PROVIDING CUTTING-EDGE

KNOWLEDGE TO

GOVERNMENT LEADERS

The Business of Government

Hector V. Baretto

Carolyn Clancy, M.D.
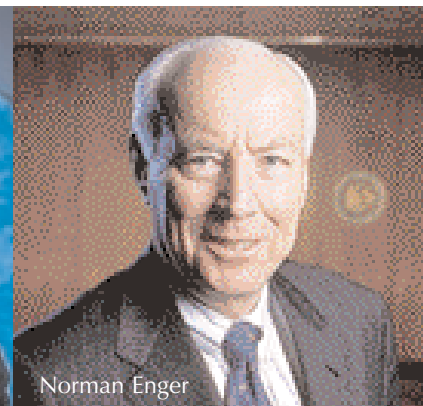
Norman Enger

Janet Hale
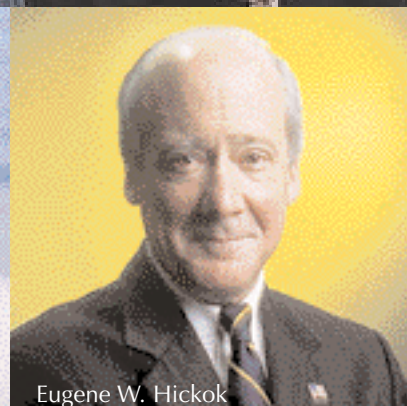
Eugene W. Hickok

Lindy Ritz
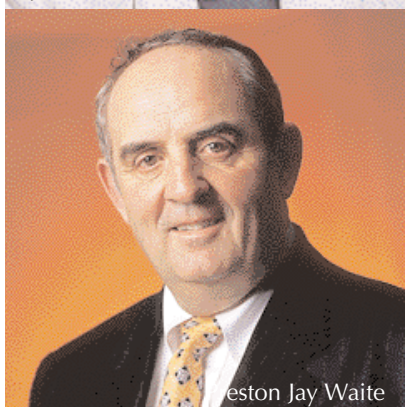
Preston Jay Waite
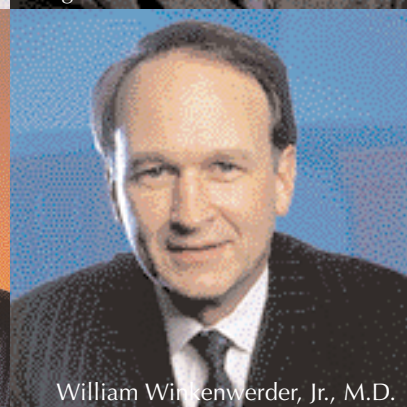
William Winkenwerder, Jr., M.D.
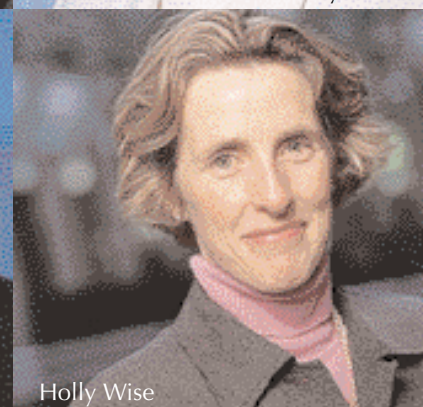
Holly Wise

IBM Center for
**The Business
of Government**

www.businessofgovernment.org

Listen to
The Business of Government Hour

Join Us for Breakfast
Every Saturday Morning

9:00 a.m. on WJFK-FM (106.7) in the Washington, D.C. area

From the Editor's Keyboard **3**
By Paul Lawrence

Conversations with Leaders **4**

Profiles in Leadership **18**
Edited by Amanda K. Lopez

Forum: Getting Results **45**

Management **92**

Research Abstracts **98**

By Paul Lawrence

Paul Lawrence is partner-in-charge, the IBM Center for The Business of Government, and partner, IBM Business Consulting Services. His e-mail: paul.lawrence@us.ibm.com.

What Steve Spurrier Taught Me About Management

My father introduced me to sports. As a Massachusetts native, he taught me the championship history of the Boston Celtics and was pleased when I adopted them as my favorite basketball team. For much of my early life, I grew accustomed to the Celtics' annual trip to the finals. My father took me to my first Boston Red Sox baseball game. He warned me that the Red Sox would break my heart, but I became a fan anyway. And he was right about the heartbreak. Like many military families moving in and out of the Washington area, my favorite football team became the Washington Redskins.

As I pursued my career as a management consultant, I found myself increasingly reading management books and magazines. *Sports Illustrated* gave way to the *Harvard Business Review*. But my lifelong interest in sports has continued. Occasionally, these two interests come together when I find a sports figure from whom I can learn much about management. And these management insights include learning from bad examples, as well as good ones.

Steve Spurrier, former coach of the Redskins, provided me with ample opportunity to see the relevance of management to sports. As did many Redskin fans, I watched with anticipation the arrival of Spurrier from the University of Florida. During his two years in Washington, I learned much from Coach Spurrier about what *not to do* when running an organization. It has been fascinating to analyze the contrasts between Spurrier and the new coach, the renowned Joe Gibbs, during the Redskins' three-day mini-camps.

Watching Spurrier and Gibbs has taught me the following:

Lesson 1: Get to know your team. The *Washington Post* reported that at the end of his second year of coaching, Spurrier still had not learned the names of many of his players. In contrast, Coach Gibbs was reported to have known all his players' names by the end of his first mini-camp. When working with my own team of consultants on a project, I want to emulate the relationship-building Gibbs, not the aloof Spurrier. Clearly, one gets better performance from a team that realizes their leader knows them and understands their hopes and career aspirations.

Lesson 2: Recruit experienced staff. Both the number and importance of assistant coaches have grown dramatically in the National Football League in recent years. The contrast between the coaching staffs of Spurrier and Gibbs could not be greater. Spurrier put together one of the least-experienced staffs in recent NFL history. Gibbs opted to hire staff with extensive experience at the professional level. While we will have to wait until the fall to see whether Gibbs' hiring approach will contribute to a winning Redskins season, we know that the Spurrier approach did not work. In assembling my own team, Gibbs reminds me of the importance of recruiting experienced staff. We frequently forget that there is often no shortcut for experience.

Lesson 3: Hire people who will say "no." All leaders need people around them who will tell them, "You can't do this." Because they appear not to have placed a high enough value on pass protection, Spurrier's team constantly had quarterbacks injured. To explain this, I imagine a meeting early in Spurrier's tenure, when he announced that strong and agile offensive linemen were not necessary, because his offensive system was so sophisticated that it would dominate NFL defenses. He must have pointed out that that is, after all, how he did it in college. If he had someone on his staff with enough knowledge and self-confidence to tell him this approach made no sense, it might have prevented two years of ineffectiveness and made Spurrier a more

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

The IBM Center for the Business of Government hosted a "Perspectives on Management" seminar with Clay Johnson. Mark A. Abramson, executive director of the IBM Center for The Business of Government, and Jonathan D. Breul, senior fellow, IBM Center, and associate partner, IBM Business Consulting Services, moderated the session.

On Competitive Sourcing

It's important to inform federal employees about what the facts of competitive sourcing are. What jobs are really involved? When we say that half of the jobs are commercial and half of those jobs are not subject to competition ... we are talking about things that are—my favorite phrase—"really commercial in nature": 25 percent of the jobs.

