. While
the organization has always valued new ideas, in
the late 1990s its senior command team recognized
it could do more to tap into the creativity of its people
across the Coast Guard. Many of the best ideas
started right on the ship deck, but didn't always
make their way up the chain of command, into exe-
cution. How could USCG foster innovation across
the Coast Guard?

Solution

USCG launched a formal innovation program, one
of the first ever in the U.S. Public Sector. Spearheaded
by an Innovation Council, its goal is to encourage
and facilitate the adoption of new ways to enhance
Coast Guard operations and best practices. It does
this through a variety of means, including:
• Maintaining awareness across the USCG of the
  importance of innovation and advertising successful
  implementation of ideas

• Monitoring best practices within and outside
  the USCG and identifying those that may be
  applicable across the USCG
• Receiving and reviewing ideas submitted by
  USCG employees and commands and deter-
  mining if they have merit as an innovative idea
  or best practice
• Forwarding those ideas that have potential
  applicability to the appropriate organiza-
  tional entities for further review, research
  and recommendation
• Prioritizing and submitting approved ideas to
  the Senior Management Board for approval of
  resource allocation and implementation.

A highlight of the program is the annual USCG
Innovation Expo. At this three-day event, USCG
organizations, other government agencies, and
industry participants such as IBM gather to share
and demonstrate innovative ideas in support of
specific USCG challenges. Awards, which may
include budgetary "innovation funds," are presen-
ted to innovative organizations, projects and ideas.

Photo courtesy of USCG

ibm.com/government/innovation

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"We're developing
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– *Captain Chaz Johnson,
Deputy CIO*

"We're developing a culture in the Coast Guard
of people who are thinking outside the box
and looking for ways to make improvements,"
says Captain Chaz Johnson, Deputy CIO.

Benefits of innovation

Through strong senior leadership support, the USCG's
innovation program is helping to change the way the
Coast Guard fulfills its mission. "We are able to more
efficiently deliver on our value proposition to the nation
by being more mobile, flexible and less regionally cen-
tered for national incidents," says Captain Charles
Ray, Chief, Office of Performance Management
and Decision Support. Specific examples include:
• Re-engineered the tools and processes Coast
  Guard crews use when boarding vessels, enabling
  real-time data capture, improving officer safety
  and eliminating an estimated two hours of paper-
  work per boarding

• Implemented an integrated intranet portal to
  speed delivery of information across the USCG,
  enabling faster Coast Guard response to
  emergency situations

USCG: Connecting bright ideas with bright people.

IBM would like to thank all of the referenced Public Sector institutions for their innovative work and for their insight and leadership to initiate these projects. We are grateful for their participation in this report and their willingness to share their ideas and successes with others.

For more information

IBM is ready to bring together an unmatched range of resources to help governments, educational institutions and healthcare enterprises transform themselves and meet the complex demands of their many constituencies through innovation. For more information, contact your IBM representative, or visit:

ibm.com/education/innovation
ibm.com/government/innovation
ibm.com/healthcare/innovation

IBM

Market-based Government
Through Innovation

How public sector leaders are improving collaboration
and focusing on citizens

IBM

Market-based Government Through Innovation

How public sector leaders are improving collaboration and focusing on citizens

"Now … our agency is at the point in development where we have achieved savings by doing things better. We want to do better things."
– Public sector respondent, Global CEO study 2006

Introduction

Historically, the private sector has been more frequently heralded for valuing innovation than the public sector. Yet, results of the Global CEO Study 2006 underscored many similarities between the private and public sectors when it comes to acknowledging the importance of being innovative. However, the Global CEO Study revealed a stark contrast between how the public and private sectors collaborate with others in search of the new ideas that can lead to innovation.

Findings demonstrate that governments and agencies around the world are increasingly reaching outside to accomplish their missions more effectively and efficiently than in the past. But overall, private companies have done a much better job at engaging with their customers. Successful companies have long aimed to be "market-based" by soliciting and responding to the "voice of the customer." Customer centricity is a key step toward the long-established private sector goal of becoming market-based. Today, that same goal of becoming market-based (or citizen-centered) can help leaders in the public sector as well.

The public sector recognizes the trend toward greater customer involvement, but action is needed to become more market-based. Agencies will need to turn to stake-holders more often: to improve the quality of services; to increase customer satisfaction; and to meet the demands of an ever-changing landscape and citizen sophistication.

Virtually everyone expects continued organizational change. Of public sector leaders, 75 percent reported that they anticipate a *moderate to extensive* level of fundamental organizational change over the next two years. Unfortunately, when rating their past success in managing such change, results were very similar to the total group of CEO study respondents: just 54 percent of public sector respondents acknowledge being *successful*, with 20 percent citing *no success* and 26 percent only *moderate success*.

How can leaders in government, healthcare and education handle better the inevitable future changes? In what ways can they increase their focus on improving their operations to increase capabilities? How can collaboration, both internally and externally, be improved in systematic, yet perhaps unconventional ways to strengthen communication and partici-pation among government groups, citizens and other stakeholders? In an environment that is admittedly constrained by funding and people-related obstacles, how can leaders integrate business and technology to improve performance and effectiveness and drive future innovation across all domains?

The Global CEO Study 2006

As part of our Global CEO Study, we conducted in-depth, consultative interviews with 765 CEOs, business executives and public sector leaders from around the world.[1] Through these discussions, we explored CEOs' current views on innovation – what was on their innovation agendas, where their innovative energies were focused, and what they were doing to enable innovation. The survey population included leaders of companies both large and small, some public and some privately held. Our sample comprised a broad cross-section of CEOs and public sector leaders, spanning 11 geographic regions and 20 different industries.

As part of this worldwide study, we interviewed 106 public sector leaders, 61 percent representing government entities, 32 percent in healthcare and 7 percent in education organizations. The geographic representation included: Europe/European Union (37 percent), Asia Pacific (33 percent) and U.S./Canada (30 percent).

Overview of the current public sector environment

"Being a public sector [organization], there are issues associated with employee inertia and even government regulation. Although these have not prevented [us] from innovating, they do require dedicated and ongoing efforts to overcome…"
– Public sector respondent, Global CEO Study 2006

Over the past several years, the public sector's processes, technologies and people skills have not been sufficient to meet the challenges facing its constituents. Many of these challenges have had high public visibility, such as border management across the European Union, the U.S. federal and local govern-ments' responses to Hurricane Katrina and the need for U.S. states to provide uniform education against a set of minimum standards. These and many other challenges are forcing agencies to look for innovative solutions.

Innovation in the public sector can take many forms. The Global CEO Study defines innovation in three broad categories: *products and services, business model* and *operational*. Due to the inherent differ-ences between the private and public sectors, slightly different definitions of these three types of innovation can apply to each (see Figure 1).

Despite these basic differences in defining and applying innovation, in most cases public sector responses to the Global CEO Study were surprisingly similar to those of their commercial counterparts. Both groups understand that innovation in products and services is still necessary, but also see that equal energy is needed to improve business models and operational efficiency.

Figure 1. A public sector perspective on the three innovation categories

	Basic definition	Definition modified for public sector
Products and services innovation	Innovation applied to products or services or "go-to-market" activities.	Innovation applied to new programs or services or citizen-facing activities.
Business model innovation	Innovation in the structure and/or financial model of the business.	Innovation in the structure and/or financial model of agencies or organizations that provide programs, service delivery or support operations (Typically, can have broad political implications).
Operational innovation	Innovation that improves the effectiveness and efficiency of core processes and functions.	Innovation that improves effectiveness and efficiency at tactical or core process/function level (Typically a targeted or point solution).

Source: IBM analysis.

To help citizens identify and access government services available to individuals, the national government of Canada changed its business model. Service Canada is a "one-stop" integrated, multi-channel service center for a broad range of federal programs and services. Services can be accessed through more than 300 offices throughout Canada, by phone or through the Web.

The New York City Police Department (NYPD) sought to solve and prevent crimes by decreasing the time it takes detectives and investigators to obtain and analyze billions of records. In an example of operational innovation, the NYPD used powerful data mining technology that helped create the Real Time Crime Center. It provides investigators in the field with information about crime scenes, potential suspects, satellite images, sophisticated city maps and other crime-fighting resources within minutes.

One might expect technology to be a major obstacle in improving business models and capabilities, yet technology itself was not considered a significant obstacle to innovation by the public sector. In fact, three of the four least-mentioned obstacles involve technology (see Figure 2). Above all, public sector organizations named *limited funding for investment*

(40 percent), followed by *government and other legal restrictions* (35 percent). People-related issues rounded out the top four obstacles, including *unsupportive culture and climate* (31 percent) and *workforce issues arising internally* (such as, leadership and culture) (24 percent).

These findings indicate that government hurdles to innovation – and the improved collaboration that supports innovation – require attention to areas other than technology. The public sector must address many hurdles. But, it cannot overlook those obstacles within its control that appear near the top of this list, such as developing a supportive work climate and addressing internal workforce issues.
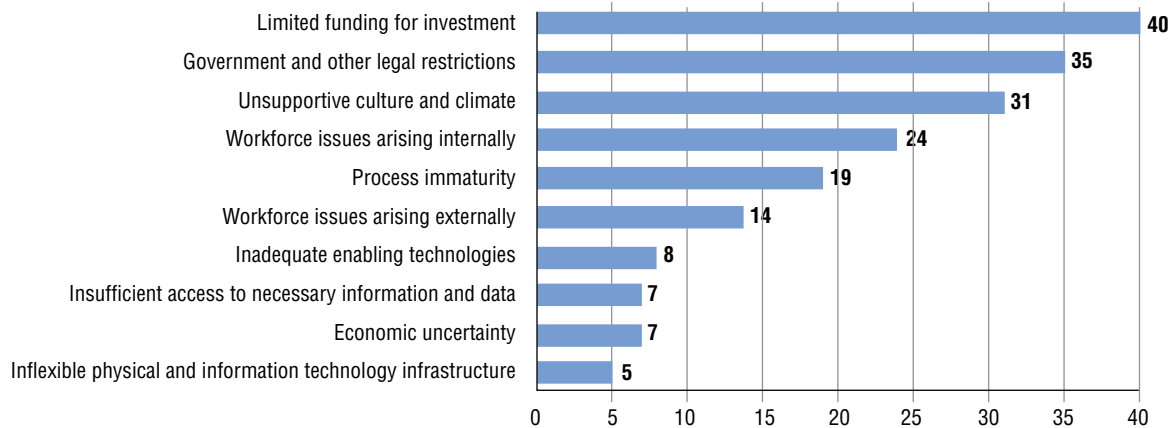
In fact, U.S. agencies are even making progress in addressing perceived legal restrictions. As described in a recent IBM Center for The Business of Government report, "Six Trends Transforming Government," when several agencies faced pressure to achieve high performance in a more results-oriented federal government, they were granted special human resource management (HRM) flexibilities.[2]

Figure 2. Top obstacles to innovation.
(Percent Public Sector respondents)

Obstacle	Value
Limited funding for investment	40
Government and other legal restrictions	35
Unsupportive culture and climate	31
Workforce issues arising internally	24
Process immaturity	19
Workforce issues arising externally	14
Inadequate enabling technologies	8
Insufficient access to necessary information and data	7
Economic uncertainty	7
Inflexible physical and information technology infrastructure	5

Source: The Global CEO Study 2006.

Taking advantage of these personnel flexibilities allowed managers to use performance management more effectively; provide competition, choice and incentives; operate as an on demand business; engage citizens; and use networks and partnerships.[3]

Based on the Global CEO Study and the "Six Trends Transforming Government" report, we believe that substantial opportunities await the public sector. Suggested areas of focus include finding ways to *enhance capabilities and business models; increase the scope and depth of collaboration;* and *better integrate business and technology*.

Enhance existing capabilities and business models

"We must develop the right business model for our organization, develop the most effective ways of delivering these services, and manage risk. Innovation and risk-taking are fundamental."
– Public sector respondent, Global CEO Study 2006

Public sector organizations are focusing on improving services, outcomes and performance; however, they face a variety of pressures that require them to improve business models and operational efficiencies. Over the next two years, innovative approaches will be vital due to numerous external pressures (see Figure 3). For example, half of the public sector respondents cited access to *people skills* as a looming challenge precipitated by an aging population that will soon leave the workforce at record rates. After the loss of human capital, the next two most frequently mentioned causes of fundamental change were *technology* (46 percent) and *regulations* (39 percent).

Innovation does not just happen. It comes from ideas and the application of tools that realize these ideas. Ideas come from people and knowledge, and tools can be provided by technology. By addressing the people skills and the potential drain of knowledge caused by a maturing workforce, the public sector can stimulate more new ideas and innovate through the application of technology against these ideas.

Figure 3. Most important external forces.
(Percent Public Sector respondents)

Category	Value
People skills	50
Technology factors	46
Regulatory	39
Market factors	31
Macroeconomic factors	26
Globalization	23
Geopolitical factors	20
Others	13
Environmental issues	12

Source: The Global CEO Study 2006.
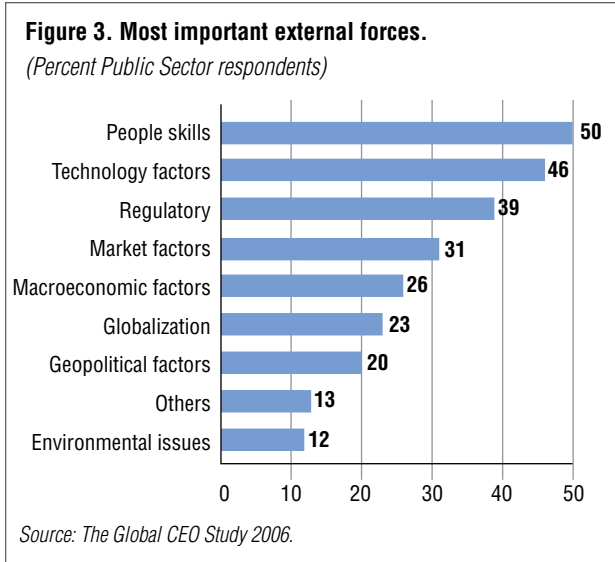
These innovations can be in many areas, but usually those that impact the fundamental premise of the organization, or business model, will carry the largest impact.

When evaluating the relative importance of different types of innovation, the responses of public sector leaders closely mapped to those of the total group of Global CEO Study respondents (see Figure 4). The similarity of the results between public and commercial sectors illustrates that, across all industries, there is growing focus on innovation beyond the traditional products and services perspective.

Figure 4. Innovation area of most importance.
(Percent)

■ 106 Public Sector respondents
□ 765 total respondents

Category	Public Sector	Total
Products/services/markets	46	42
Business models	29	28
Operations	25	30

Source: The Global CEO Study 2006.
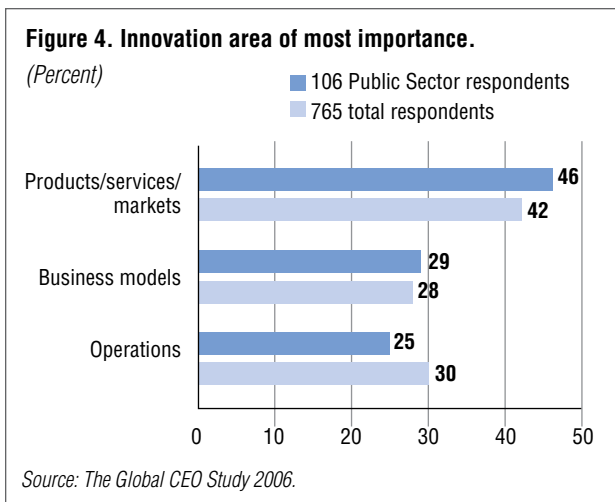
During the Global CEO Study, public sector leaders frequently described their organizations in terms of the services they provided. Like their commercial counterparts, much of their innovative energy is focused there. But, with budgetary pressures forcing leaders to do more with less, public sector leaders are now giving business model innovation as much emphasis as products and services innovation. Many of these efforts within government are being implemented under the umbrella of "business transformation," such as the large Business Management Modernization Program (BMMP) at the U.S. Department of Defense and the National Health Service (NHS) in the UK.