So that's the universe; not all jobs. That's the universe that's available, and what's involved in that? What are the statistics? When is the competition? How long does it take? What are the savings? Who wins? Who loses? What decisions? What happens to employees?

There is not as much information as there needs to be on the Hill and with federal employees. We need to do a better job of informing everybody. So if they are afraid of it or if they're against it, at least they're against it knowing all the facts.

So a big focus of ours … is to make sure there's lots of information on the Hill and with federal employees, to make sure that agencies know what's working and what's not, to make sure that agencies know where there's a lot of effective competitive sourcing going on, how are they able to do it so effectively, and what lessons are to be learned about what to do and not to do….

To me, the biggest misunderstanding is the nature of the jobs that are involved here. It's really, really commercial work. These are things that are not part of the mission statement of Interior or Agriculture or Defense.…These are things that can

be readily done on the outside. People say, "But you're losing institutional knowledge." About being an auto mechanic? I don't think we're in the process of losing institutional knowledge. It's the nature of the work and the levelness of the playing field, the fairness of the system. [There's] misinformation that we have to address going forward.

On Improving Financial Management

I think there's been a push … on better financial management. In the early 1990s, six agencies, I believe, had unqualified opinions. Since then, it has increased. Now it's 21 of 24. So there's been a decade-plus emphasis on it.

I think the [financial management] initiative requires the least culture change, the least change in mind-set. Who couldn't be for accurate financial information? The extra wrinkle we put on it is, you not only have to have good, accurate, timely financial information, you actually have to use it to make decisions. That's the final loop.

[Some agencies] actually have program-specific financial information they use to make financial decisions on whether their agencies should do it more efficiently, faster, or whatever. That's the big hurdle, which is the last hurdle most agencies have to get over. But the idea of getting accurate, timely financial information—which is the bulk of it, because you can't use it in decision making until you've got all the hard work done—that's more straightforward. It doesn't require culture change and it's something the federal government has been focusing on for 10-plus years.

On Asset Management

Asset management is a huge issue, and we need to be dealing with it in a much more focused fashion than we are. We are talking now about how to make it an additional initiative—probably not a sixth initiative [of the President's Management Agenda], but a program initiative, because it really touches all agencies.

attention. Our goal is to make it a big issue, to heighten the visibility of it, and to start focusing more attention on it, both on the Hill and within agencies.

On E-Government

The e-government initiative consists of 20-some e-gov projects, all of them in various stages of being launched. Mark Forman [OMB's former associate director for IT and e-government] did a great job of painting a vision for us, what is possible in the federal government if we utilize … information technologies and the Internet to communicate with and answer questions and to feed information to our citizens. We learned what was possible if agencies work with each other. Outside the e-gov area, we learned what is absolutely necessary if we intend to spend $55 to $60 billion a year intelligently, professionally on IT.

The federal government should be spending that amount of money each year, but we have not had the practices in place to spend that money most intelligently or most professionally. So we implemented a number of new activities: the use of business cases; identifying the real business need and where there's duplication; enterprise architecture; and the need for security and how to achieve secure systems.

We have asked Congress to fund a central e-gov fund. They have chosen not to do so for two years in a row. They like us passing the hat. I think they like us doing that because it's really hard to do. The agencies hate it. But Congress has chosen not to fund any of this centrally. It was about $50 million. We'll just continue to pass the hat, continue to have funding arguments with individual agencies.

On the Future of E-Government

I think we had 2.7 million tax dollars last year filed electronically. Well, what's the potential there? How can we expand the potential and drive this to a significant portion of all tax filers? And what percent of all people who reserve campsites use the recreation.gov site, or what percent of all federal employees use the Internet to find out about their government benefits?

The big challenge now is to drive implementation and to maximize usage and to give the citizenry a very different look and a very different sense of responsiveness about their federal government. Right now, they see the old-fashioned manual response patterns. The opportunity is to show them new electronic response patterns, which is the kind of response they are getting from the private sector.

Excluding the Department of Defense [DoD], there is something like $250 billion, we think—we're not even sure. I'm not sure what the margin of error is; it's probably $25 billion. We don't know. We think it's in the vicinity of $250 billion in real property that the federal government, excluding DoD, owns.

We're not managing it proactively. The tools that we have, legislative tools, the regulations that guide that activity are pretty limiting. There are now a couple of different bills before Congress that provide greater flexibility, not all the flexibility that would be desired. So we have to be realistic about what is possible.

This is a big issue that we need to address. This is like the crazy Aunt Mildred in the back bedroom that nobody wants to admit is there. But she's there and we need to do something about it. I think Congress recognizes that, too. The primary thing [asset management] lacks now is leadership

[Increased] usage is not going to happen just by chance. We have to market the availability of these sites and what they mean to the citizenry and make this super-fast, coordinated capability that e-gov has allowed us to make, make it known to the citizenry and make them aware of what benefits exist as a part of it.

On Integrating Budget and Performance

I think we are at the tipping point on this. We started talking to agencies about assessing programs in a consistent fashion. We said, "Let's ask ourselves 25 questions or so about whether the program works. Do we have good performance measures? What do the performance measures indicate about what is working or not? Is it well managed? Is it well structured?"

The agencies showed a lot of resistance, asking, "Why are we doing this?" and "If it doesn't work, does that mean there will be less money?" Now the agencies are very enthusiastic about it. We picked a five-year timetable which called for us to assess 20 percent of all the federal programs each year. There's about 1,300 or 1,400 programs through which most all the federal money we spend is spent.

We are now into the second year. The tool is called PART, Program Assessment Rating Tool. We have now turned this into a verb and a noun and an adjective and so forth. So we have PARTed 40 percent of the programs. We will be at 60 percent next year. Some agencies have PARTed 80 percent of their programs, so they are almost at full PARTing or fully PARTed.

After we PART a program, we say it does work or it doesn't work, or we can't tell if it works or not. What are we going to do as a result of that? What is the next step as a result of that? OMB and the agencies come up with some recommended next steps. So one focus is what is the quality and the aggressiveness of those next steps. The key is, if we know it doesn't work, what are we going to do differently? Are we going to suggest less funding? Are we going to suggest different management? Let's look at comparable programs to it. If they all don't work, maybe these programs should be structured differently. Perhaps we may need to talk to Congress about restructuring them. We need to focus on the quality and aggressiveness of the follow-up action from all this PARTing activity.

The other thing we need to do now, with 40 percent of the programs for which we have PART performance information, is to include it in budget requests to Congress. Congress has to care about whether something works or not. Congress needs to be more concerned about results, according to my

About Clay Johnson III

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

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

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

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

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

friend, David Walker, Comptroller General of the United States, who just happens to be here today. One of our biggest challenges is to inform Congress, begin to work with Congress to start paying more attention to why things work. We need to work with all our own legislative people about how to work with this information. It is just too important to pay attention to whether things work or not, and if they don't work, figure out what to do about it.

If something doesn't work, it doesn't mean that we stop doing it. Adult literacy programs don't work. Do we like the idea of having literate adults? Yes, we do. The federal programs we have for making a large number of illiterate adults

literate don't work worth a darn. So the goal is not to unfund or defund. The goal is to figure out how to do this better. Who could be against that?

By taking some examples and running them through, we show that it's not to be feared. I think it's a way to change the culture and to change the mind-set.

This is not something we intended to do in a year or two or three. It's a five-year program to PART all the programs successfully and to get good-quality aggressive follow-up on them. I think an equally important part of it is to change the culture.