The BMMP was replaced in October 2005 by the U.S. Deputy Secretary of Defense, with the establishment of the Defense Business Transformation Agency (BTA). Its mission is to transform business operations to achieve improved warfighter support, while enabling financial accountability across the Department of Defense (DoD). The BTA is specifically responsible as a corporate-level service organization for the DoD, accountable for successful definition and execution of DoD-wide business improvement initiatives and system investments.

In the UK, the NHS is an example of a government-funded healthcare system transforming itself. Constrained by a lack of public financing, for example, it has established partnerships with the private sector to provide surgical procedures via mobile operating units and strategically placed clinics.

Steps toward enhancing existing capabilities and business models

Think broadly, act personally and manage the innovation mix. Create and manage a broad array of innovation that emphasizes service model changes. Challenge your service model to be deeply different. Find ways to change substantially the way you add value.

• Are you sufficiently challenging the way your agency conducts its business?

- How can you better measure your agency's performance in achieving objectives?

- What are your plans to start handling skills transfer today, as record numbers of people retire from the public sector?

- In what ways can your agency adapt to existing regulatory constraints to try innovative approaches?
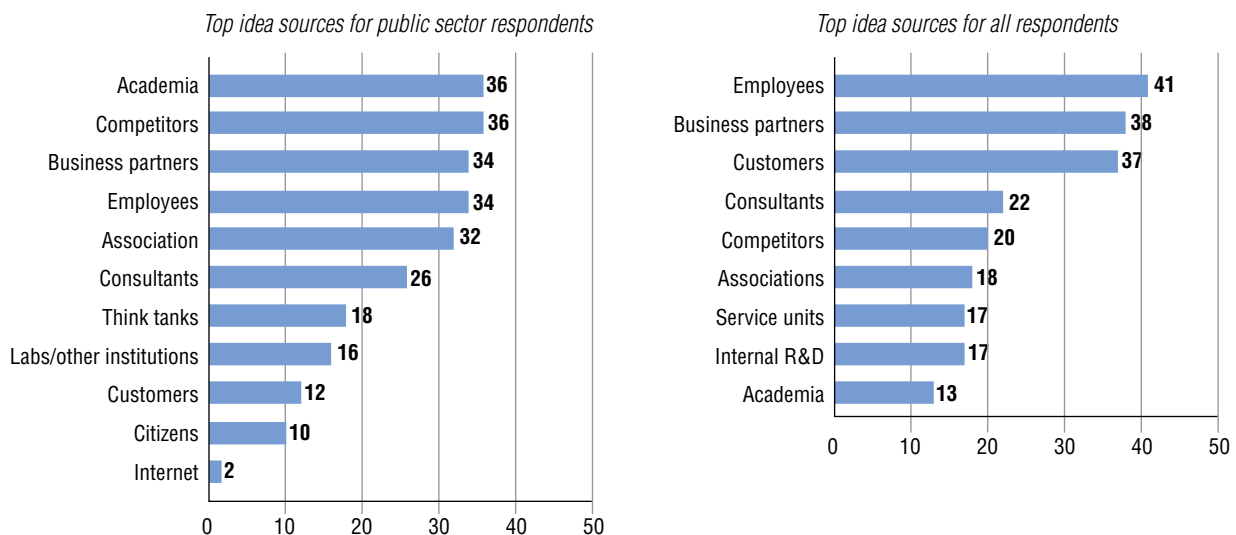
Increase the depth and scope of collaboration

"[We] need to reduce competition between government agencies and introduce [a] culture of sharing to give better overall service to citizens."
– Public sector respondent, Global CEO Study 2006

Another way to meet the challenges ahead is by deepening the commitment to both internal and external collaboration, especially with citizens and other constituents. In fact, public sector respondents ranked *customers* and *citizens* near the bottom of the list of its sources of new ideas, cited by just 12 percent and 10 percent of public sector respondents, respectively (see the left side of Figure 5). This was far behind other sources, including *academia* and *competitors, business partners* and *employees*, each named by more than one-third of public sector respondents.

In striking contrast, 37 percent of all Global CEO Study respondents (see the right side of Figure 5) listed *customers* as a top source of new ideas, close behind *employees* (41 percent) and *business partners* (38 percent).

Figure 5. Internal and external sources for new idea generation, public sector compared to all respondents.
(Percent respondents)

Top idea sources for public sector respondents

Source	Percent
Academia	36
Competitors	36
Business partners	34
Employees	34
Association	32
Consultants	26
Think tanks	18
Labs/other institutions	16
Customers	12
Citizens	10
Internet	2

Top idea sources for all respondents

Source	Percent
Employees	41
Business partners	38
Customers	37
Consultants	22
Competitors	20
Associations	18
Service units	17
Internal R&D	17
Academia	13

Source: The Global CEO Study 2006.

Opportunity lies within the "collaboration gap" – the difference between how many public sector respondents *recognize the importance of collaboration* (90 percent) and how many *are actually collaborating* (64 percent). Governments should determine which activities they need to continue performing on their own – typically, their core competencies – and determine which non-core activities would benefit from expanded forms of collaboration. Working to close this gap within the value chain and across the ecosystem can help public sector organizations improve services, outcomes and performance.

Corroborating the Global CEO Study's findings, "Six Trends Transforming Government" reports that, more and more, governments are using both networks and partnerships to get things done. The report cites two primary reasons for this:

- Citizens increasingly expect government to deliver results – clean air, safe food, healthy children, safe streets.

- The challenges are far more complex than in the past. Terrorist attacks, the SARS outbreak and the potential of a bird flu pandemic are all examples of the increasing complexity of non-routine, yet large-scale, challenges facing the public sector.[4]

These challenges fall outside the boundary of any single government or agency, and cannot be solved through existing service delivery systems in most agencies. As a result, it is crucial to conduct collaborative efforts that reach across agencies, across levels of government, and across the public, nonprofit and private sectors. A vital part of improving collaboration, as indicated by the full set of Global CEO Study respondents, is the involvement of citizens and customers.

Regional collaboration and private-public partnerships: United Nations-Habitat (UN-HABITAT)[5]
In preparation for the third World Urban Forum in June 2006, the government of Canada and UN-HABITAT, the United Nations agency for human settlements, wanted to solicit ideas from individuals and organizations worldwide about solving pressing urban issues.

For 72 hours in December 2005, the Canadian Government, in partnership with UN-HABITAT conducted Habitat JAM, an online global dialogue on urban sustainability. Over 39,000 people from 158 countries engaged to express their views and share ideas. A unique aspect of this dialogue was the fact that it gave a large number of citizens, representing all walks of life, an opportunity to immediately interact with people they typically do not have access to within the government and academia. And, the government and academic experts listened to these voices.

With the ultimate goal of turning ideas into action at the World Urban Forum, the global conversation helped shape the agenda. Topics ranged from improving the lives of people living in slums, access to water and environmental sustainability, to safety and security, finance and governance, and the future of our cities.

Steps toward greater collaboration
Force an outside look in…every time. Push your agency more to work with citizens and customers, making it first systematic and, then, part of your culture. Expand the limits of collaboration. Collaborate on a broad scale to meaningfully promote constituency involvement.

- What expanded role could your customers or citizens play as collaborators and partners in support of innovation?

- How could commercial leading practices improve your collaboration between citizens and your agency?

- In areas where citizens are already demanding greater involvement, can you find ways to measure the benefits of encouraging their participation?

- How do your agency's objectives overlap those of other government agencies? How can you collaborate with each other to limit duplicate efforts and increase efficiency?

Integrate business and technology more cohesively

"[We] need to understand public expectations and see technology as an important enabler."
– Public sector respondent, Global CEO Study 2006

Leaders clearly agree on the importance of integrating business and technology, yet the public sector struggles to close the "integration gap." While 89 percent of public sector respondents acknowledge the importance of business and technology integration, just 46 percent reported integrating to a large extent.

Though they are admittedly struggling to achieve such integration, leaders readily identified many of its potential benefits (see Figure 6).

Along with these and other tangible benefits, business and technology integration can serve as a catalyst for innovation. Better integration sets the stage for organizations to develop new and better ways of doing business – as opposed to merely applying technology to current ways of doing business.
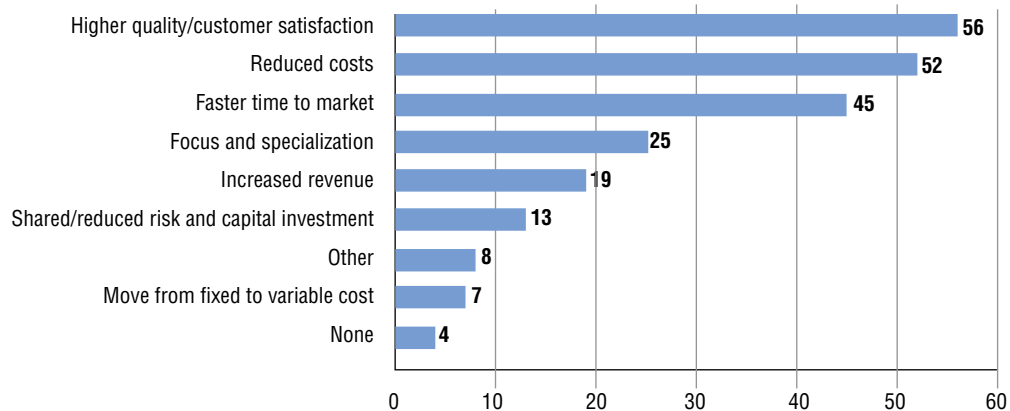
Integrating information systems for better patient care greater efficiency: Servicio Extremeño de Salud (SES)[6]
Two years ago, SES, the regional public organization that manages care for more than 1 million citizens in Extremadura, Spain, initiated a project to transform its information systems to implement more efficient processes for doctors, nurses, administrators and patients – increasing the quality of care and reducing bureaucracy at the lowest cost to the public.

From disparate legacy IT solutions in centers with no interoperability among them, the goal was to create a new information system supporting the continuum of care, managing all patient records and related administrative processes. The solution features a unique, centrally located data repository of medical and administrative data. When fully implemented, it will connect more than 13,000 users. As a result, local doctors at any health center in the region will have realtime access to a patient's complete set of records.

Figure 6. Benefits realized through integration of business and technology.
(Percent Public Sector respondents)

Benefit	Percent
Higher quality/customer satisfaction	56
Reduced costs	52
Faster time to market	45
Focus and specialization	25
Increased revenue	19
Shared/reduced risk and capital investment	13
Other	8
Move from fixed to variable cost	7
None	4

Source: The Global CEO Study 2006.

Challenges

Multiple hurdles face the public sector as it tries to better integrate business and technology. For example, technology turf wars and legacy systems can limit collaboration – programs are often budgeted for and pursued independently. Also, most entities do not leverage process and operational flexibility. Furthermore, the shortage of experienced project managers tends to make business modernization slow.

Steps toward integrating technology more tightly with business

Ignite innovation through operational and technology integration. Use technology as an enabler of innovation, combining it with process and cultural change.

- How are you using technology to improve daily operations?

- Which manual or redundant processes could be streamlined through improved business processes and technology?

- Which areas of your operations are prone to costly errors? How could improved linkage between business operations and technology reduce errors and error-checking?

- Where are there opportunities to change how things are being done to increase efficiency and effectiveness?

- How can you better coordinate business planning with available technology solutions?

Conclusion

Unrelenting change seems certain for the public sector's future. Like its commercial counterparts, leaders in the public sector are embracing the importance of innovation. Many are beginning the transformation into a market-based agency by working to improve both how they collaborate and how they can better listen to the voice of their customers (citizens and other stakeholders).

However, overcoming pressures from external forces and other obstacles to innovation will require substantial changes in how things are currently being done. Three focus areas can help government entities begin to address these challenges: enhance existing organizational capabilities and business models; increase the depth and scope of collaboration; and integrate business and technology more cohesively. By designing and then enabling innovative approaches in these areas, the public sector can achieve higher levels of collaboration and customer focus to deliver higher quality services and increase customer satisfaction.

To find out more about this study or to speak with the Public Sector Leader from your region, please send an e-mail to *GlobalCEOStudy@us.ibm.com*. To register to receive a copy of the complete IBM Global CEO Study 2006, please visit:

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When governments seek future prosperity

Maintaining economic strength and high standards of living

Contents

Executive summary

Without question, public and private organizations have entered an era of social and economic globalization. In global markets, high quality and competitive prices are no longer enough to differentiate among companies, economies and countries. Spurred by the effects of globalization and the needs of citizens, leading nations are embracing innovation for economic prosperity and social programs. Yet, the nature of innovation has changed greatly – requiring new forms of collaboration among governments and citizens, across traditionally separate disciplines, and even beyond country and corporate borders. Nations are learning to create the right set of strategies to attract the innovative people and companies that can boost economic growth and competitiveness, as well as help sustain high standards of living.

However, governments worldwide face an unavoidable "speed bump" on their path to prosperity: the rising cost of social obligations related to aging populations. The demographic shift caused by an aging world population is a global problem with far-reaching consequences. From 2008 on, the economic burden is expected to worsen in most developed countries as higher numbers of the baby-boom generation born between 1946 and 1964 reach retirement age (using an average pension age of 62, those born in 1946 will start retiring in 2008). An often overlooked side effect is the significant corresponding impact of aging on governments themselves, as some nations will retire up to half of their government employees in the coming decade.[1]

Since economic growth and prosperity are necessary to support social programs, this new demographic structure requires an innovative approach. The consequences of not acting quickly are expected to compound over time. The U.S. Congressional Budget Office stated in 2003, "Unless taxation reaches levels that are unprecedented in the United States, current spending policies will probably be financially unsustainable over the next 50 years. An ever-growing burden of federal debt held by the public would have a corrosive and potentially contractionary effect on the economy."[2]

Governments bear the burden of not compromising their nations' future prosperity. But, the good news is that there are options – for those who start now to address looming fiscal challenges. During this short window of time, what can governments do now to balance the impact of changing demographics with realities that threaten future prosperity?

A three-pronged approach is the most likely catalyst to sustaining economic strength – encompassing changes not only within the public sector, but also including a focus on partnering with citizens and corporations: accelerate short-term actions to attain fiscal balance, launch and sustain innovation strategies to enable growth, adopt an outcome-based approach to steer transformation.