In the federal government, I think we're a long way towards doing that. It will happen. There's no question in my mind that this will happen, and I think in five years' time. We were talking about the results, the promise of the Results Act. We will be well along our way towards realizing the full promise of the Results Act, not in a year or two, but I think in five years' time, because I believe there will be a whole lot more attention being paid to whether things work or not and, if not, what are we doing about it.

On Key Factors in Agency's Success on the President's Management Agenda

We see common threads. [We see the agencies that] are doing well versus the ones that aren't doing well, what's not happening. There's a very consistent message. If four things exist, there will be success, without exception.

The first key factor has to be a commitment by the senior person, the cabinet secretary or the agency administrator. They have to want this to happen. It can't just be the deputy. It can't be the assistant secretary for management. It has to be the secretary.

The second key factor is that there has to be a very aggressive plan and clear understanding of: What does the situation look like? What do we want to have accomplished? What's the definition of success, and what series of steps do we have to go through to get there? It must be very, very clear.

The third key factor is that it has to be real clear who's responsible for the overall activity, not what group of people or not what consulting group. It has to be headed up by a person, and everybody has to know who that person is and they must know their phone number and their e-mail address. Then there are the component parts. It has to be clear who's responsible for each of the component parts, with real clear deliverables.

The fourth key factor is that the plan can't be conditional. For example, it can't be, "Well, as soon as this war in Iraq is over with." To their credit, the Department of Defense has remained totally focused on the President's Management Agenda, and they don't ever say, "Well, we've got this war going on and we'll get back to you in a quarter." Or the Department of Energy doesn't say, "We've got a blackout and we haven't been able to do anything." It cannot be conditional.

You have to have these four things—commitment at the top, clear definition of what you are trying to do, clear account-ability, and a non-conditional plan—and you get success 100 percent of the time.

How do you get that word across to people? It's pretty basic. Public shame and humiliation is a key to this. The prospect of withholding funds is a part of this as well. All of our communication and daily working with the agencies is through the budget examiners. Nobody wants an angry budget examiner.

Another key is that we have the scorecard. It's very public. Every quarter it's there. Nobody likes to be red when every-body else is yellow, or nobody likes to be yellow when everybody else is green. The President asks the cabinet secre-taries about it, unsolicited, unprompted. This is one of the reasons for transparency and accountability. Nobody likes to fail. They said they were going to do this and that's what they want to do.
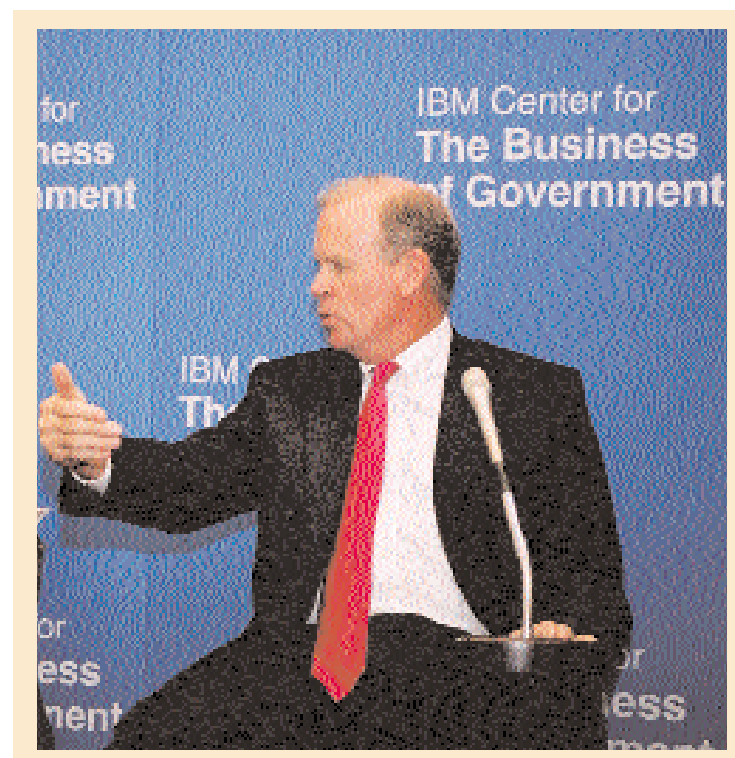
On the President's Management Council (PMC)

It consists of the chief operating officers of all the agencies. We meet six times a year, and if you are going to start implementing something or if you want the chief operating officers of the agencies to adopt something or you want input from the agencies, what better group to get input from than the chief operating officers? It's a wonderful group of people. The attendance [at meetings] is very, very good. We get together and talk about the big issues on the management agenda, such as "Here are the things we're doing."

On "Proud To Be" Objectives

The objective was not to come up with a new set of criteria to achieve. The Proud-To-Be exercise [grew out of] the President's Management Agenda. That started off with OMB saying to each agency: "Management is good, don't you agree? If you agree, which I'm sure you will, I'm sure you'll also agree that the next thing you should work on this next quarter is x. So we'll check back with you in three months to see if you did x. Then, if you did x, we'll say, 'gee, the next thing you should be doing is y, and we'll check back with you.' If you didn't do x, we'd give you a red score and say, 'Do x plus a little more than x this next quarter.' "

So there was a whole lot of tasking and tracking. This went on for a year or a year and a half. Some agencies started then to say, "Let's plan this out a year ahead of time, not just quarter by quarter. Let's go out a year." It gave us the thought that there's enough ownership, there's enough realization that management is good, enough acceptance of this concept—and the people understand that this is good for them and good for their employees and good for the agencies—that in addition to some pushing, some nice, careful, helpful, friendly pushing from OMB, there might be some pulling, which is the agencies deciding where they would like to be down the road, not where OMB would like to have them be down the road, but where would the agencies themselves like to be.

I talked to the PMC members, every one of them, one on one. I said, "Don't you think it's time for agencies to start setting some long-term goals for themselves?" They all agreed, without exception, that this was the right thing to do. We said, "Let's go out a period of time, not a quarter, not two quarters. Let's don't be presumptuous of re-election. So let's go out as far as we can being just short of the election."

So we set July of 2004, which happens to be three years after the President's Management Agenda was launched. We said, "Not where would you be ideally, or not where could you be if you paid any attention to it." But we thought, "Where would you be proud to be? What would you be proud to see, in light of everything else you have had going on, in light of our budget constraints, in light of a war, a blackout, a hurricane? All things considered, where would I, the secretary, be proud to be on July 1, 2004?" Almost without excep-

Jonathan Breul (right) in discussion with Clay Johnson.

"If something doesn't work, it doesn't mean that we stop doing it. Adult literacy programs don't work. Do we like the idea of having literate adults? Yes, we do. The federal programs we have for making a large number of illiterate adults literate don't work worth a darn. So the goal is not to unfund or defund. The goal is to figure out how to do this better. Who could be against that?"

tion, it was further down the road to green than where OMB was inclined to direct them. It's like, "look, ma, no hands" from the OMB standpoint.

I'm not sure it's gone completely from being the President's Management Agenda to being the Agencies' Management Agenda, but almost. Because this is good for the agencies. These things are good for the employees. It makes these agencies more effective. So it's where they want to be.

Now OMB's role is to help agencies get to where they have said they would be proud to be. It's a very interesting change of relationship. OMB is still going to be its friendly self, threatening the withholding of funds and so forth.