Four realities impacting future economic strength

To better understand why prosperity is at risk, government officials and other experts around the world have identified four significant "realities" – not just trends – that governments face today:
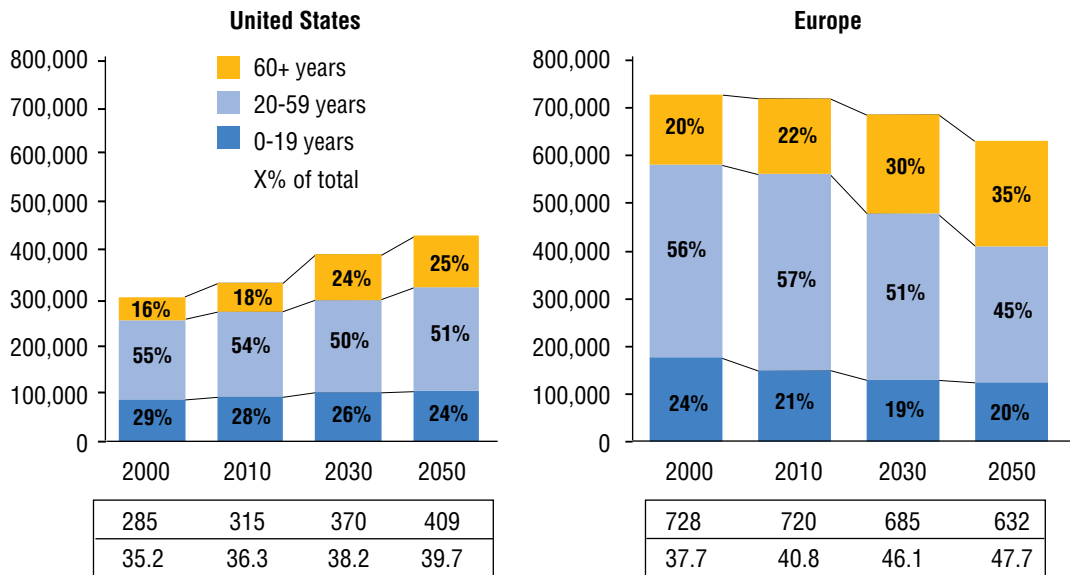
- Increasing social commitments
- Inability to raise sufficient revenue
- Variable and competing funding priorities
- Rising globalization.

Increasing social commitments

In order to pursue a successful innovation strategy, experts say governments must address the cost and value of social obligations. Unless they make changes, it is generally accepted that governments will not be able to afford to meet today's social commitments tomorrow. Since 2000, declining birth rates, combined with an increased life expectancy, continue to compound the aging of populations across most of the 30 Organisation for Economic Co-operation and Development (OECD)[4] nations (see Figure 1 for a view of the trends in the U.S. and Europe). By 2010, countries will reach a tipping point where the burden of social commitments exceeds revenues. Significant rates of retirement will continue intensively until at least 2050 – leaving governments no choice except to face this challenge head-on.

Figure 1. U.S. and European population trends, 2000 to 2050.

| Total population (millions) | 285 | 315 | 370 | 409 | 728 | 720 | 685 | 632 |
| Median age (years) | 35.2 | 36.3 | 38.2 | 39.7 | 37.7 | 40.8 | 46.1 | 47.7 |

Note: "Europe" is comprised of 47 countries encompassing Northern, Southern, Eastern and Western Europe.
Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2002 Revision and World Urbanization Prospects.

Furthermore, this trend is building even in China and India, although in a later time frame than Europe and North America. Consequently, the effects of government policies established today, in combination with current demographic patterns, will be felt by the world population out to 2050, largely determining the quality of life over the next half-century.

Since aging populations are affecting countries worldwide, governments could find themselves pitted against each other as they try to attract more young people (taxpayers) and use technology to fortify their economies. As fewer workers are available to support retirees, aging populations will lead to a heavy "dependency burden" (see Figure 2). As the figure shows, Europe faces an added challenge because its total population is expected to decline as the average age continues to rise.

Figure 2. Dependency ratios, 2000 to 2050: The number of dependents per 100 persons of working age.
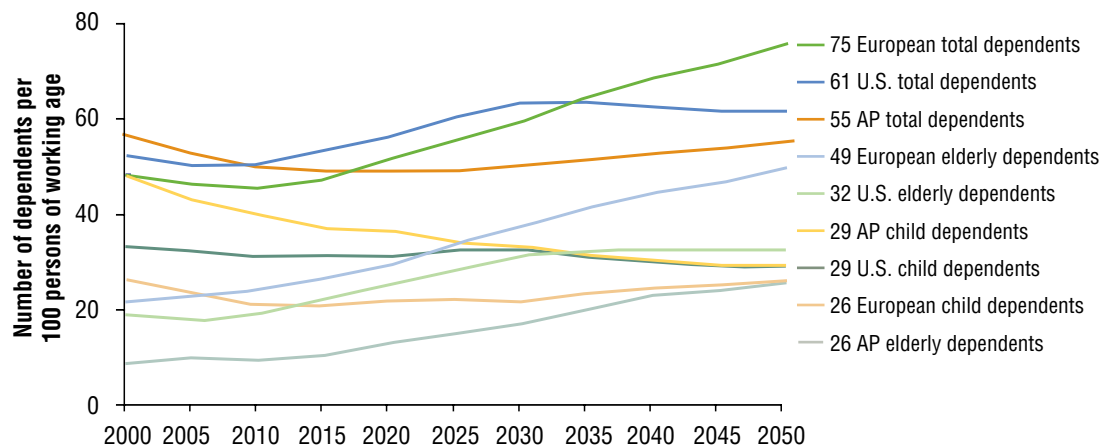

Note: "Europe" is comprised of 47 countries encompassing Northern, Southern, Eastern and Western Europe.
Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2002 Revision and World Urbanization Prospects.

The aging population creates the strong likelihood of a "mass retirement" from the public sector, and the resulting need to capture critical knowledge before it walks out the door with experienced retirees. Without proactive measures in place, valuable, hard-won insights will evaporate, such as information about specific government processes and other tacit expertise regarding how particular government institutions operate. In France, for example, it is estimated that within the next 10 years, 50 percent of the public workforce will be eligible for retirement.[5] According to the U.S. Office of
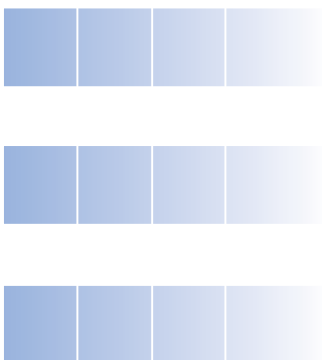
Personnel Management, the length of eligibility (LOE) measurement – how many years retirement-eligible government employees remain in the workplace – fluctuated only slightly since 1991, from 3.3 years to 3.1 in 2001.[6] Statistics like these present many governments with a double challenge:

- How can they retain knowledge within their organizations?
- How can they transform their operating models in order to serve the same amount of customers with a decreasing workforce?

**Managing the impact of aging public sector employees: Queensland, Australia**
In Australia, the Employment Policy Branch of the Queensland Department of Industrial Relations recently launched a program across Queensland Government agencies to assist each agency with implementing strategies that address impacts of the aging workforce. To facilitate knowledge and skills transfer and avoid loss of institutional knowledge and specialized skills, the specific strategies include the introduction of phased retirement, flexible work practices, reduced hours of work and updated leave provisions.[7]

Inability to raise sufficient revenue
Economic growth alone cannot generate the revenue to keep pace with spending commitments. According to the European Policy Center, "The projections indicate that aging populations will lead to an increase in public spending of between 3 and 7 percentage points of GDP in most Member States in coming decades."[8] With countries' GDP growth rates now averaging around 2 percent, the current economic growth would have to triple and in some cases, quadruple its current rate to offset this projected additional spending on social commitments. Historically, governments would have raised taxes to address this problem; however, that option is not feasible in many countries due to tax levels that are already considered high.

Variable and competing funding priorities
Funding for new and existing national priorities and needs will be crowded out as unexpected events impact planned spending in key areas such as military defense and healthcare. Homeland security was estimated to cost governments a total of US$550 billion in 2003 and is now expected to rise to over US$572 billion by 2005.[9] And, during the height of the SARS outbreak, Toronto, Canada lost an estimated US$30 million per day.[10] This kind of contingency spending can choke off funds needed for *infrastructure renewal and replacement* (such as highways, dams, bridges and utilities), *research and development* needed to accelerate economic growth, *education* essential to enable productive employment for the next generation and *enhanced security* (such as law enforcement).
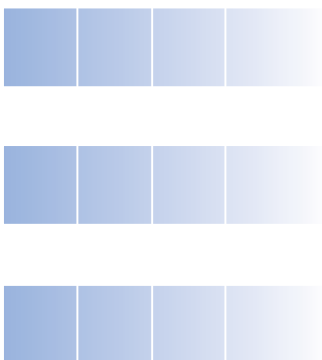
Rising globalization

The mobility of jobs, capital, work and information has caused widespread repercussions. With international competition for jobs, capital, goods and services, globalization is restricting governments from operating independently or acting as a monopoly within their own borders. But, governments can enhance their own competitiveness by offering a technology- and innovation-friendly environment designed to attract and retain businesses.

The cost of an inadequate response

This combination of growing social commitments, revenue shortfalls and competition for funding calls for swift action. If governments do not enact adequate strategies during this current window of opportunity, there are far-reaching implications of age-related spending that could prove unavoidable. Insufficient action is likely to lead to progressively serious crises, including *fiscal unsustainability, loss of national competitiveness* and *a decline in standards of living*.

Fiscal unsustainability is a by-product of governments moving into permanent deficit, unable to fund their rising social commitments. Warning signs are here already, particularly in Europe, where some countries are defaulting on the Growth and Stability Pact rule that budget deficits cannot exceed 3 percent of GDP.[11] In the U.S., political pressure is mounting to address the rapidly increasing national deficit at the same time the public voices its opposition to tax increases.

A *loss of national competitiveness* can occur as funding the deficits requires countries to raise taxes; consequently, funding would have to be cut for prosperity enablers and drivers, such as a national infrastructure and policies that support research and development. When financial resources are faced with uncertainty, they could flee to "safe harbors," thereby increasing the strains on national economies.

Ultimately, if these conditions are unchecked, a *decline in standards of living* is inevitable, accompanied by growing social discontent. The revenues and contributions from those still working cannot support those outside the workforce and the income gap widens as benefits are slashed. With less disposable income overall, more and more people can be expected to slip into poverty. It is plausible that such a scenario could unfold rapidly, causing bitter tension and polarization among societal groups.

"By 2042, the entire system would be exhausted and bankrupt. If steps are not taken to avert that outcome, the only solutions would be dramatically higher taxes, massive new borrowing or sudden and severe cuts in social security benefits or other government programs."
*– President George W. Bush, State of the Union speech, February 2005*
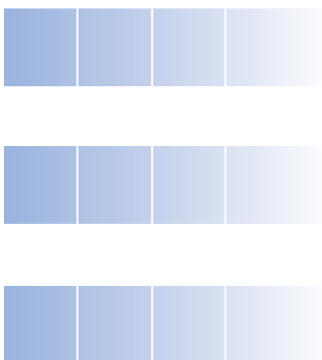
Strategic options for funding and delivering social services

In response to the rising cost of supporting social programs, governments can consider a variety of measures, both fiscal and non-fiscal. This paper describes four fiscal and two non-fiscal methods (see Figure 3). Each method is valuable in different ways and the optimal mix will vary according to a country's unique needs. While many countries are already implementing fiscal options to some degree, we believe higher benefits could be achieved by pursuing a combination of strategies that includes non-fiscal methods as well.

Figure 3. Major categories of fiscal and non-fiscal methods for funding social programs.
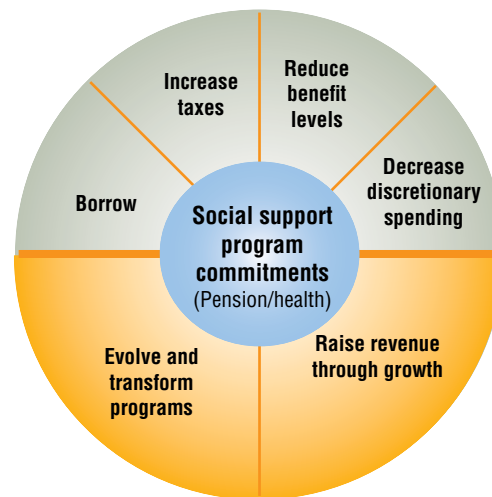
Source: IBM Institute for Business Value.

Fiscal methods include *borrowing funds, increasing taxes, reducing benefit levels* and *decreasing discretionary spending*. Non-fiscal methods include *raising revenue through growth* and *transforming government programs*. The overall feasibility and usefulness of each method is described below.

Borrowing funds – Synonymous with deficit spending, this method essentially transfers costs to the national debt. Doing this shifts the financial problem to future generations and can also lead to higher interest rates. Furthermore, this option may be limited for many countries because national and international commitments constrain budget and debt levels.

Increasing taxes – Currently, tax rates are already high in many countries around the world, with little room for upward movement without seriously impairing national competitiveness. The value of this method is restricted by the age-related decline in the tax base, as well as the likelihood of driving away needed jobs and investment.
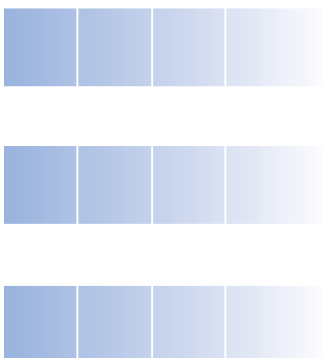
Reducing benefit levels – Governments are already considering this option to address the overriding issue of higher costs due to the aging population. Worldwide, countries are investigating ways to lower benefit levels, such as adjusting the age of eligibility. This method, however, is generally unpopular with the electorate and can diminish people's trust in their government.

Decreasing discretionary spending – Beyond the short term, reducing discretionary spending, can particularly affect investments in education and research and development, as well as divert funds from needed infrastructure maintenance and improvements. Ultimately, this could impact national competitiveness and quality of life in the long term because of decreased investments in areas such as research and development and education.

Raising revenue through growth – This non-fiscal method open to governments is to encourage growth, preferably through innovation. As new companies emerge, the tax base grows, but this method alone will not be able to deliver sufficient revenue to cover the growing cost of social programs.

Transforming programs – Also a non-fiscal option, the transformation of government programs entails fundamentally changing how government does business to get more value from investments. With so many government employees expected to retire in the next decade, this method provides a great opportunity to design new delivery models that can reduce costs and increase efficiency.

A three-pronged approach: Balancing quick results with long-term growth

We believe governments must balance several different types of strategies with a three-pronged approach that simultaneously addresses the need for immediate savings and longer-term economic growth, as well as the need to fundamentally transform how governments conduct business. The three types of strategies are: *accelerating short-term actions to attain fiscal balance*, *launching innovation strategies* and *adopting an outcome-based approach*.

Germany cuts costs without changing policy: Consolidating overlapping programs
In 2005, the German government moved into its fourteenth year of deficit since Reunification. One of its first cross-level initiatives, known as Hartz IV, is an effort to gain a "quick win." Hartz IV began with the dual goal of getting the unemployed back to work and combining two similar benefits - the long-term unemployment benefit (Arbeitslosenhilfe) administered at the federal level and the social benefit (Sozialhilfe) administered at the local level. Using a case manager structure, a consolidated single benefit is now paid.

**One: Accelerate short-term actions to attain fiscal balance**

Governments of many nations have already taken steps to improve fiscal balance, but these efforts need to happen faster. This type of strategy focuses on "quick wins" – usually short-term initiatives that help to relieve immediate budget pressure. These actions need little or no legislative involvement, and give governments the opportunity to continue demonstrating progress in their reforms. While they only address present challenges, the financial returns from these actions can provide economic "breathing room" while more substantial changes are identified and implemented.

Near-term cost reduction strategies improve effectiveness and reduce costs by integrating and streamlining processes that support common functions, such as IT, HR and finance. Shared service centers can offer cross-services – such as HR – for all branches of government. Costs can also be reduced through consolidations: either by consolidating infrastructure (including buildings, networks, hardware and software) or by consolidating government programs.

In the UK, the government used consolidation to *improve efficiency,* following an independent 2004 review by Sir Peter Gershon.[12] Based on his recommendations, the UK established efficiency targets of at least 2.5 percent per year for every governmental department. In another example, the Department of Homeland Security was created from multiple agencies in 2001 to increase the security of the U.S. By doing so, the U.S. improved the effectiveness of defending its homeland.[13]

From a program perspective, execution can be tightened to *optimize productivity and performance.* Back-office functions often present opportunities for structural change. The intent is to simplify administrative processes and implement productivity enhancements. Other strategies to optimize program performance include improving entitlements validation and reducing misspending, as well as integrating financial and performance information to better assess program costs. Through better use of IT, governments can improve productivity associated with entitlements validation; for example, fraud protection applications. At a more basic level, productivity will typically increase when manual processes are supplemented or replaced by automation.

Recalibrating program eligibility and benefits requirements to reflect reality is a more radical – and probably more controversial – option that could include adjusting benefits eligibility criteria, for example, or changing funding rates for covered services. Many existing programs and services were created in a very different economic setting than exists today, when aging demographics was not a factor. It is time to address this concern now, as many governments are starting to do.
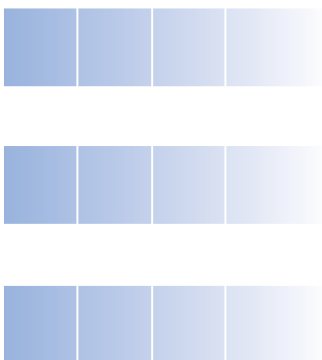
Two: Launch and sustain innovation strategies to enable growth

To gain the economic resources necessary to handle the growing demographic problem, governments have to play an important role in nurturing innovation (see Figure 4). For example, a new framework is needed for intellectual property (IP) protection. When IP protection is too stringent, it can prohibit innovation across nations. Another part of the solution is creating environments that allow for entrepreneurship.

Figure 4. Government's role in creating an environment that nurtures innovation.
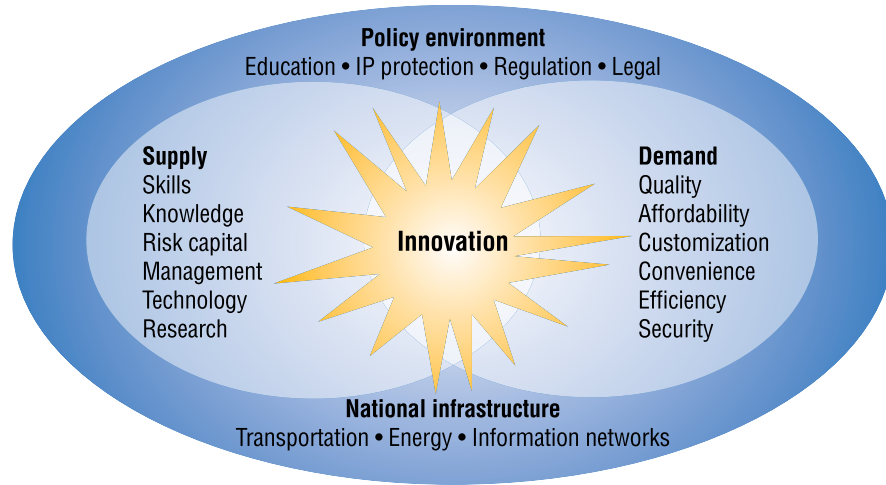
Source: National innovation initiative (U.S.).

Besides developing policies that foster innovation, different social and economic enablers must also be available as needed. Nurturing flexible labor practices encourages economic development and expansion. In addition, governments are responsible for national infrastructures supporting transportation, plentiful and cost-effective energy, and strong information and telecommunications networks.

Furthermore, governments can look for ways to innovate their own operations, perhaps even looking for new ways of partnering with the private sector. Worldwide, the public sector – particularly in more developed economies – is so large that it is not possible for economic growth alone to be the answer. According to a 2003 study of public sector efficiency by the European Central Bank, the total government expenditures of 23 selected OECD countries during the 1990s ranged from 35 percent of GDP (U.S.) to 61 percent of GDP (Sweden).[14] These figures underscore why the upcoming economic challenges cannot be met without action to make the public sector more efficient.
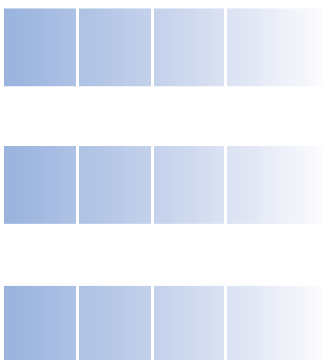
Today, there is a one-time opportunity for governments around the world to start innovation. By 2010, 30 percent of the U.S. Federal workforce, for example, will be eligible to retire and an additional 20 percent could seek early retirement.[15] Even though half of the workforce will not leave at once, this means that agencies must start planning for the workforce of the future. The U.S. government can plan now to revamp its operations so that the impending loss of employees is not detrimental, but actually brings economic benefit. In this case, innovation can help with knowledge transfer and with identifying improvements on a larger scale than quick fixes would typically allow.

Three: Adopt an outcome-based approach to steer transformation
To make the substantial, long-term changes that are necessary, focusing on the desired outcome of government programs is recommended. Outcome-based government has been well-tested by governments facing fiscal crises after traditional methods failed and it can deliver predictable, measurable and meaningful results to constituents. A traditional approach entails *tackling symptoms individually* and *measuring indicators of progress,* while an outcome-based approach *tackles the causes holistically* and moves closer to *measuring results*.

Outcome-based government is a system of governance that requires a top-down approach. Initially, it can present a great challenge to governments but the potential rewards are great. The move toward outcome-based government can begin with any one of a number of actions, including: defining, prioritizing and selecting outcomes desired by constituents; evaluating the strengths and weaknesses of current programs using standardized measures; and describing the outcomes of competing strategies and engage stakeholders to evaluate them.

To understand better what outcome-based government might look like, the traditional approach can be contrasted with focusing on the achievement of one or more specific desired outcomes. An outcome-based approach could be used for various government programs:

- *Combat drug dealing* – Rather than focusing on more arrests of drug dealers, focus on the objective (desired outcome) of eliminating the root causes of drug dealing. To achieve that, governments would work to stabilize and revitalize the neighborhoods where drug dealing is most prevalent. For example, in New York City, the propensity to deal drugs in targeted neighborhoods was met with an initiative that increased police patrols, improved street lighting and had property owners replace broken windows.

- *Measure the value of public education* – Instead of analyzing measures such as cost per student and compliance with curriculum delivery requirements, examine how to develop each child's full potential by determining how to create an optimal learning environment. By examining influences like social background, dietary needs and health, governments can tailor education to the particular needs of children.

- *Increase the number of businesses* – In lieu of emphasizing how to increase the number of business start-ups, concentrate on reducing the failure rate of start-ups by defining an outcome that is linked to raising the survival rate. An effort to reduce the number of failed start-ups involves many stakeholders, including banks, tax agencies and local governments, as well as entrepreneurs who have experienced both success and failure in developing new businesses.

- *Provide social benefits accurately and efficiently* – In contrast with distributing social benefits on a program-by-program basis, governments would instead assess the aggregate needs of an entire household, custom designing programs and services. Striving to meet the customized needs of beneficiaries requires the collaboration of multiple institutions.

Soliciting constituent opinions: A large-scale example from IBM[16]
When it recognized a need to refine and articulate its decades-old list of core company values, IBM Corporation attempted an unusual task: culling opinions from employees at every level and in every geography simultaneously. In July 2003, each of its 300,000-plus employees was invited to brainstorm in real time via the company intranet, using a tool that allowed users to post and categorize their own comments, respond to previous comments and start new topics. An estimated 50,000 employees participated in the 72-hour ValuesJam exercise. Following the live jam, a small team analyzed more than 10,000 comments, distilling them into three new corporate values that were announced companywide in November 2003.

Outcome-based government is fundamentally changing the current operational model of government, and is often long and hard work. To be successful in implementing outcome-based government, the private sector also has a big role to play. For example, governments can use smart procurement models that renew public/private partnerships and/or use outcome-based purchasing. Such models transfer more risks to the private sector and increase innovation in the tendering processes. New types of procurement are essential for governments to fully benefit from the innovation capability at large enterprises (private as well as public), and to create shared responsibilities and rewards on a longer, outcome-oriented basis.
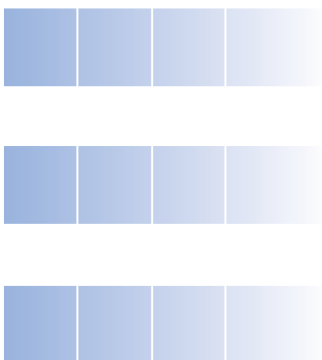
In addition to the responsibilities of private sector companies, citizens will also need to be willing to change their actions regarding the use of infrastructure and services. One way that governments around the world are stimulating this type of change is through new tax policies, such as hybrid tax schemes for reducing traffic congestion. Citizens pay a fixed tax for basic infrastructure and services, while the levy of additional, pay-per-use, tax per mile encourages responsible usage of resources.

Becoming a catalyst for prosperity

Given all the work that needs to be done, both short-term and long-term, how should governments begin work on the transformation? Because quick win strategies are expected to yield the fastest results, all three types of strategies discussed earlier should start now. Answering the following questions (grouped below by strategy type) can help governments determine the best way to get started and identify the most appropriate mix of strategies for their own countries:

Quick wins

- To what extent have you leveraged common support services across your government, such as HR administration, Finance administration, Procurement and IT? Do you have plans in place to use scale economies to deliver these as standardized services with a lower operational cost and higher quality? Which services would provide the quickest returns?

- Do you have a complete view of your current programs – in terms of budget spent versus results obtained – across different government levels that want to achieve similar outcomes (such as job creation). How will you set goals for optimal performance and how will you monitor, measure and improve performance?

- Have you analyzed the costs and benefits (from both financial and policy perspectives) of recalibrating the financial amounts earmarked for benefits and contributions?

Encouraging innovation

- What is your track-record in using innovative approaches to decrease administrative burdens for your constituents and increase the ease of use for interacting with government?

- Are you implementing incentive-based programs to promote innovative thinking within your government workforce and is this aligned with the current career and promotion models?

- How well are students in your country educated in problem-solving skills that would enhance innovation? How well-trained in math, science and technology are your students, compared to those in other countries?

- Is your country's regulatory environment encouraging to businesses that may want to establish a presence?
- Are you allocating enough money toward investments in infrastructure maintenance and replacement?

Outcome-based governments

- What is your ratio of front-office versus back-office employees and what are your plans to move staff from the back to the front?
- Do your agencies or ministries publish annual reports that communicate the desired outcomes and the results achieved to the taxpayers?
- Do you have difficulty resolving the stakeholders' disparate points of view regarding government programs?
- Are your constituents asking for the use of business techniques or processes as part of government operations?
- Can you accurately determine the actual costs associated with specific government services?
- Have you have adapted your procurement models to engage the private sector in large transformations, benefiting to the fullest extent from their innovation capabilities and sharing the risks and rewards together?

Conclusion

The challenges of our aging society will be ongoing. Short-term or half measures cannot suffice. This potential economic crisis calls for innovative leadership with a long-term view – outlasting the time frame of individual government careers – and dedicated to creating a new legacy. In order to implement any social transformation, careful attention must be given to the choice of methods used to implement these; and, in particular to the change management that goes along with it.

Governments must lead the way to enact extensive, fundamental changes that balance the financial impact of evolving demographics with the need to remain globally competitive. Such structural changes are needed to realize continued prosperity for their countries and the generations that follow. However, this huge opportunity should not be perceived as a zero-sum game among countries – in fact, strategies that combine a focus on quick wins, innovation and outcome-based government offer significant potential benefits to various stakeholders. With future economic stability on the line, it is absolutely essential for governments to pick up the pace of reforms, both at the economy level and within the public sector itself.

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National Academy of Public Administration

Established in 1967 and chartered by Congress, the National Academy of Public Administration (NAPA) assists federal, state and local governments to respond effectively to current circumstances and changing conditions. NAPA is a non-profit, independent coalition of top public management and organizational leaders who tackle the nation's most critical and complex challenges. The Academy has a network of more than 600 distinguished Fellows and an experienced professional staff. NAPA is uniquely qualified and trusted across government to provide objective advice and practical solutions based on systematic research and expert analysis.

The Academy's most distinctive feature is its Fellowship, which includes; current and former Cabinet officers, members of Congress, Governors, Mayors, state legislators, diplomats, business executives, local public managers, foundation executives, and scholars. This membership is at the heart of NAPA's studies-from inception through implementation-serving on project panels and guiding other major activities. Individually, Fellows provide unparalleled insight and experience. Collectively, they are the Academy's primary vehicle for addressing emerging issues and contributing to intellectual and popular discourse on issues of governance. Fellows elect new members of the Academy each year. The principal criterion for selection is a sustained contribution to the field of public administration through public service or scholarship.

NAPA has a vision of "Making government work, and work for all." Its mission statement is:

> Through its trusted and experienced leaders, the Academy improves the quality, performance, and accountability of governments in the nation and the world. To this end, the Academy's Congressional Charter calls on it to:

1. Evaluate the structure, administration, operation, and program performance of governments; anticipate, identify, and analyze significant problems; and suggest timely corrective action.

2. Foresee and examine critical issues in governance; and formulate practical approaches to their resolution.

3. Assess the effectiveness, structure, administration, and implications for governance of present or proposed public programs, policies, and processes; and recommend specific changes.

4. Advise on the relationship of federal, state, regional, and local governments; increase public officials', citizens', and scholars' understanding of requirements and opportunities for sound governance and how these can be effectively met.

5. Demonstrate by the conduct of its affairs a commitment to the highest professional standards of ethics and scholarship.

6. Investigate, experiment, and report upon any subject of government whenever called upon by Congress or the federal government.

NATIONAL ACADEMY OF
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THE COLLABORATION PROJECT:
Working Together to Drive Innovation in Government

The daunting challenges that face the nation in the 21st century establish the need for the transformation of government and demand fundamental changes in how federal agencies should meet these challenges.
-- *David M. Walker, Comptroller General & Fellow of the National Academy*

We at the National Academy are convinced that collaborative technology has the potential to transform government in America, to tap into the expertise of people outside the hierarchy of any single agency or department, to make government more transparent, and to open the door to a broader array of experts focused on solving a particular problem or to citizens who want to contribute to making government work better.
-- *Jennifer Dorn, President & CEO, National Academy of Public Administration*

The Promise of Collaboration

The challenges facing government today are unprecedented. What's more, the risks associated with mission failure have never been higher. Yet as public administrators, we've tended to do things in much the same way as we've always done, hoping that through hard work and sheer determination, we will see a different result. But there is also a need for vision.

In the case of technology, that vision lies in the unique convergence right now between the need to do the work of government in a fundamentally different way and our ability to make that happen through collaboration tools that have only recently emerged. But in order to use these tools to effectively drive change, we must get smarter collectively.