It's not like we set goals for them, and it's not like you are going to run to July 1, 2004, and stop. It's like, on your march to green, where will you be on that march by July 1, 2004? Right now, the answer to that question is, on average, a federal agency by July 1, 2004, will be at yellow, the average agency.

The average agency when we started was at red. The average agency today is still pretty red. So what it says is that there's going to be a lot of implementation, a lot of strategizing, planning, rewriting of A-76, IT security, business cases, Form 300s, e-gov initiatives, and so forth.

The key is using accurate financial information and decision making and actually talking about a performance evaluation system, actually developing one and using it down among your Senior Executive Service members, managers, and rank and file. That defines not the prospect of this, not the process for developing it, but the usage of it ... defines whether you're yellow or green versus red. There's going to be a whole lot of usage, new implementation, new usage that will come upon the scene in the next year per the agencies, what they are telling us, which is real exciting.

One, it says that what we set out to do with the agencies was quite significant. It wasn't something that was going to be done in a series of months. It was also focused on usage and implementation. It wasn't focused on let's have a performance evaluation system or let's have accurate information. It was: Let's have it and use it.

On Management and Politics
Management is apolitical.

I think if these [management initiatives] are billed as a way to get re-elected—it's a lot of mumbo-jumbo about "less this and more that" and "look how business-like we are versus prior administrations" and so forth—then I think that doubts will start coming up, particularly in the career ranks' minds, about the real purpose of this. Is this about getting somebody re-elected or is it about doing the right thing for the American taxpayer and the American citizen?

We have been pushing the latter. To the extent to which it's used in a political context, in a campaign context, I think it raises questions about what the real purpose of it is. So I hope it's not. But I believe that the progress made and the accomplishments are such that I'll bet you that the campaign will want to tout what the federal government has accomplished.

But what I hope is that the context [the campaign] puts it in is that the opportunities are huge—the IT, the technologies we have available to us, the necessity of focusing on results, and the necessity of spending our discretionary funds more intelligently. The status quo won't work anymore. ■

A Conversation with John A. Koskinen, Former City Administrator, District of Columbia

The IBM Center for The Business of Government recently hosted a "Perspectives on Management" seminar with John Koskinen. Mark A. Abramson, executive director of the IBM Center for The Business of Government, and Jonathan D. Breul, senior fellow, IBM Center, and associate partner, IBM Business Consulting Services, moderated the session.

On Managing Emergencies in the District of Columbia

I think all governmental entities at the federal, state, and local level are much better prepared now than they were on September 11, 2001. Obviously, nobody had a plan for people flying airplanes into buildings, and there were a lot of decisions that had to be made very quickly. For one, we decided to keep the schools open that day, rather than put the kids out and have them stuck in the middle of traffic with everybody and having parents not know where their children were. So we thought it was easier to provide some comfort to people if we had the schools open—everybody would know where their kids were—even though there were a lot of people arguing that we had to shut the schools immediately because you didn't know what was going to be hit next.

As the inevitable post-mortem started, the deputy police chief said, when they asked him if we had a plan, he said, "Well, of course, we didn't have a plan." So that was the headline in the *Washington Post*. The headline was, "District unprepared," because we didn't have a plan for planes hitting buildings. We obviously had an emergency plan, but like a lot of cities, I don't think the city had exercised that plan very effectively.

The next morning and every morning for about a month, there was a meeting that I had with the police chief, the fire chief, the head of the department of health, emergency preparedness, and the deputy mayor for public safety. We literally day-by-day built and rebuilt the emergency response plan. The result of that effort was there's an emergent national association of emergency managers who have now set up

a certification process, and the District was the first, and is one of only two government jurisdictions in the United States that has met all of the certification standards for emergency planning. So we've gone from the headline of "No preparedness" to a peer group review and certification that we're well prepared.

On Arriving in District of Columbia Government

... it's a complicated system. In a lot of ways ... the District is the hardest city in the country to manage, not because of its size ... there are 10 or 12 cities that are larger. But none of the other cities have the range of programs that the District does. And we talk a lot about the District as a state, a county, and a city, and then move on to something else.

But when you stop to think about it, we run programs that even my successor, Robert Bobb—who's been a city administrator for 30 years—never had to worry about. ... no city has to worry about a Medicaid program ... they don't run the motor vehicles department, they don't worry about the state education department, they don't worry about the state transportation systems. All of those are run by the District…. Oakland, for instance, where Robert Bobb came from, is about the same size as Washington, 550,000 people. Oakland's budget is a billion dollars a year; the District's budget is six billion dollars a year. Oakland has about 4,000 employees. If you take schools out, we have about 21,000. So the District of Columbia is a significantly more complicated system, which had been for some time undermanaged.

[When arriving] I did not think that the people were the problem. My experience in 20 years in the private sector of doing turnarounds was that in none of those cases where you have large, failed private sector entities were the people in the middle of the system the reason for the failure of it. My instinct was that this was going to turn out to be true here. And it was true. The people working for the District government were not the problem.

criticisms when I left was that I hadn't fired enough people, that I had been too interested in continuity.

We hired 14 cabinet directors while I was there, 13 of them are still there. So we've got more continuity.… We have national experts running mental health, child and family services. We brought in people from around the country who were very good, and we've given them enough support and structure that they haven't been run out of town overnight.

And the only one that's not there is Carolyn Colvin, whom we recruited when she left the Social Security Administration, who had been the director of human services for the state of Maryland. She got stolen by Montgomery County [Maryland]. I told Bruce Romer, chief administrative officer for Montgomery County: "You can steal Carolyn because I can't remember the last time in history that Montgomery County stole a District-appointed cabinet secretary. You can do this once. If you do it twice, we're just going to dump all our abandoned automobiles in your backyard." He was really good about it. He only stole Carolyn. He hasn't come back to test the system.

On Performance Management in the District of Columbia

I think the District is poised to have the best and most complete performance management system for a city of its size in terms of its depth. We've had three citywide citizens summit, where 3,500 or more citizens come in—with all sorts of technology—and, in effect, engaged in a conversation with the mayor and his cabinet about what the priorities ought to be for the city and what the strategic plan for the city ought to be.

Each agency is updating its strategic plan consistent with the city plan. Each cabinet director for the last four years has had an annual performance contract with the mayor, with specific goals for their agencies. The mayor and I sat down annually with every one of his 30 cabinet secretaries. And to the mayor's great credit, he is the one who drove that and made it happen. There are about a thousand senior managers across all those 30 agencies. Each manager has, online now, their annual performance plans and performance evaluations. The cabinet agency heads are rated by their percentage of evaluations. The goal was 100 percent with plans and 100 percent with evaluations. Because it's now all online, we can monitor the percentages. We can tell which agencies have not, in fact, created plans for their leaders and created reviews.

It was a complicated system that hadn't functioned well. It was because the people hadn't been given structure, leadership, resources, and training to be able to do the job. … we cleared streets in the blizzard last winter that had never been cleared in the history of the District. And 70 percent of the people in the Public Works Department are the same people who 10 years ago couldn't get the snow off Pennsylvania Avenue. The difference was simply that we gave them a better structure, better equipment, and better training.

On Accomplishments in the District of Columbia

When you run large, complicated conglomerates, which the District is, your most important responsibility is recruiting good people to run the agencies. When I started, there were seven agencies with no leadership. The District had a history of being a great place to end your career, not to further your career. When we were recruiting, there were a lot of people who would say, "Well, that's an interesting idea. Not in your life."