The Collaboration Project

That's why we're launching The Collaboration Project, an independent forum of government leaders committed to leveraging collaborative technology to solve complex problems. With the support of dedicated staff and access to the National Academy's distinguished Fellows, subject matter experts, and leadership, the Collaboration Project will convene members in person and via the Project's virtual collaboration space to share best practices, lighthouse cases, white papers and leadership tools for implementation.

Right now is the proving ground for web 2.0 in government, and it is vitally important during this incubation period that we get it right. The National Academy has a long history of looking across government to identify key issues and trends while working with leaders to help navigate and operationalize change. We are convinced that collaborative technology has the potential to transform government in this country, and our goal is to jumpstart the adoption of this big idea into a somewhat alien culture. The benefits will redefine what's possible in government.

The Collaboration Project: A Community of Innovators

We are currently seeking founding members with inspiration, vision and commitment to join us in moving this important initiative forward. For more information, please contact:

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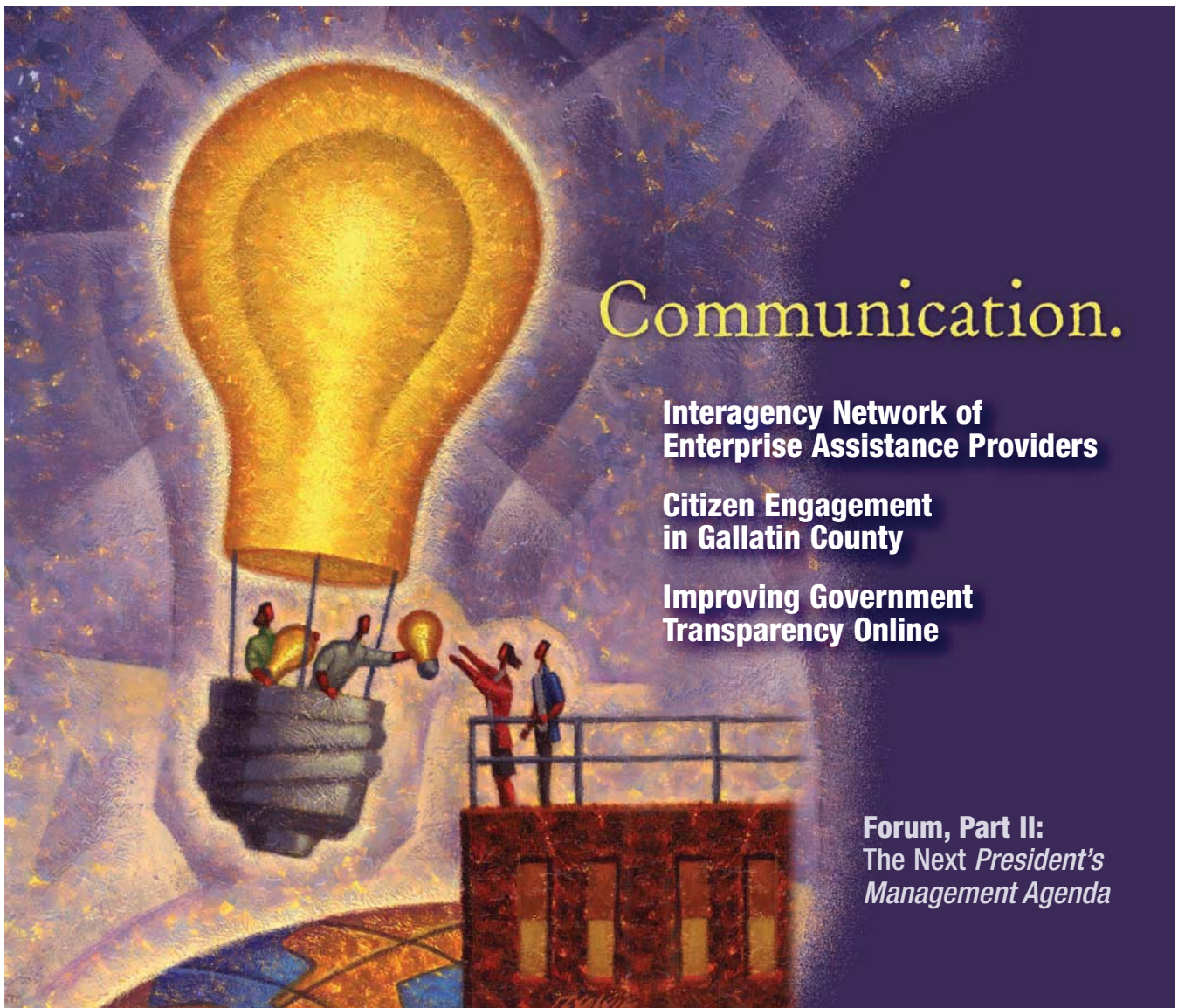
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Virtual Networks

An Opportunity for Government

by Frank DiGiammarino
and Lena Trudeau

The increasing power of computing is enabling a new generation of Web-based applications—Web 2.0—to harness collective intelligence in the public sector.

Today's government relies on a broad network that extends beyond other public-sector entities to include the private sector, nonprofit organizations, community groups, and individual citizens. Government entities need to work effectively across boundaries that impede the collaboration and information sharing required to innovate and change.

"Virtualizing" these networks gives government the opportunity to extend outside its institutions and employ the resources of nongovernmental organizations and the citizenry at large. It also provides government leaders with new ways to reach deeper into their own organizations to leverage the wealth of information and ideas that reside there, stifled by the natural hierarchy of government and the "operating silos" that hierarchy has created.

The key to understanding this new model lies in the increasing power of computing and the way this enables a new generation of Web-based applications—known as Web 2.0, or the interactive Web—to harness collective intelligence. The virtual network is replete with a new lexicon of tools like social bookmarking, wikis, blogs, really simple syndication (RSS) feeds, and the ability to "tag" keywords throughout a document. Yet the power of this phenomenon does not reside in the technology itself, but in its potential as a tool for leaders grappling with industrial-era hierarchies and looking to increase agility, extend reach, and maximize efficiency.

Meeting the Changing Needs of Citizens

The interactive Web is forcing some of government's time-worn institutions to rethink their relationship with their most important client: the public. A good illustration of this kind of reckoning can be found in our municipal library systems, which—in the age of Amazon.com and Barnes and Noble megastores—are under increasing pressure to stay relevant and engaged with the communities they serve.

"The younger generation today is wired differently than people in my generation," said sixty-nine-year-old Harry Courtright, explaining to the *New York Times* last summer why the fifteen-branch library system he oversees in Arizona's Maricopa County jettisoned the once-sacred Dewey decimal system of classifying books in favor of one designed for the majority of users, who come to browse without a particular title in mind.

Courtright and his colleagues are facing fundamental questions of identity. What is a library in the twenty-first century? How does the role of librarian change in light of customer reviews and other peer-to-peer networking opportunities that online bookstores routinely provide? Will the one-third of Americans who count themselves among Generation Y ultimately expect public libraries to work more like Netflix? Will we eventually be a society of on-demand books?

The implications for government, which delivers a wide range of services to an ever more sophisticated public, are immense. Libraries provide just one example of the opportunity virtual networks offer public-sector leaders—faced with expanding mandates, increasingly constrained budgets, and unwieldy organizational structures—to rethink their service delivery model.

Emergence of the Virtual Network

The paradigms that define our current understanding of organizations can be traced back to the 1930s and early public administration scholars like Luther Gulick, who claimed that organizations should departmentalize work by purpose, process, clientele, or place and should not combine dissimilar activities in single agencies. Gulick argued that although most work contains all four elements, systems must organize around only one of these core principles, to the exclusion of the other three. Today's government institutions reflect this thinking, with agencies that provide services and information often managed in vertical silos.

Virtual networks, in contrast, place a premium on breaking down these silos and connecting various audiences across (and within) them for better delivery to the citizen. The "wiki" platform for virtual collaboration takes its name from the Hawaiian word for "fast" and features built-in functionality that allows quick content analysis—users can see the labels that have been applied to content, how content has been edited and reviewed, and the relationships that have formed between various pieces of data. This allows for nearly limitless access and searchability that is shifting the structure of thought from the hierarchical and vertical to the diffuse and horizontal. Particularly in light of Generation Y's increasing role in the federal workforce, government leaders have the responsibility to understand the nature of this evolution and embrace virtual networks as a way to be more efficient while remaining relevant.

"While the government is still buying Rolodexes, the younger generations have 600 friends on Facebook and 250 professional colleagues on LinkedIn," said Steve Ressler, twenty-seven, a cofounder of Young Government Leaders, a professional organization of more than 1,000 younger federal employees from more than thirty departments and agencies. "It's very important for us to see Web 2.0 technologies in the workplace. We are used to working horizontal, are not afraid of authority, and want our ideas heard."

Technology and Leadership

The cause of deploying Web 2.0 in government continues to gain committed champions, and the mounting success stories can be attributed more to leadership than technology. In April 2006, the Office of the Director of National Intelligence (ODNI) created the classified "Intellipedia" wiki site to allow sixteen intelligence agencies to quickly and collaboratively share classified information. Without compromising security, the goal was to transcend traditional silos and gain the agility required to combat loosely connected networks of terrorists and similarly diffuse but urgent threats. The site

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allows frontline agents to post information on any aspect of intelligence along with other agencies in the intelligence community.

This powerful collaborative tool has been put to practical use on several occasions, including the 2006 crash of a small plane into a New York City high-rise. Within two hours, Intellipedia garnered more than eighty updates, enough to determine with confidence that the crash was not a terrorist act. Intellipedia has also been useful in providing up-to-date, peer-driven intelligence on North Korean missile tests, bomb-making by Iraqi insurgents, and instability in Nigeria. In testimony presented to Congress on September 10, 2007—six years after the terrorist attacks of September 11—Director of National Intelligence Admiral Michael McConnell lauded Intellipedia for enabling "experts from different disciplines to pool their knowledge, form virtual teams, and quickly make complete intelligence assessments….The solution does not require special networks or equipment but has dramatically changed our capability to share information in a timely manner."

"It's not complicated technology; it's not expensive," says Assistant Secretary of Homeland Security for the Transportation Security Administration (TSA) Kip Hawley. "The biggest challenge, the biggest learning, is that somebody has to make the decision to just go ahead and do it."

In addition to TSA's classified involvement with Intellipedia, Hawley has overseen the launch of a new blog for the traveling public and an internal IdeaFactory, where TSA's forty-three thousand frontline transportation security officers can confer collectively on job-related issues and ideas. The site empowers employees to share ideas on how to improve the organization across multiple lines; these ideas are available for every employee to see and evaluate. Employees vote for the ideas they like and offer constructive criticism. Within a week of its launch, TSA employees had submitted more than 150 ideas, offered more than 650 comments, and voted on ideas more than 800 times.

The Collaboration Project

Hawley recently discussed these initiatives at the first meeting of The Collaboration Project (see box), the National Academy of Public Administration's newly launched leadership forum that uses research, best practices, and other resources to help apply the benefits of Web 2.0 and collaborative technology in government.

The Collaboration Project

The National Academy is taking the lead on Web 2.0 in government by launching The Collaboration Project—an independent leadership forum to jump-start the cause of collaborative technology to drive innovation and change in government. Designed for leaders looking to overcome the technical, organizational, and cultural barriers involved, the project convenes members in person and through a virtual collaboration space to share best practices, case studies, white papers, and leadership tools for implementation.

"This is a big idea that's being introduced to a somewhat alien culture," said National Academy president and chief executive officer Jenna L. Dorn, "but we are convinced that collaborative technology has the potential to transform government in America, to tap into the expertise of people outside the hierarchy of any single agency or department, to make government more transparent, and to open the door to a broader array of experts focused on solving a particular problem or to citizens who want to contribute to making government work better."

The Collaboration Project kicked off operations with its first in-person meeting in February, drawing a diverse group of key decision makers, including congressional staff, chief information officers (CIOs), chief technology officers, chief financial officers, and other senior leaders from more than a dozen federal agencies, including the Environmental Protection Agency (EPA), Coast Guard, Government Accountability Office, Small Business Administration, and Departments of Homeland Security, Transportation, and Defense.

TSA's Kip Hawley inspired meeting participants with his presentation on the successful Web 2.0 advances at his agency. "It's self-policing," Hawley told the audience, explaining how the various parties collaborate in responsible and inventive ways without the need for excessive oversight by forum monitors. "We've found that the lighter the touch on editing, the better the quality of ideas and the quality of the discussion."

Other kickoff event highlights included the informal networking breaks and enthusiastic audience participation during a facilitated brainstorming session.

More information on The Collaboration Project, including audio highlights of Kip Hawley's presentation, is available at www.CollaborationProject.org.

The National Academy seeks founding members with the inspiration, vision, and commitment to join us in moving this important initiative forward.

Virtual Networks

Although they hold much promise and become more widely used by the day, virtual networks are still in an early stage of development. Individuals are constantly finding new ways to connect with communities, jointly recast their thinking, and develop amazing solutions to complex problems. The National Academy has a few observations:

- The virtual network is not *going* to happen: it *is* happening—and it should not be stopped, but celebrated. It may be one of the best levers available to public administrators as they try to achieve the agility needed to deliver for citizens in these difficult times.

- The virtual network does not replace the physical, but it does have the potential to connect many points within numerous networks. A leader must understand all networks and how to best leverage the virtual network to solve a specific challenge. The various networks depicted by two professors at the University of Arizona, H. Brinton Milward and Keith G. Provan, reveal how a virtual network can tie multiple networks together.

- Virtual networks should be originated to solve a specific challenge. The reward of solving that challenge must exceed the effort of engaging in the virtual network. If not, people will not participate.

- The rules that apply to physical networks should be considered when looking at a virtual network. In this regard, leaders can apply the work of National Academy fellow Edward DeSeve, who suggests in a recent article, "Creating Managed Networks as a Response to Societal Challenges," that leaders looking at networks consider the following:

  » Commitment to achieving results

  » Trust in the information and the efforts of those in the network

  » Governance on rules, membership, and security

  » Access to authority as well as financial, technical, and human resources

  » Leadership to shape and provide guidance to the network

  » Distributive accountability promoting shared responsibility for results

  » Information sharing and privacy protection.

Another Collaboration Project participant, EPA assistant administrator for the Office of Environmental Information and CIO Molly O'Neill, points to a successful project incorporating a variety of information sources into an online "mashup" for a Puget Sound cleanup effort in the Pacific Northwest.

"After thirty-six hours, we actually had more than seventeen thousand page views on the wiki and we had 178 quality, unique contributions," said O'Neill, citing submissions from individuals at the National Aeronautics and Space Administration, the Department of the Interior, environmental scientists, librarians, and a host of others with information and insights to add. "It was fascinating to see all the information that we were able to put together in a short amount of time, and to me, that was demonstrating success."

EPA is a founding member of The Collaboration Project and shares its emphasis on the need to view technology solutions in the context of the business challenge at hand. Successful collaboration requires tight integration of information technology functions into the normal business of an organization, as it often requires fundamental changes in business processes and in culture.

Those responsible for technology must have a seat at the policy table, says Jennifer L. Dorn. "They must know all about your business—your business model and the problems you wrestle with every day—to be more proactive, because we are asking our technology experts to help us find solutions to problems we don't even know we have."

Although collaborative technologies are rarely expensive and comparatively easy to implement, *effective* deployment requires that they be evaluated, acquired, and set up with a deliberate eye toward the issues to be addressed in the virtual network (see box). Because collaborative technologies are a highly flexible medium—many wikis begin as nothing but a white space waiting to be populated by content—they tend to operate on the principle that form follows function. Those responsible for determining the form of collaborative solutions must have an intimate knowledge of the function they will serve.