And we had several agencies, some of the worst managed, that had had seven directors in nine years. One had 11 directors in eight years. The lack of continuity and stability was difficult. If something goes wrong, the first question everybody asks is, "Who's going to get fired?" And it's never very interesting unless somebody gets fired. So one of the

For the first time, about 85 to 90 percent of our budget is now performance based. We have moved from "object class" budgeting to "performance based" budgeting. We now have a set of consistent goals … we have a single set of measures for a cabinet member or an agency director that are derived from the city plan, consistent with the agency plan. [These measures] are embedded in the contract that the agency director has with the mayor. They are reflected in the annual budget materials that go to the city council. This has been, as you can imagine, a fairly significant undertaking to get all these people together to do it. It only works … if you have support from the top down. And the mayor is the one from the start who's driven it. It would never have gotten to where it is without the mayor's strong support.

On the Future of the District of Columbia

I am optimistic. I've now spent almost 35 years doing turnarounds. If you go into failed enterprises and you're not optimistic it's going to work, it's very tough and discouraging. My assumption has always been that things will be better. When you look at a lot of problems, the secret is to recognize that there are also an unlimited amount of opportunities for improvement. You're never going to get them all done. You have to really watch the donut, not the hole…. You've got to continue to focus on the progress being made and set priorities, and not spend your time thinking about the things that haven't yet been done.

I've got a great deal of respect and admiration for the mayor…. He's dedicated to having the place run better. As a result, I think there's greater confidence in the Congress about the leadership in the city. The fact that the District got an increase in its bond rating is a reflection of the confidence that Wall Street and others have in the management of the city.

… the District should be one of the greatest cities in the world. It should be a city that is the Capital of the Free World. It should be a city people talk about in the same way they talk about London and Paris and Rome. [It should be] a magnet, a Mecca, a demonstration of what a great city could look like. And I think there's more and more support for that coming from the Congress.

The best test of the confidence people have is that if you drive around town ... there are cranes and building going on everywhere. And the biggest complaint we get from people is that their property is [becoming] more and more valuable … their taxes are going up. That's a big sea change from where we were 10 or 15 years ago.

About John A. Koskinen

John A. Koskinen served as Deputy Mayor and City Administrator for the District of Columbia from August 2000 to September 2003. From February 1998 to March 2000, he served as Assistant to the President and Chair of the President's Council on Year 2000 Conversion. He was responsible for overseeing the federal government's efforts to ensure that its critical information technology systems operated smoothly through the changeover to the year 2000 and for coordinating the federal relationships with state, local, and tribal governments; the private sector; and foreign institutions as they dealt with the same challenges.

From 1994 to 1997, Koskinen served as deputy director for management at the Office of Management and Budget, where he was responsible for OMB oversight of general federal management issues including federal regulations, information and procurement policies, and financial management practices in federal agencies.

Prior to returning to public service, Koskinen was president of The Palmieri Company, which restructured large, troubled operating companies. During his 21 years with The Palmieri Company, he helped reorganize the Penn Central Transportation Company; Crazy Eddies; Levitt and Sons, Incorporated; and Mutual Benefit Life Insurance Company, the largest failed life insurance company in U.S. history.

Koskinen also served as law clerk to Judge David L. Bazelon, Chief Judge, United States Court of Appeals, Washington, D.C.; and as special assistant to the deputy executive director of the National Advisory Commission on Civil Disorders; represented Mayor John Lindsay and New York City in Washington, D.C.; and served for four years as administrative assistant to former Senator Abraham A. Ribicoff of Connecticut.

He received his undergraduate degree from Duke University and his law degree from Yale University.

On Organizing the Y2K Initiative

I went to my first hearing on the House side. And somebody asked, "What's your staff look like?" At that point, I had a deputy, an assistant, and a press guy. I said, "So there are four of us." I thought that was pretty nifty, because it showed we were saving money … we weren't wasting it. The immediate

response was, "President not taking problem seriously—nobody home." I tried to explain the next time around that you were never going to solve a problem this immense with the command and control view that the Congress normally has.

Most people who have never run large organizations have a view that the way to get things done is just get a lot of people together. Create a [large] central staff and then yell at people and give orders. In some places, that might work, but when you're dealing with independent bodies—particularly in the private sector in countries around the world—there's no way you can do that. I tried to get them to understand the way it was going to work was to harness existing structures and organizations. [We used] trade associations and existing agencies as we went forward. But I finally figured, "[Congress] wants us to have more people." I ended up with a direct staff of about 13 to do it all.

And it worked. We had the President's Y2K council, which had about 25 members, including all the regulatory agencies for the first time. Normally, the Federal Reserve Board and the Securities and Exchange Commission both want to be independent. But they joined in. They came and then they all got nominated, some more reluctantly than others, to be the head of an industry consortium. If you got to be the head of the industry consortium, you most likely knew something about [the industry]. So the Energy Department ran energy, oil and gas. The Federal Reserve and the banking regulators

ran the finance industry. The Department of Transportation ran highways, as well as [other] modes of transportation. They were responsible for harnessing and energizing all the trade associations, industry associations in each of those areas. By the time you got done with it all, we had thousands of people working for us—but they weren't on my staff, and they weren't people who were ... in the same pyramid.

We had to worry about contingency planning and what the authority of the President was in the government to take things over if there was a problem. If a power grid went down, if telecommunications went down, if anything went down, how would we solve it? And there was one group of people that said what we needed to do was to corral all the experts. So if water and sewer plants went down, we'd have people that we could send out in SWAT teams. I said, "The people who know best how to fix all that stuff are the people who run it, and the chances of our being able to corral them all or control them under us [was small]. It just doesn't make any sense." What we need to do, I argued, is to "con people into working with us."

First, we would say to associations, "How would you like to help get information to your members?" Some of them were more active already than others. So everybody said that was fine. And then we got them to actually hold meetings and share information. And then toward the end, we said, "How would you like to run help desks and manage them, so that
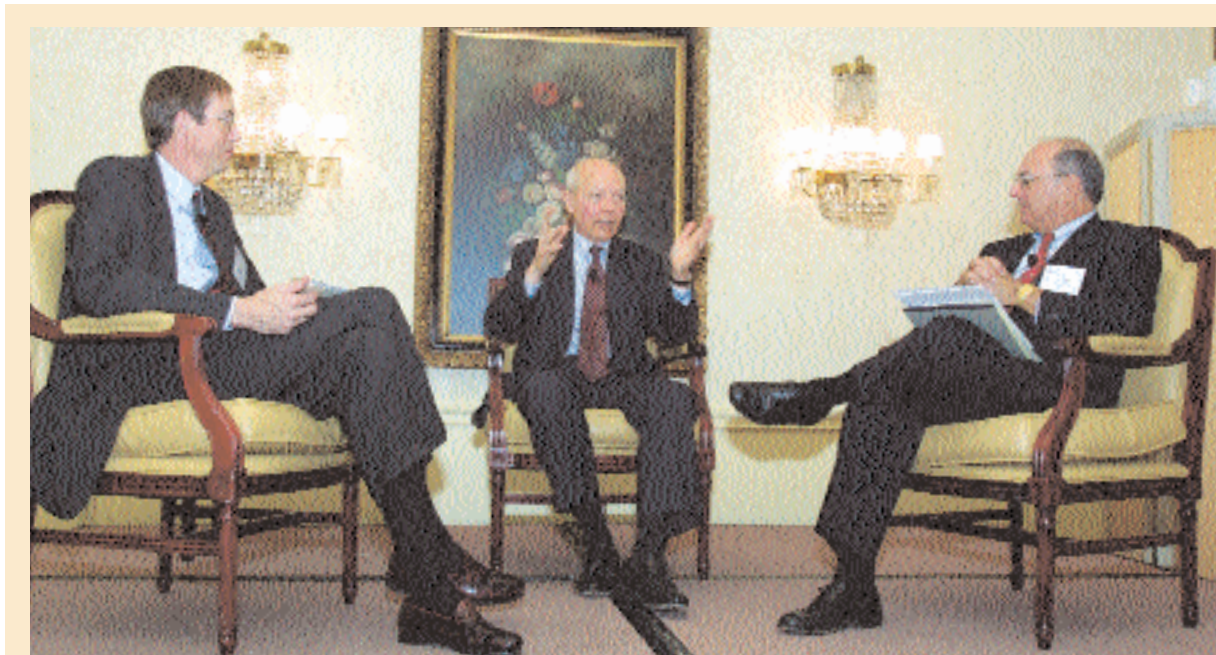
Jonathan Breul (left), John Koskinen (center), and Mark Abramson (right).