Navigating the Stakeholder Network

Public administrators are breaking new ground to address the complexities of delivering services to citizens. For several years, the National Academy has been focused on the shift of the U.S. government to a multi-

sector workforce. With a federal workforce of 2 million civil servants managing a contractor workforce of nearly 10.5 million, we are already working in a network. The game has already changed, and public-sector leaders are now faced with the task of writing—or discovering—the new rules.

Thought leaders like William Eggers and Stephen Goldsmith, National Academy fellows and authors of the Brookings Institution book, *Governing by Network: The New Shape of the Public Sector*, examine incorporating the concept of networks into the public sphere, transitioning from centralized control over public programs to facilitating services through an array of nongovernmental entities. This new model is characterized by the web of relationships and partnerships that increasingly defines modern governance.

Milward and Provan have begun to write about three forms of network governance: self-governing networks, lead organization networks, and network administrative organizations. Each of these models has significant implications for government's ability to deliver for the citizen.

In an environment where agility increasingly defines successful mission delivery, leaders in government are looking to the virtual network to connect horizontally and vertically with people and information. The technology is widely accessible, economical, and easy to use, and leaders are discovering that these networks offer opportunities to collect and efficiently analyze unprecedented volumes of information, gain enhanced buy-in for organizational goals and policies, and engage new audiences to produce original solutions to complex problems.

Particularly in light of the insular culture that pervades segments of government, building consensus and buy-in for virtual networks is a critical task. Franz Johansson's book, *The Medici Effect*, emphasizes the importance of including multiple stakeholders from varying fields, disciplines, and cultures to create extraordinary ideas. With the complexity of our challenges and opportunities, government leaders have the responsibility to understand the value of this type of network and tap into it.

After looking at the volume of activity across the country in virtual networks, we have identified four models (Figure 1). The models are built around leaders who are looking to engage managers, frontline workers, outside stakeholder groups, and citizens to drive specific outcomes for their organizations.

Leader to Frontline Workforce

Leaders and managers are reaching down to the frontline of their organizations to connect with and gain insights from the staff on the ground that delivers for the citizen. Intellipedia and the TSA IdeaFactory are examples of agencies that are pushing connectivity to the frontline to drive innovation.

Leader to Stakeholders

Organizations outside government provide the resources and support needed to solve many of government's toughest challenges. Virtual collaboration enhances the ability of communities with shared missions to work together for a common purpose. For example, the Great Lakes wiki—a site that houses stories, information, and resources pertaining to the Great Lakes—relies on the experience and knowledge of a network of citizens, including scientists, hunters, U.S. and Canadian policymakers and agency officials, environmentalists, anglers, lakeside property owners, boaters, business operators, and others who care about the Great Lakes region. The site allows private and nonprofit organizations to collaborate online with government leaders on projects such as the Rouge River revitalization efforts, which led Scott Moore, the Mayor of Birmingham, Michigan, to support improved water quality measures for the Rouge River.

Figure 1. Stakeholder Network
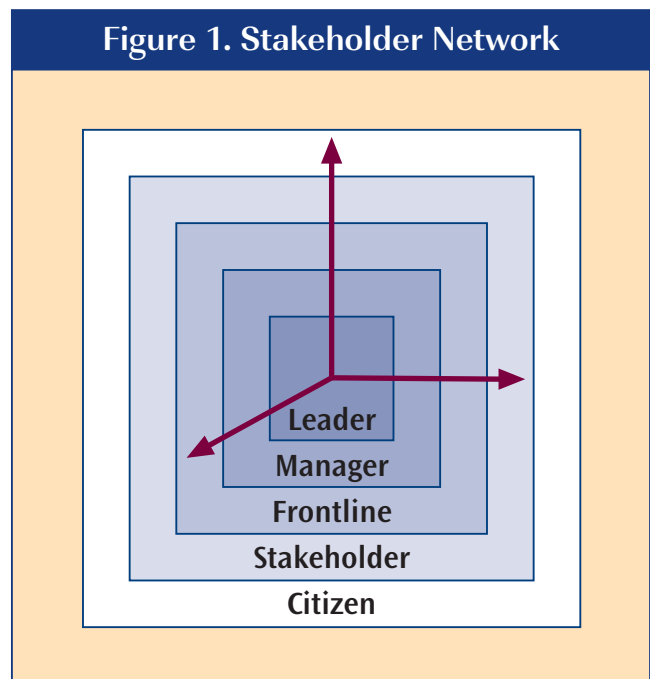
Leader to Citizen

Collaborative technology offers the promise of directly connecting citizens to their government—almost a nostalgic return to the public square and front porches of America. Rather than pushing citizens out of government, collaborative technologies allow us to invite them in.

Utah's Politicopia has joined a small but growing number of state and local wikis that emphasize improving people's ability to understand and control their government through citizen engagement in the political process. These Web sites improve citizen access to information by presenting open-source and wiki-based forums for the compilation and presentation of information on bills pending before the legislature, a brief summary of the issue and the bill's status, an invitation for arguments and comments, and links to relevant sources. Similar efforts are beginning in Indiana, Montana, Connecticut, Kentucky, and Pennsylvania. Two municipal examples are Birmingham's Bhamwiki in Alabama and Rochester's RocWiki in New York.

Through a pilot project with the New York Law School, the U.S. Patent and Trademark Office (USPTO) is also finding innovative ways to apply a leader-to-citizen virtual network. Born from the thousand-case backlog and high percentage of patent approvals (85 percent) with limited review time (an average of eighteen hours per case), the "Peer-To-Patent" project allows for third-party comments and "voting" to expedite the review and approval process. By tapping expertise that lies beyond the walls of USPTO—resources that would have formerly been inaccessible—these leaders are improving the timeliness and quality of patents issued.

Peer to Peer

Across government, communities of practice are establishing wiki sites, blogs, and discussion boards to promote information sharing within their respective fields. One leader in the federal government recently mentioned that she belongs to thirty-two of these virtual communities at last count.

One example is the interagency Semantic Interoperability Community of Practice (SICoP), which works, via a wiki site, toward the interoperability of software packages within the federal government and provides findings and recommendations to the Best Practices Committee of the federal CIO Council.

Another peer-to-peer application comes from the CIO Council's Architecture and Infrastructure Committee, which uses a wiki to revise its Federal Enterprise Architecture Data Reference Model. The wiki format allows participants to post and cross-index documents, as well as have online discussions. Since the wiki requires very little formal training, participation is easy and working-level documents are not difficult to create. The result is that it compresses what was a cumbersome interagency process down to a quick 180 days.

One of the more dramatic examples of a citizen-driven network emerged from the tsunami that hit the coasts of south and east Asia in 2004. Virtual collaboration tools such as blogs, wiki sites, and discussion boards served as effective vehicles for response efforts, providing news agencies covering the disaster with a critical resource and helping to organize citizen-led aid efforts. This virtual community allowed citizens to create an organic, self-organized network that provided critical information to—and contact with—the mainstream media and government-led responses.

This model, in particular, emphasizes the interconnectivity and complexity of the networks. The key to success is recognizing that being in control is less important than having linkages to the ideas and data that will help get the job done.

Meeting Challenges with Agility

As ODNI learned with Intellipedia, virtual networks can bring new levels of flexibility and responsiveness to achieve mission-critical priorities. But technology simply brings the latest answer to a centuries-old challenge: how can government remain as agile as the threat (particularly in times of war)?

> **Technology is a crucial lever, but the challenge is ultimately one of governance and management.**

The United States has been at both ends of the question. During the Revolutionary War, well-armed, brightly outfitted British forces marching in lockstep were confounded by American fighters whose strength lay in their ability to blend into the environment and improvise formations on the battlefield. In World War II, the Allied forces had smart soldiers on the ground with specific objectives that didn't require constant command updates. Meanwhile, especially toward the end of the war, the Germans' reliance on a calcified and nonresponsive command-and-control structure proved fatal. Today, our government is grappling with the uncomfortable reality that, when it comes to agility in facing an opponent, we are at a disadvantage.

Fortunately, leaders across government are stepping up to meet this challenge. Technology is a crucial lever, but the challenge is ultimately one of governance and management. The virtual network is an opportunity for government managers—who are asked to do more with less every day—to best serve the citizens of our country.

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IMPROVING COLLABORATION BY
FEDERAL AGENCIES:

AN ESSENTIAL PRIORITY FOR THE
NEXT ADMINISTRATION

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by

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IMPROVING COLLABORATION BY FEDERAL AGENCIES:
AN ESSENTIAL PRIORITY FOR THE NEXT ADMINISTRATION

Introduction

Collaboration among government agencies and across networks is essential for government to be effective. Katrina was only the most recent major example of a problem that far exceeded the capacity or jurisdiction of any single organization. In one realm of government after another, such as national security,[1] homeland security,[2] public health,[3] and delivery of government benefits, organizations must collaborate with others to meet their responsibilities. As organizational development expert Michael Maccoby contends, transformation of government bureaucracies into collaborative organizations is imperative if government is to keep up with developments in the private sector.[4]

Technology makes collaboration easier than ever before. The electronic delivery of Food Stamp benefits—requiring collaboration among multiple federal and state agencies and private organizations—is a good example of interorganizational collaboration that became possible only because of improved technology.[5]

While technology made the new electronic system feasible at reasonable cost, organizational culture also likely played an important role. Collaboration between the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture, which administers Food Stamps, and the Department of Health and Human Services, which administered the former AFDC (Aid to Families with Dependent Children) welfare program, had been necessary since the inception of the Food Stamp program, since AFDC eligibility conferred automatic Food Stamp eligibility.[6] Also, states provided the delivery of Food Stamps to beneficiaries. That history of necessary collaboration is likely to have facilitated a culture that made FNS particularly open to participating with other stakeholders to move Food Stamps to an electronic delivery system.

While collaboration with other organizations has become both more necessary and easier, organizational resistance to collaboration remains a major problem. It is time now to change the

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[1] See, e.g., the Project on National Security Reform, www.pnsr.org. "Our current national security system, and the manner in which it is governed and funded by Congress, does not permit the timely, effective integration of the diverse departmental expertise and capabilities required to protect the United States, its interests, and its citizens in an increasingly complex and rapidly changing world."

[2] See, e.g., Thomas H. Stanton, "Meeting the Challenge of September 11," Introduction to Thomas H. Stanton, ed., *Meeting the Challenge of 9/11: Blueprints for Effective Government*, M.E. Sharpe Publishers, 2006.

[3] See, e.g., Homeland Security Council, *National Strategy for Pandemic Influenza Implementation Plan: One Year Summary*, July 2007.

[4] Personal communication, Washington, DC, August 9, 2007. See also, Michael Maccoby, *The Leaders We Need*, Harvard Business Review Press, 2007 (forthcoming).

[5] See, e.g., Thomas H. Stanton, "Improving Federal Relations with States, Localities, and Private Organizations on Matters of Homeland Security: The Stakeholder Council Model," *Chapter* 13 in Thomas H. Stanton, ed., *Meeting the Challenge of 9/11: Blueprints for Effective Government*, M.E. Sharpe Publishers, 2006.

[6] Barbara S. Wamsley, formerly Deputy Assistant Secretary at HHS. Personal communication, Washington, DC, August 3, 2007.

cultures of federal organizations to embrace greater collaboration and to facilitate the rise of collaborative leaders and managers to positions of authority.

The Office of Management and Budget (OMB) will be critical for the success of a new administration in this effort. To promote a culture of collaboration by federal agencies, OMB should expand the application of available tools, such as interagency councils and agency performance rating systems, to increase incentives of federal managers to collaborate with those outside of their agencies' boundaries. Individual departments and agencies should be required to adopt such rating systems as part of their department- or agencywide strategic and performance plans and should incorporate such ratings into the performance evaluations of senior executives and other managers. With support from the next administration, OMB will need to exercise its leadership systematically over many years so that federal agencies internalize collaboration into their organizational values and cultures.

The Need to Solve Problems beyond Organizational Boundaries

In many areas of governmental endeavor, the number of actors needed to achieve effective results has always been large.[7] Federal highway programs, delivery of housing benefits, federal loan guarantee programs, and delivery of Medicare and Medicaid benefits are only some examples.

In recent years the context in which government programs operate has become even more complicated. While agencies have long operated through third parties, as Lester Salamon pointed out in his seminal article many years ago,[8] staffing and budget constraints and pressures for outsourcing have increased this dependence. Constantly evolving technologies produce multiple effects, including forcing an unbundling of previously combined goods and services, and recombining them in new ways. Technology also creates new opportunities for joint delivery of services, such as common portals or data systems that support multiple programs. Finally, policymakers increasingly take a governmentwide view of the goods and services that agencies should provide. The Debt Collection Improvement Act of 1996, for example, requires federal agencies to cooperate to assure that federal debts are repaid and that people and businesses with defaulted federal debts do not receive tax refunds, new federal loans, or other federal benefits. Federal agencies must be more nimble than ever before and problems that they attack may involve more and different actors.

Examples abound of the need for improved collaboration across organizational boundaries. The delivery of emergency benefits to disaster victims should be possible electronically once applicant eligibility and availability of funds have been determined; however, except for Food Stamps and various state benefit programs, the country still lacks an interoperable national system for delivering most benefits. Creating interoperable systems for program delivery is a

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[7] See, generally, Lester M. Salamon, "The New Governance and Tools of Public Action," Introduction to *Tools of Government: A Guide to the New Governance*, Lester M. Salamon, Editor, Oxford University Press, 2002.

[8] Lester M. Salamon, "Rethinking Public Management: Third Party Government and the Tools of Government Action," *Public Policy*, vol. 29, no. 1, summer 1981, pp. 255-275.

major category where collaboration can create a result that is superior, and sometimes far superior, to each agency or private organization trying to go it alone.[9]

The Federal Housing Administration (FHA) has been losing market share to the private sector, in part because of its lack of technology systems, compared to advances in the private sector, to facilitate more effective underwriting, risk management, and loan processing.[10] Collaboration between FHA and Ginnie Mae, the government corporation responsible for providing a secondary marker for FHA loans, could help to replicate private sector advances in underwriting and processing mortgage loans electronically. Enhanced collaboration among the major federal housing program agencies also would lead to improved financial risk management.

Collaboration in the Federal Agency Context

It is useful to distinguish *coordination* from *collaboration* of multiple organizations.[11] Interagency coordination might be defined as a specific form of collaboration that applies to particular cases or operations. By contrast to collaboration when multiple agencies may perceive mutual benefit in working together, coordination often is more of a top-down exercise. It takes place when a leader with authority over multiple organizations directs them to collaborate to achieve a specified joint purpose. The effort to induce federal intelligence agencies to share information with one another and with state and local governments is an example of attempted coordination. As Harold Seidman points out on the basis of numerous examples, coordination is not easy to achieve, despite its importance.[12] Indeed, it is quite difficult to persuade intelligence agencies even to share information, much less to coordinate joint action, with other organizations.

With the GAO, this paper accepts Eugene Bardach's definition of collaboration as "any joint activity by two or more organizations that is intended to produce more public value than could be produced when the organizations act alone."[13] While this paper recommends the application of top-down authority to help create incentives for collaboration, agencies often can select the areas where they expect to produce the greatest benefits. This contrasts with coordination, where the top-down exercise specifies the area where coordination must occur. It can be seen that the concepts of coordination and collaboration can overlap in some significant applications.

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[9] See, e.g., Thomas H. Stanton, *Delivery of Benefits in an Emergency: Lessons from Hurricane Katrina*, IBM Center for the Business of Government, January 2007.

[10] U.S. Government Accountability Office*, Federal Housing Administration: Decline in the Agency's Market Share Was Associated with Product and Process Developments of Other Mortgage Market Participants*, GAO-07-645, June 2007; and *Federal Housing Administration: Modernization Proposals Would Have Program and Budget Implications and Require Continued Improvements in Risk Management*, GAO-07-708, June 2007.

[11] As the GAO observes, there are no commonly accepted definitions of these terms. Government Accountability Office, *Results-Oriented Government: Practices that can help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15, October 2005, p. 1.

[12] Harold Seidman, "Coordination: The Search for the Philosopher's Stone," chapter 9 in *Politics, Position, and Power*, fifth edition, Oxford University Press, 1998. For an example of successful coordination, see, Dwight Ink's description of the effective response to the Alaska earthquake of 1964, "Managing Change that Makes a Difference," Chapter 7 in Thomas H. Stanton, ed., *Meeting the Challenge of 9/11: Blueprints for Effective Government*, M.E. Sharpe Publishers, 2006.

[13] Eugene Bardach, *Getting Agencies to Work Together*, Brookings Institution Press, 1998, p. 8; GAO, *Results-Oriented Government: Practices that can help Enhance and Sustain Collaboration among Federal Agencies*, p. 6.

One example of the difference between coordination and collaboration, as the terms are used here, is the evolution of President's Management Council (PMC), an OMB-led council composed of the second ranking official at each executive department and some major agencies. In the 1990s the council was a major source of collaborative efforts. Top political appointees, generally responsible for managing their departments or agencies, would exchange information and work together to solve common problems. As former OMB official Margaret Yao has written, the PMC successfully adopted a "member-owned, member-operated" culture.[14] This contrasts with the top-down approach to coordination, rather than collaboration, which tends to be practiced in the current administration. Thus, the PMC today is responsible for implementation of the President's Management Agenda (PMA).[15] The lack of emphasis on collaboration is explained in good part, says one observer, by the fact that the PMA mostly addresses chronic, internal administrative management issues, such as accounting systems, workforce planning, etc. Thus, there is little call for collaboration in these areas and considerable room for an OMB-led agenda because most efforts require new systems and additional resources.[16]

By contrast, collaboration is a cooperative effort by multiple organizations to work together to achieve a common objective. As Harold Seidman points out, "Agencies are most likely to be willing to collaborate and network when they are agreed on common objectives, operate under the same laws and regulations, and do not compete for scarce resources."[17] Collaboration is the subject of this paper. An example of collaboration would be the development of interoperable standards that allow organizations to pool their activities to achieve common goals. Federal and state agencies, nonprofits, and private organizations developed interoperable standards, governing critical factors such as card format and content, to permit the electronic delivery of Food Stamps.

Another good example is the PMC's development in 2000 of FirstGov.gov, a common portal (see www.FirstGov.gov) that users of multiple government programs can access to obtain information through use of an effective search engine. "The PMC recognized the need to think differently about the opportunities afforded by technology and wanted to make government services and transactions available, not by the traditional stovepiped agency or department, but by need—in a fast, reliable way."[18]

As Dwight Ink has written, the recovery effort for the Alaska earthquake of 1964 provides a striking contrast to the slow and disjointed post-Katrina recovery effort some forty years later. The Alaska recovery relied on leadership rather than special legal or procedural devices. The use of collaborative councils, that themselves had no independent authority but were charged with

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[14] See, e.g., Margaret L. Yao, *The President's Management Council: An Important Management Innovation*, report to the PwC Endowment for the Business of Government, December 2000.
[15] http://www.whitehouse.gov/results/agenda/scorecard.html, accessed August 7, 2007.
[16] Personal communication, Washington, DC, August 19, 2007.
[17] Harold Seidman, foreword to Thomas H. Stanton and Benjamin Ginsberg, eds., *Making Government Manageable*, Johns Hopkins University Press, 2004, p. x.
[18] *The President's Management Council: An Important Management Innovation*, p. 12.

facilitating collaborative solutions, contributed to the quick decision-making and rapid actions that characterized the recovery.[19]

The Department of Housing and Urban Development (HUD) has built a small and effective collaborative system called CAIVRS, the Credit Alert Interactive Voice Response System. CAIVRS provides a model of interorganizational collaboration with potential application to other parts of government such as homeland security watch lists. HUD developed CAIVRS in the 1980s as a database that FHA lenders could check to determine whether a borrower had defaulted on a previous FHA loan. The FHA lender would enter basic identifying information and receive notification either that there was or was not a match with the HUD database of defaulted borrowers. In the early 1990s, working under the auspices of the Federal Credit Policy Working Group, an interagency council chaired by the OMB Deputy Director for Management, HUD expanded CAIVRS to permit other agencies to report delinquent nontax debt and, ultimately, to access CAIVRS to assure that they were not extending credit to defaulted debtors from other programs. This interagency collaboration is essential to assure that defaulted debtors from one federal program do not receive funding from a different federal agency without settling their outstanding debts first. HUD reports that CAIVRS has helped HUD and other agencies to avoid billions of dollars in potential losses on loans to defaulted borrowers who sought to obtain new federal credit.

In improving collaboration among federal agencies and with other organizations, the accountability of any new arrangements must be considered. Interorganizational collaboration must be done without weakening or blurring the accountability of government agencies to spend public resources wisely to carry out their missions. Problems created by increased interagency collaboration in undertaking federal procurement, which the GAO has placed on its high-risk list, stand as warnings in this regard. While the idea of developing specialized procurement centers to serve multiple agencies is attractive in the abstract, the contracting agencies too often failed to maintain proper accountability of the contractors that they hired this way.[20]

Laws to Mandate Improved Collaboration

Some legislation has successfully mandated interorganizational collaboration. The Goldwater-Nichols Department of Defense Reorganization Act of 1986 transformed the Joint Chiefs of Staff (JCS) from a weak coordinating body into a source of influence that could promote serious interservice cooperation. The act accomplished this by (1) increasing the JCS Chairman's authority; (2) improving JCS staff quality by requiring joint service for promotion to flag or

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[19] Dwight Ink, "Managing Change that Makes a Difference," chapter 7 in Thomas H. Stanton, ed., *Meeting the Challenge of 9/11: Blueprints for Effective Government*, M.E. Sharpe Publishers, 2006.

On the question of definition, Ink writes, "In my view, from a legal standpoint [the Alaska recovery effort] was much more collaboration than coordination, yet it was viewed and performed much more like a case of coordination. This is because of the unique organization and the unprecedented management strategies used. The reliance on leadership rather than special legal or procedural devices contributed to the quick decision-making and rapid actions that characterized the recovery….[These collaborative strategies] certainly worked in a very challenging situation." Personal communication, August 7, 2007.

[20] See, e.g., Testimony of David M. Walker, Comptroller General of the United States, before the Committee on Homeland Security and Governmental Affairs, United States Senate, July 17, 2007, GAO-07-1098T.

general officer rank; and (3) granting unified and specified combatant commanders (CINCs) increased autonomy and authority over their joint field commands. Observers attribute a significant increase in United States military capabilities, including combined service operations in the Persian Gulf War, to the 1986 Goldwater-Nichols Act and the reform of the JCS.[21]

Pursuant to the mandate of Section 1011 of the Intelligence Reform and Terrorism Prevention Act of 2004, the Director of National Intelligence, who is responsible for promoting cooperation among Intelligence Community (IC) agencies, adopted the personnel mobility requirements of the JCS. On June 26, 2007, the DNI announced that he would implement the Intelligence Community's Civilian Joint Duty Program:

> Joint IC duty is a civilian personnel rotation system similar to joint duty in the military. The implementing instructions require joint duty as a prerequisite for promotion to senior civilian rank in order to encourage and facilitate assignments and details of personnel to national intelligence centers, and between elements of the IC.[22]

The theory of increased mobility is that it both fosters an understanding of the perspectives of other organizations and also creates the interpersonal relationships that can facilitate more effective collaboration. Provisions of the Intelligence Reform and Terrorism Prevention Act of 2004 to promote interagency mobility are presented as Appendix A.

While both the 2004 act and the Goldwater-Nichols Act were difficult to enact, such legislation can greatly improve collaboration across organizational boundaries. Another type of legislation that can promote collaboration across agencies is a law that permits or mandates pooling of budget resources. The GAO notes one such example, where a 2002 law required the Departments of Defense (DOD) and Veterans Affairs (VA) to make a minimum contribution of $ 15 million annually for four years to fund a joint program to share health resources.[23] A more comprehensive legislative approach is the establishment of a Joint Planning and Development Office to coordinate and plan for a transition from today's air traffic control system to a next generation air transportation system. That legislation includes provisions for interagency pooling of resources in ways that are still being developed.[24]

While there are positive examples, many governmentwide efforts at promoting collaboration have not fared well over time. The Senior Executive Service (SES) was expected to permit and encourage development of a cadre of professional managers who would rotate among multiple federal agencies. That would facilitate adoption of improved practices from other agencies and also would contribute to a broader perspective for senior federal managers. However, this did not

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[21] Amy B. Zegart, *Flawed by Design: The Evolution of the CIA, JCS, and NSC*, Stanford, CA: Stanford University Press, 1999, pp. 140-151.

[22] Office of the Director of National Intelligence, "Director McConnell Signs Instructions to Implement Joint Duty," ODNI News Release No. 17-07, June 26, 2007.

[23] *Results-Oriented Government: Practices that can help Enhance and Sustain Collaboration among Federal Agencies*, p. 9. The GAO also points out (at p. 10) substantial obstacles, including divergent systems and processes, to effective health resource sharing between the two departments.

[24] Government Accountability Office, *Next Generation Air Transportation System: Progress and Challenges Associated with Development of the National Airspace System*, GAO-07-25, November 2006.

happen. A 1999 survey by the Office of Personnel Management in conjunction with the Senior Executive Association showed that over 90 percent of all SES members had not moved between agencies since becoming senior executives. Two-thirds had not moved between components of a single agency.[25]

Policymakers sometimes try to use reorganization to promote improved collaboration. Reorganization is a clumsy tool, at best, for this purpose. Problems of poor collaboration often affect agencies within the same executive department, such as the Department of Homeland Security (DHS). When he studied problems of communications across the boundaries of organizations within DHS, Michael Maccoby found that, the "easy part was to install communication technology. The hard part was getting people to communicate in a timely way."[26] Maccoby contends that effective collaborative leadership and a culture of collaboration are far more important than mere structural approaches such as reorganization. DHS would benefit from developing a culture that values collaboration and from training and growing leaders and managers based on collaboration as a core value and performance criterion.

An Agenda for Improved Collaboration across Organizational Boundaries

How can federal agencies gain incentives to collaborate with other organizations? Many budget and personnel tools already exist, but leadership from the top of government is needed to make them work.

OMB could create and lead new interagency councils, for instance. These could be similar to the Federal Credit Policy Working Group, to promote collaborative efforts to address common problems. After Katrina, there is a clear need for improved interagency collaboration both to address the current reconstruction effort and to plan for a future catastrophe. Such councils also may need to include representatives from state and local governments, nonprofits, and for-profit companies. One such council might address the delivery of emergency benefits electronically. This council would include senior managers from FEMA and GSA as well as representatives from agencies that provide emergency benefits: the Departments of Labor (unemployment benefits), Health and Human Services (TANF benefits), Agriculture (Food Stamps, an existing electronic program, and WIC, benefits for Women, Infants and Children), and others.[27]

The councils could bring together multiple agencies that would benefit from collaboration, sometimes along with state, local, and private partners, under the auspices of an OMB that could exercise persuasion to foster such collaboration; the drawback is that such councils require continuing OMB leadership to maintain momentum. The demise of the Federal Credit Policy Working Group stands as a warning: although the council achieved significant results, it disappeared as other priorities attracted OMB's leadership. Council leadership places demands on time and attention from OMB officials who are effective collaborative leaders. To be

[25] Office of Personnel Management, "1999 Survey of the Senior Executive Service," available at http://www.opm.gov/ses/s30.asp, accessed on August 2, 2007.

[26] Michael Maccoby, "The Many Cultures of Government," chapter 9 in Thomas H. Stanton, ed., *Meeting the Challenge of 9/11: Blueprints for Effective Government*, M.E. Sharpe Publishers, 2006.

[27] The Park City Center for Public Policy, a nonprofit policy center consisting of former State Governors and leaders in the business, academic and philanthropic communities, has taken the lead in calling for improved collaboration in delivering emergency benefits. See, http://www.parkcitycenter.org/DisasterAssistance.asp, accessed August 3, 2007.

effective across multiple councils, OMB would need to increase the staff, and especially senior OMB managers who are effective collaborative leaders, available to the Deputy Director for Management. These people then could establish, maintain, and lead (or support the leadership of) the councils.

An additional approach would be for OMB to rate agencies perhaps annually, or maybe even quarterly, according to their collaboration across organizational boundaries. Such a rating might be based on criteria such as the following:

1. the extent that the agency adopts promising practices from other agencies, state and local government, or the private sector
2. the extent that the agency shares promising practices and other support (such as HUD's sharing of CAIVRS) with other organizations
3. the extent that the agency adopts and applies effective performance measures for collaboration in its strategic and performance plans and in performance criteria for senior executives and other managers
4. the results of an annual 360 degree review of the agency, including the views of other agencies, state and local governments, and private organizations, as to the perception that the agency collaborates willingly and usefully

To avoid gaming of the system, OMB budget examiners will need to scrutinize agency claims to assure that collaboration is taking place in high-priority areas that actually produce more public value than when the agency and its partners act alone. OMB examiners also will need to exercise restraint so that agencies that collaborate do not fear that OMB will reduce their budget resources to reflect putative savings.

A rating system similar to the rating system implemented under the President's Management Agenda, could provide the vehicle, or at least a good model, for rating agencies and reporting results.[28] Currently agencies are rated on five indicators: human capital, competitive sourcing, financial performance, e-government, and integration of budget and performance. These are administrative areas where individual agency action, rather than interagency collaboration, is often called for.[29] If the PMA or something like it is adopted by a new administration, then it would be helpful to include a new robust set of criteria for "Collaboration."

To help build collaboration into each agency's culture, it would be important to build a set of measures for collaboration into the Standard for Executive Excellence that is used to rate the performance of each agency's senior executives. The President's Management Agenda used this approach, to promote implementation of the PMA by senior executives.[30] The Office of Personnel Management, backed up by OMB, will need to play a major role in assuring effective implementation of collaborative measures applied to senior executives and other federal managers.

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[28] This was suggested by the GAO in *Results-Oriented Government: Practices that can help Enhance and Sustain Collaboration among Federal Agencies*.
[29] In addition, the PMA calls for increased coordination of VA and Department of Defense medical care programs and systems, and a coordinated shift in overseas presence of the Department of State and other U.S. agencies.
[30] Office of Personnel Management, *Standard for Executive Excellence*, OPM Form 1653, February 2002.

Another interesting idea comes from Michael Morris of the Burton Blatt Institute of Syracuse University.[31] Similar to some other academics, he believes that the Program Assessment Rating Tool (PART), administered by OMB, manifests significant shortcomings. In particular, even though PART in fact has led to changes in management and operation of programs rather than in changed or redirected funding, he is concerned that PART may reflect the interagency competition for scarce federal resources that is inherent in the budget process. Why not, he suggests, use the PART as a tool to encourage collaboration by federal agencies across their organizational boundaries?