if there was a problem in the electric power industry, the industry would have a set of experts on call?" By the time we got done, on New Year's Eve of 1999, every critical infrastructure industry had a central repository of experts and communication devices. If somebody had a problem in Cleveland, they could automatically get connected to everybody else and find out if anybody else had the problem. If they did, [they could find out] how they were dealing with it. They could share that information. It was a set of decentralized nodes, all of which were coordinated with us, but all of them run by somebody else.

On January 1, 2000

[In talking to the Federal Aviation Administration], I initially said, "Look, you guys have a real problem: Nobody has any confidence you're going to make it, because you don't have a track record of ever having done an information technology project on time, at cost, that worked. There is no movable deadline here, so we're never going to be able to convince people, including me, unless we do better."

So they [FAA] pulled task forces together and made it a priority of the Department of Transportation. By the end of 1998, it became fairly clear that they were going to make it. They actually had to rebuild their whole system, which they did. In the summer of 1999, we announced that they were going to make it. I had early on said that I was confident enough that we would make it that I would fly on New Year's Eve. I thought everybody would forget about it. And as it got into December, everybody kept asking, "Are you going to fly?" And I said, "Well, sure." I originally thought—show you how much I knew—that you had to fly at midnight. And there is nothing flying in and out of Washington at midnight.

So I would have had to take the last shuttle up, and then I would have had to take the first shuttle back in the morning. That'll show I'm convinced it'll work, because, otherwise, I couldn't afford to be caught out of town. Then I discovered that everybody flies on Greenwich Mean Time, because it makes no sense for the pilots to be adjusting their watches as they go through time zones. So Greenwich Mean Time turned out to be [midnight for them] 7:00 p.m., Friday night, December 31, which was terrific. So Jane Garvey [then FAA administrator] flew from Washington to Dallas, leaving at 6:15 p.m., so she'd be in the air. And I took the 6:30 shuttle up to New York, and then turned around and took the 8:00 shuttle back.

We were on this plane, 12 customers, press people, and me. And a young guy from the *New York Times* was there, and

he's sitting next to me, and about five [minutes] to 7, he said, "Aren't you just a little nervous?" And I said, "You know, I think it's a little late for that." So I was reasonably confident from the summer of 1999 on that we would not have a major problem.

On Lessons Learned from Y2K

Everybody has their own styles. There's no single way to approach problems. My view of management—particularly when you're dealing with multiple entities, including [situations] where people have to cooperate but don't necessarily all work in the same structure—is that the only way you can do that is get them to own the problem with you. If you run a single organization, the classic quality circle theory is that people need to be part of the solution, not part of the problem, and that the people who know best about an organization are the people on the front lines, all of which I think is true. But it clearly [also] applies when you're going across organizations.

The hardest thing we had to do was to sway industry that we were not there to tell them how to solve the problem. [We had to] convince them we were there to facilitate their working together on the problem. There's always the question, "People won't cooperate," or "They won't do it." But if it's a problem, that's their problem, along with everybody else's. My experience is that people are very anxious to cooperate. If you can convince them they're not going to get sued for antitrust violations, which we had to get legislation to resolve, they'll come together and they'll work very hard on it, and they'll actually solve the problem, because they really do know a whole lot more about it.

It's complicated, but it's a lot easier to manage than to build a staff of a thousand people and try to do it yourself and say, "Okay, I'm going to figure out the solutions; I'm going to mandate that they get done; I'm going to monitor by myself every bank, insurance company, power company, and make sure they're on the right track."

On the President's Management Council

One of the initiatives of Vice President Gore was to create the President's Management Council, which was to have the deputy secretaries … designated for the first time to be the chief operating officer of the agency. [It was to be] coordinated by OMB and chaired by the deputy director for management. It was an important concept … nobody had ever thought of senior political appointees being responsible as the chief operating officer. There had always been an assistant secretary for administration.

"My assumption has always been that things will be better. When you look at a lot of problems, the secret is to recognize that there are also an unlimited amount of opportunities for improvement. You're never going to get them all done. You have to really watch the donut, not the hole."

I kidded some of the [PMC] members that they had never really met a chief operating officer up close and personal. And now they were one. One of the things we wanted to do was to think about deputy secretaries as people who ought to know something about how to run really large organizations. These are multi-billion-dollar operations with thousands of employees. The Bush administration has kept the President's Management Council....

On Shutting Down the Federal Government in 1995

… nobody really thought that this would come to be the train wreck, as it was called. But late in the summer of 1995, somebody at OMB said, "You know, we ought to probably think about that. There are contingency plans … maybe we ought to review them." I cautioned, "We don't want to create … a self-fulfilling prophecy." [What we had to do] was to figure out a way to do this … it was called the "fall working group." But people knew what it was.…

… it turned out that the agencies that could find their shut-down plans … hadn't looked at them in many years. We quietly started reviewing shutdown plans … trying to figure out key questions such as, "What's an emergency func-tion…?" So you had to actually go through and divide the government into emergency functions and non-emergency functions. My concern was that you had to play it straight. You couldn't be saying, "But I really like that program, so we'll call it an emergency." … we wanted to have continuity and we wanted to have consistency across the government. So the FBI, for instance, couldn't say, "We're going to keep recruiting agents because that's really important," while the Defense Department said, "We'll not stop the draft, but we will stop the recruitment process." You couldn't have one agency say it's an emergency to recruit and another [say] it wasn't. We had a number of interesting discussions, not necessarily expecting that [the shutdown] would happen.

… sure enough, one day there was no more continuing resolution. By this time, we had geared everybody up. So we shut the place down, including parks and all sorts of stuff, for a few days—this was the shorter shutdown. What finally got everybody's attention was that there were all these defense contractors producing products on assembly lines, things like tanks and airplanes. And there is a monitor for the government on each assembly line, making sure the thing runs right. DoD had some funds in one place or another, but after four or five days, they were going to run out of money to pay those guys. The question they asked me was, "What will we do?" I said, "Don't pay them. Tell them to go home." They said, "Then the assembly lines will shut down." I said, "Gee, that'll be a shame." So, sure enough, on a Friday, it was the last day before the assembly lines shut down all over the country at about 50 defense plants.