In contrast to the PMA, which focuses largely on administrative management matters, PART applies directly to programs and program performance. One PART question, question 3.5, asks "Does the program collaborate and coordinate effectively with related programs?" As with other agency responses to PART questions, OMB requires clear evidence that this is being done in a meaningful way. However, the way that PART currently addresses collaboration across organizational boundaries does not benefit from the needed high priority.[32]

The PART process may not survive a change of administration, at least in its current form. Not only have some agencies and academics criticized it, but some OMB examiners, who must administer the PART process, find PART to be burdensome compared to the perceptible benefits. If PART carries over to a new administration in some form, then it would provide an excellent vehicle for rating agencies on their collaboration. Robust measures that rate agencies on their collaboration in important areas, overseen by OMB, can improve federal agency practices and over time can instill values and cultures of collaboration.

There is one likely exception to the spectrum of agencies that might improve collaboration on the basis of leadership from OMB. These are the national security agencies. OMB does not appear to play nearly as significant a role with respect to the national security agencies as it does on the domestic side of government. In her careful analysis of the establishment and evolution of major national security agencies, including the Joint Chiefs of Staff, National Security Council, and Central Intelligence Agency, Amy Zegart does not refer even once to OMB.[33] While the National Security Council, thanks to its position in the Executive Office of the President (EOP) may have some ability to lead collaboration among the national security agencies and with outside organizations, the potential effectiveness of such leadership is not as apparent as for OMB vis-à-vis domestic agencies.

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[31] Remarks of Michael Morris, Managing Director, Burton Blatt Institute, Syracuse University, at the IBM International Social Services Forum, June 5, 2007, Baltimore, Maryland. GAO also makes this recommendation in, *Results-Oriented Government: Practices that can help Enhance and Sustain Collaboration among Federal Agencies*.

[32] Thus, the presentation of sample PART questions, at http://www.whitehouse.gov/omb/expectmore/partquestions.html, accessed August 19, 2007, does not include a question directly relating to collaboration.

[33] *Flawed by Design: The Evolution of the CIA, JCS, and NSC*, Index.

Changing Organizational Cultures to Promote Collaboration

The thesis of this paper is that increased collaboration is an essential part of building more capable government to respond to a plethora of changing circumstances that raise problems that a single federal agency cannot address by itself. There are good reasons why many agencies neglect collaboration. The pressure of competition for jurisdiction among congressional committees and subcommittees and their constituencies is a major influence on the organizational culture of federal agencies that depend on these committees and constituencies for their resources.[34] As Bernard Martin notes:

> Agencies have specific legislative mandates which are policed by powerful interest groups and often very narrowly focused congressional committees and subcommittees. If they believe that in attempting some form of collaboration, the agency is neglecting its prime purposes, the agency will soon hear about it in no uncertain terms, often in the context of threats to reduce resources.[35]

Also, collaboration often requires longer term activity, including developing of relationships with people outside of one's own agency, than may be easily possible for the many federal officials who find their time consumed by crises or the possibility of crisis. In addition, agency administrative stovepipes that separate financial operations, information technology, human capital, and other functions can impede the ability of managers to collaborate effectively within the same department or agency.[36]

Legislation also plays a role to the extent that it reflects intent of opponents of particular governmental activities to fragment agency jurisdiction and generally prevent effective implementation.[37] Some agencies have operated as rivals for so long that it may be difficult to bring them to collaborate. Difficulties at DHS in trying to integrate customs and immigrations functions for "one face at the border" reflect deep cultural and policy differences that can take years to overcome.

For administrative officials who share a common culture and who generally do not compete with one another for resources, such as chief financial officers, chief information officers, chief human capital officers, or inspectors general of different departments and agencies, collaboration can come naturally. It can be more difficult, and sometimes much more difficult, to obtain collaboration among program managers from different organizations. That is the big challenge.

On the other hand, there are increasing pressures for improved program collaboration. Especially with the development of a national and global economy, many private interest groups have

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[34] Indeed, it has been the author's experience that congressional committees often do their best work, from a public policy perspective, at the margins of their jurisdictional boundaries with other committees.

[35] Bernard H. Martin, former Deputy Associate Director, OMB. Personal communication, Washington, DC, August 3, 2007.

[36] Barbara S. Wamsley, "Technocracies: Can They Bell the Cat?" chapter 9 in *Making Government Manageable: Executive Organization and Management in the 21st Century*, Johns Hopkins University Press, 2004.

[37] See, e.g., Terry M. Moe, "The Politics of Bureaucratic Structure," in John E. Chubb and Paul E. Peterson, eds., *Can the Government Govern?* Washington, DC: Brookings Institution Press, 1989.

gained an increased stake in collaboration by federal agencies across organizational boundaries. Federal agencies frequently lag the private sector in this respect. The electronic delivery of Food Stamps, and current efforts to expand electronic delivery of other federal and state benefits, have been driven in part by the urging of private financial institutions that seek to serve an interoperable national market rather than a fragmented congeries of smaller programmatic and geographic jurisdictions.

Federal agencies also may lag state and local governments, which have collaborated for years. Thus, states responded to Katrina by invoking the Emergency Management Assistance Compact (EMAC), a mutual aid agreement that allowed the affected states to request assistance from other states, for National Guard resources, law enforcement personnel, medical team support, search and rescue services, and commodities such as ice and water, and provide reimbursement once the emergency was over. Some localities have begun to copy the EMAC model, which applies only to the states, for their own collaborative relations.

In short, some pressures that previously induced agencies to hoard their resources and support today are giving way to an environment where increased collaboration is often welcome if not required. Unfortunately, agency cultures may not have changed appropriately to reflect the often changed context. How then, can agency organizational culture be changed to promote the value of collaboration?

The application by OMB of a combination of tools—interagency working groups and a robust rating of agency collaboration across organizational boundaries, preferably linked to performance goals and objectives for each federal agency and to performance measures for senior executives and managers—will be an important beginning. An especially important tool will be for OMB to reward collaboration and recognize managers and agencies that collaborate well. The OMB Deputy Director for Management will need to prevent premature budget cuts because of savings and designate areas where revenue sharing among agencies can be a high priority.

Just as important will be careful oversight by OMB and OPM of the way that application of these tools improves the organizational culture at each agency and promotes a collaborative outlook. As Dwight Ink has written:

> I regard the statutory restoration of some sort of management capacity in the EOP (either in or out of OMB) as a critical step toward effective and sustained attention to interagency and intergovernmental coordination and collaboration. I have been unable to think of something that can replace it. One can develop all sorts of policies, and issue all kinds of directives without it, but making the diverse governmental machinery function effectively is a different matter, especially as the number of political appointees increases.[38]

In other words, while application of the recommended tools by OMB can help to improve collaboration by federal agencies, it is only with a dedicated strategy of leadership and

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[38] Dwight Ink. Personal communication, Washington, DC, August 4, 2007.

promoting cultural change that OMB can use the years of the next administration effectively to change the fundamental dynamics of interorganizational collaboration by federal agencies and managers.

Several factors can work together to promote a culture of collaboration across organizational boundaries:

- a new wave of federal employees, schooled in the Internet age and more open to collaboration than many of their predecessors, coming into government
- senior executives whose hiring, promotion and retention would be based in part on measures of their collaborative skills (what Michael Maccoby calls "soft skills")[39]
- the practice of agencies, with leadership from OMB, to increase collaboration in areas that perceptibly benefit their individual missions

Conclusion

Improved collaboration of federal agencies with state and local governments and private sector organizations has become imperative. Agencies that fail to collaborate may lack critical information that partners may be able to provide. These agencies risk finding, in today's technology-driven and complicated environment, that the way that they perform their missions has become obsolete.

OMB stands at the apex of the Executive Branch. It is the only agency that currently has the capacity and clout to foster improved collaboration by federal agencies. Both through a governmentwide rating system and by establishing new councils to promote collaboration in critical areas, as well as leadership that expresses itself more generally, the next administration should use OMB to assure that government agencies collaborate effectively across organizational boundaries.

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[39] "The Many Cultures of Government."

50 U.S.C § 403–1 Responsibilities and authorities of the Director of National Intelligence

(l) Enhanced personnel management

(3)

(A) The Director of National Intelligence shall prescribe mechanisms to facilitate the rotation of personnel of the intelligence community through various elements of the intelligence community in the course of their careers in order to facilitate the widest possible understanding by such personnel of the variety of intelligence requirements, methods, users, and capabilities.

(B) The mechanisms prescribed under subparagraph (A) may include the following:
(i) The establishment of special occupational categories involving service, over the course of a career, in more than one element of the intelligence community.
(ii) The provision of rewards for service in positions undertaking analysis and planning of operations involving two or more elements of the intelligence community.
(iii) The establishment of requirements for education, training, service, and evaluation for service involving more than one element of the intelligence community.

(C) It is the sense of Congress that the mechanisms prescribed under this subsection should, to the extent practical, seek to duplicate for civilian personnel within the intelligence community the joint officer management policies established by chapter 38 of title 10 and the other amendments made by title IV of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Public Law 99–433).

ABOUT THE AUTHOR

Thomas H. Stanton is a Fellow of the Institute of Government at the Johns Hopkins University. He is a member of the board of directors of the National Academy of Public Administration and a former member of the federal Senior Executive Service.

As a Washington, DC attorney, Mr. Stanton's practice relates to the capacity of public institutions to deliver services effectively, with specialties relating to organizational and program design, federal credit and benefit programs, government enterprises, and regulatory oversight. He edited, with Benjamin Ginsberg, *Making Government Manageable: Executive Organization and Management in the 21st Century*, Johns Hopkins University Press, 2004. He also edited, *Meeting the Challenge of 9/11: Blueprints for Effective Government*, M.E. Sharpe Publishers, 2006.

Mr. Stanton's B.A. degree is from the University of California at Davis, M.A. from Yale University, and J.D. from the Harvard Law School. He is fluent in German and has conducted research in several countries. The National Association of Counties awarded him its Distinguished Service Award for his advocacy on behalf of the intergovernmental partnership.

This paper may be accessed on the Academy website at http://www.napawash.org/about_academy/fellow_papers.html. The author may be reached at (202) 965-2200; TStan77346@aol.com; or at 900 7th Street, N.W., Suite 600, Washington, DC 20001.

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James A. Rispoli, P.E.
U.S. Department of Energy

James Rispoli was confirmed by the United States Senate on July 29, 2005, as the Assistant Secretary of Energy for Environmental Management, and was appointed to that position on August 10, 2005. He is responsible for the cleanup of legacy waste and environmental contamination from the nation's Cold War nuclear weapon production and nuclear-related research activities. The Department's cleanup program has an annual budget of more than $5.5 billion with operations occurring in more than a dozen states. Prior to his current position, Mr. Rispoli, a licensed professional engineer, held the office of Director of the Department of Energy's Office of Engineering and Construction Management. The Office of Engineering and Construction Management is responsible for management policy, assessment and oversight of the Department's facilities, infrastructure and capital projects. During the time that Mr. Rispoli was the Director of that office, the value of the Department's facilities and infrastructure was more than $80 billion with a portfolio of 125 capital construction projects which exceeded $38 billion, ranging from one of a kind nuclear facilities and laboratories to standard office buildings and utilities. Mr. Rispoli served as the Department's Senior Real Property Officer and was a member of the Federal Energy Management Advisory Committee.

Prior to joining the Department of Energy, Mr. Rispoli was Vice President and manager of Dames & Moore's Pacific area operations and Senior Vice President of Metcalf and Eddy with responsibility for its Hawaii offices. In both firms, he led major engineering and construction projects for private clients, and state and federal governmental agencies. In addition, he retired at the rank of captain from the United States Navy's Civil Engineer Corps holding executive-level environmental and construction management positions.

A Fellow of the American Society of Civil Engineers, he is past Director of its Construction Division, and has served in several local section officer positions. He is also a Fellow of the Society of American Military Engineers for which he has held several officer positions at the local post level, and served as the national society's Vice President for Environmental Affairs. Mr. Rispoli is an active member of the Project Management Institute for whom he has served on a number of panels and study efforts. He earned his Bachelor of Engineering degree in Civil Engineering from Manhattan College, and a Master of Science degree in Civil Engineering from the University of New Hampshire. Additionally, he holds a Master's degree in business from Central Michigan University.

Jonathan D. Breul
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Jonathan D. Breul is a widely recognized expert on the policy and practice of improving government management and performance. He recently wrote the book, "Managing Public Dollars: New Rules, New Roles, New Opportunities for Federal Financial Managers," with co-authors Debra Cammer Hines and Steve Watson.

Formerly Senior Advisor to the Deputy Director for Management in the Office of Management and Budget in the Executive Office of the President, Mr. Breul served as OMB's senior career executive with primary responsibility for government-wide general management policies. Mr. Breul helped develop the President's Management Agenda, was instrumental in establishing the President's Management Council, and championed efforts to integrate performance information with the budget process. He led the overall implementation of the Government Performance and Results Act. In addition to his OMB activities, he helped Senator John Glenn (D-Ohio) launch the Chief Financial Officers Act.

He also served for nearly ten years as the U.S. delegate and elected vice chair of the Organization for Economic Cooperation and Development's Public Management Committee.

Mr. Breul is an elected Fellow and Vice Chairman of the Board of Trustees of the National Academy Public Administration, a Principal of the Council for Excellence in Government, and an adjunct Professor at Georgetown University's Graduate Public Policy Institute.

He holds a Masters of Public Administration from Northeastern University, and a Bachelor of Arts from Colby College.

He has received numerous awards including Federal Computer Week's 2002 "Federal 100." In 1998, he received the Elmer Staats Award by the National Capital Area Chapter of the American Society for Public Administration. In 1995 he received the Mydral Award for Public Service from the American Evaluation Association.

Frank P. DiGiammarino
Vice President, Strategic Initiatives
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Frank P. DiGiammarino serves as Vice President of Strategic Initiatives at the National Academy of Public Administration (National Academy). In this capacity, he supervises the conception and execution of special campaigns and initiatives and is responsible for driving strategic organizational change and opening new lines of business for the National Academy. Mr. DiGiammarino oversees the National Academy's communications, government relations and business development activities. Mr. DiGiammarino promotes the National Academy by developing innovative approaches to addressing government's management challenges. He has recently worked on studies for the Administrative Office of the Courts, Army Corps of Engineers, Equal Employment Opportunity Commission, and Immigration and Customs Enforcement.

An author and speaker on how to navigate government leadership transitions, Mr. DiGiammarino came to the National Academy in 2005 after many years as a senior consultant and strategist. Former positions include Director and DoD Practice Area lead at Touchstone Consulting Group, General Manager and Director of Program Management at Sapient Corporation, and Principal Consultant with the State and Local government practice at American Management Systems.

Career highlights include leading a program to re-engineer a $6 billion Army department with 15,000 personnel; driving reorganization of an 1100 person consultancy in 6 months with 85% adoption; and leading a 700 plus person office that delivered $120 million in annual revenue. He holds a Bachelor of Arts in Political Science from the University of Massachusetts and Master's of Public Administration from the George Washington University. He serves on the Advisory Board for the Commonwealth College of the University of Massachusetts and the Advisory Board of the National Capital Area Chapter of the American Society of Public Administration. Mr. DiGiammarino is an advisor to the leadership team of the Young Government Leaders organization and has recently concluded serving as an advisor to the Change and Transformation Initiative at the George Washington University.

(Photo of Mr. DiGiammarino is courtesy of the1105 Government Information Group)