I got an e-mail the next morning saying, "Senator Dole is really upset about the plant in Kansas that's shut." And I sent a note back saying, "Gee, I'm sorry … we don't have any money." It didn't look like it was going well for the Congress at that time. [Congress] then quickly passed the Defense appropriation bill, so the next time they shut [government] down, we wouldn't shut down the plants.

Sure enough, we're chugging along, and then along comes the middle of December—the continuing resolution stopped and we shut down again. [Some Congressmen] really thought that the government was foreign aid, welfare, and a couple of other things that nobody cared about. In fact, [some thought] the world would be better off if we didn't have [government]. One Congressman said, "Well, if there's emer-gency employees and then the rest, why don't we get rid of the rest and just have the government do emergency func-tions?" Every day, we put out a list of things that were shut: how many people couldn't get their SBA loans closed, how many people couldn't get their housing loans closed, [how

many] parks were closed … and the Vermeer exhibit closed. Even people who don't like art understood—this was the first exhibition of Vermeer's work in 300 years, and it had come to Washington [but] nobody could see it.

Pretty soon it turned out that there were a lot of things going on in the world and in the country that people liked a lot [and] that were associated with the federal government … even things like food stamps and programs like that for the poor. … it was always an issue as to who was going to win on this: Was it going to be the President who was irresponsible to let our country shut down, or was it the Congress and the Republicans?

… the momentum shifted and it [became] very clear that people were blaming the Congress and didn't want the place shut down. I felt [that] it was a great civics lesson for people about—not only about how the government runs and the roles of different bodies but what the government does. There is a tremendous amount [of activities] that actually benefit a lot of people who are not necessarily poor people in center cities. It was an interesting experience with people, with people yelling at me, "Well, you're not going to really keep that shut, are you?" I said, "I'm sorry … but this is what we're going to do."

I left behind a big binder … we put in all of the decisions we had made, the case law that was made, and what you could do or not do in a shutdown.

On Performance Management

If you don't have an idea of what you're trying to accomplish, if you don't have a clear sense of what your mission is, if you don't know what your goals are to achieve [the mission] and how you would measure how you're doing, then you run the risk of not being able to set priorities. Anything you do or anyplace you are, [you always] have a lot of demands for resources, for time, for attention, [and] for organization. If you don't have an idea where you're going … it's very hard to actually move to an outcome you'd like. And the risk is that process becomes performance.

My favorite example is the fire department.... I asked, "When you step back and you ask, 'What's the public want from the fire department?'"—what they want is they want as few fires as possible, they want you to get there quickly, and they want as few people hurt as possible. That's what we ought to start measuring. You do all the rest of the stuff because it leads you to those outcomes. So if you didn't do fire prevention training, if you didn't go out and educate people, if you didn't do inspections, you would have more fires, more people would get killed, and it would be a problem.

"People come to public service organizations because they're committed to the mission."

But the process itself, the output, is not the end in and of itself. So we started figuring, "Okay, what's our goal for how many fires we're going to have in the District?" People would say, "Well, I don't control that—arson or whatever." Okay, let's just see what happens. Because if you're doing fire prevention and the [number of] fires are going up, you're not doing fire prevention education very well. You've got to change the way you do it. I always thought that the first thing you do with an organization is ask, "Just what are you trying to accomplish? What are people giving you money for? What are the interim steps you're going to take? How will you know whether you are accomplishing it or not?"

I think it's important for energizing people who work for the organization. People come to public service organizations because they're committed to the mission. They actually want to spend their life, or at least that part of their career, working in education or agriculture or wherever it is. I think they are more satisfied with that if they get more reinforcement out of it, more gratification if they have a sense that what they're doing matters [and] that there are things being accomplished.

I think that any organization needs to have a strategic plan, a sense of where it's going, a way of measuring how it's doing, and they ought to keep score. My goal was that it [also] ought to be transparent. If you went into any D.C. office, there would be what I call the United Way chart. It would say, "Here's our goal for the year, and here's how we're doing." We have five of them, and they were in my office. Everybody was very nervous about that.

The temptation is to say, "Well, I want to do only things I know I can accomplish," and so you don't stretch very far. On the other hand, it doesn't do you any good to have goals you can't achieve and can only get 20 percent you can make. So the art form in setting goals is to figure out what is a realistic stretch. When I got there, I said that my arbitrary goal is that you ought to make 70 to 75 percent of your goals. You ought to miss 25 or 30 percent just because things will change and they're beyond your control. But you ought to be striving for that, and you ought to be able to be at that level.

When we published the first citywide report a few months after I got there, we had made actually 68 percent or 71 percent of our goals, and had by definition missed 30 percent. And the response was very positive. People start to say, "You're not doing as well on that as you had. How come?"

That's an important dialogue. That's the discussion you ought to have with the public, not just generically, "Well, you didn't clean my street." But the question is, "How are you doing overall? Is the department operating appropriately or not?" Otherwise you get stuck with anecdotal: "It didn't work in my neighborhood, so it must not be working anywhere." It should work in everybody's neighborhood, but the fact that it doesn't work in your neighborhood doesn't necessarily mean we're not collecting the trash in everybody else's backyard.

On Differences and Similarities between the Public and Private Sectors

There has always been a historic debate about whether management in the public sector is a different animal than management in the private sector. I always thought that, yes, there clearly are differences. I also thought that to treat them as totally separate—that somehow managing a group of people to a goal in the public sector causes you to do very different things than when you're in the private sector managing a group of people to a goal—didn't make any sense.

My experience has been that you don't manage people any differently in the federal government than in the private sector. Years ago, when you had civil service protections in government and much fewer protections in the private sector, one difference was that people had this idea you could fire people at will in the private sector, but in the government, it was a problem because you could never fire anybody. Well, it turns out a lot of people get fired in the government. And over time, what's happened in the private sector is that you can't fire people willy-nilly anyway. There are all sorts of lawsuits [in the private sector]. So that one fundamental difference has actually changed significantly. In fact, more and more people have gotten better about knowing how to fire people in the federal government for non-performance.

… in terms of motivating people, in terms of leading them, in terms of energizing them, training them, preparing them for their mission, my experience is that dealing with the public sector and the private sector, people have many of the same techniques. And the similarities are greater than the dissimilarities. I think people recognize that if you've been a successful manager in a private sector, you'll probably do reasonably well in the public sector as long as you can deal with the publicity of it. And, conversely, I think if you've been a very strong manager in the public sector, you'll do well in the private sector, because, management is management. ■

Hector V. Barreto

Administrator

Small Business Administration

Listening to Customers

In 2003, the U.S. Small Business Administration (SBA) cele-brated 50 years of supporting small businesses. Over that time period, it has helped create some of the best-known names in corporate America, including Staples, Outback Steakhouse, and America Online. Today, the SBA is looking to support the next wave of small businesses. Hector Barreto is charged with leading the agency to become more customer-centric, while delivering its portfolio of capital and training to entrepreneurs across the country.

Barreto has long been involved with small businesses and public service, as his parents owned restaurants, a small construction company, and an import-export business. His father helped found the U.S. Hispanic Chamber of Commerce. Barreto started his career at the Miller Brewing Company in Texas, before moving to California to start his own business. He launched an employee benefits agency and then worked as a securities broker specializing in retirement plans. He also served as the chairman of the Latin Business Association in Los Angeles, one of the largest Hispanic business organi-zations in the United States. It was in this role that he met George W. Bush, then governor of Texas. Barreto says: "I've lived the experience of starting a small business from scratch. I know the trials and tribulations, but I also know the great satisfaction and opportunities that are available by being in business for yourself, and I think that's the reason the President asked me to do this. He wanted somebody that had small-business experience leading the SBA."

Barreto describes how being on the receiving end of SBA services has helped shape his vision for the agency. "When we came into the SBA, we wanted to take a more entrepre-neurial approach," he says. "One of the things that we felt was very necessary was to change the perception of what it means to do business with the government. We wanted our customers … to think of us as a partner, not an adversary. We wanted them to think of us as an advocate. We also wanted them to know that we were going to be responsive … we know that small-business people can take a 'yes' and

CAREER HIGHLIGHTS

- Administrator, Small Business Administration

- Chairman of the Board, Latin Business Association

- Chief Executive Officer, Securities Brokerage Services

- Chief Executive Officer, Employee Benefits Firm

- South Texas Area Manager, Miller Brewing Company

'no,' but the 'maybes' kill them. So that's one of the things that we've tried to preach inside of the agency; we're not a business, but we can think more like a business, and in that way, being more customer-service oriented, much closer to our customers … and measure our own success by the suc-cess of the people that we're serving."

Going from being a constituent of the Small Business Administration to leading it, Barreto remarks, "I had no idea of the breadth and the scope of the SBA. I felt like I knew a lot about it before I came on board. I had no idea that over its 50 years, the SBA has helped 20 million small businesses in the United States." Despite the many success stories at the SBA, Barreto is quick to note that the agency is focused on creating the right conditions and tools for the new wave of small-business owners that include companies from emerg-ing markets, one of the fastest growing segments of small business, and from women-owned business, which represent 40 percent of all small businesses.

The SBA is able to support small businesses by providing what Barreto refers to as the three "C's": capital, capacity building, and contracts. The SBA has been providing compa-nies with capital for more than 50 years. Barreto says that in the past, "we did a lot fewer loans because we were doing those directly. We don't do direct loans anymore. We

"The role of government is to create an environment where entrepreneurs are willing to take a risk, an environment where they're willing to risk capital, and an environment where they're being heralded and celebrated."

now do those through 6,000 partners." This has enabled the SBA to provide approximately $17 billion in access to capital annually, and the agency now manages a portfolio of loans in excess of $35 billion. The SBA provides loans ranging from a loan of approximately $1,000 to a multi-million-dollar real-estate loan enabling companies to buy property or expand facilities to fit the growth of their operations. The SBA also connects businesses that want to take their business across state lines and go national or international with venture capitalists.

The SBA works with the President and the Congress to provide tax relief to small businesses as a means of freeing up capital so they can make purchases that they would otherwise have to delay. Through the Small Business Agenda, a jobs and growth package, the tax rate was lowered from 38.6 percent to 35 percent. Barreto notes that when the tax rate is lowered, it effectively "returns $10 billion into the hands of small businesses. In other words, 80 percent of the benefit of reducing the top marginal tax rate accrues to small businesses." The Small Business Agenda also quadrupled the business deduction from $25,000 to $100,000.

Entrepreneurial development, or capacity building, is the area in which the SBA reaches most small businesses. Last year, the SBA helped 2.1 million small-business persons develop business plans, create loan packages, market, and use technology to start and enhance their businesses. The SBA trained over 700,000 business persons online and boasts 1.5 million visits on its website weekly. Barreto credits three key factors in increasing SBA's ability to reach more business persons than ever before: the increased use of technology, the retired-executive mentoring program, and the expansion of the small-business development centers across the nation. In the past, "if you wanted technical assistance or counseling, you had to go to an SBA office. Now you can go to 1,200 small-business development centers, you can get counseling online, you can get all kinds of expertise and knowledge from our retired executives that work for us."

With more than 23 million small businesses in the United States, Barreto and his team at the SBA are committed to reaching more small businesses. "We want to reintroduce ourselves to small businesses ... I thought I knew all about SBA, and I really didn't."

Part of the outreach includes listening to what small businesses want and implementing their recommendations. "Your customers are always going to tell you what they need to be successful," says Barreto. The other part of the outreach includes holding major federal procurement fairs in cities across the country. "We've been doing some major procurement events, where we actually take the buyers out of Washington, D.C., and take them to Main Street. This has enabled us to set up more than 10,000 one-on-one procurement appointments for small businesses. It really takes the needle out of the haystack when you're talking about trying to do business with the government." Small businesses now have contracts with the federal government that collectively total more than $230 billion.

"The role of government is to create an environment where entrepreneurs are willing to take a risk, an environment where they're willing to risk capital, and an environment where they're being heralded and celebrated," reflects Barreto. "We've spent a lot of time over the last couple of years making sure that the right environment, the right conditions are there for those small businesses to be optimistic about their future, and to also take their business wherever they want to take it." ■

To learn more about the Small Business Administration, go to http://www.sba.gov.

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

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

Carolyn Clancy, M.D.

Director, Agency for Healthcare Research and Quality

U.S. Department of Health and Human Services

Using Technology to Transform Healthcare Delivery

Imagine your next visit to the doctor. Your doctor reviews your medical chart from a handheld electronic device. With the same device, the doctor accesses your medical history and reviews medications that have been prescribed for you by other specialists you have seen. Then, using a software program on the palm-sized computer, your doctor finds the best practices in the field based on your medical history and customizes health recommendations for you. Dr. Carolyn Clancy envisions this scenario as the future of healthcare. As director of the Agency for Healthcare Research and Quality (AHRQ), she is working toward making this vision a reality. By funding research and information technology projects, AHRQ is striving to improve the quality and delivery of healthcare in America.

Part of the agency's $300 million budget is devoted to measuring the effectiveness of adopting information technology solutions at the point of care. Health Information Technology (HIT) is not new to the industry, says Clancy. "The billing enterprise has long been electronic for the most part. What's new is actually drawing on the power of this technology to influence the core clinical enterprise itself." She explains, "Of all the people who are admitted to the hospital and have a heart attack, about 48 percent are given advice to quit smoking before they're discharged home." She admits that as a doctor herself, everyone assumes that this message is so self-evident that doctors often don't need to say it. One of the projects that AHRQ funded evaluated the use of reminders to improve the delivery of preventative care. She says that even though the reminders were fairly simple, the key new development is that they come up at the point of care and serve as reminders to physicians to discuss the recommended changes in behavior.

AHRQ also seeks to bridge the communication gap between internists, specialists, and patients through technology and education. Dr. Clancy says that patients "might see a specialist for their heart problem, have a primary care doctor, and

> **CAREER HIGHLIGHTS**
>
> - Director, Agency for Healthcare Research and Quality (AHRQ), Department of Health and Human Services, and Clinical Associate Professor, George Washington University
>
> - Director, AHRQ's Center for Outcomes and Effectiveness Research
>
> - Director, AHRQ's Center for Primary Care Research
>
> - Assistant Professor, Department of Internal Medicine, Medical College of Virginia
>
> - Henry Kaiser Family Foundation Fellow, University of Pennsylvania

then go to an orthopedist with an injury … none of whom have an easy way to share information with each other. They [doctors] tend to send each other letters. It's very common that one doctor makes a change in medication without talking to the others. You can see the potential for errors for adverse interactions from medications.…"

The agency has also "developed a campaign to help patients and their families understand what they can do right now to improve their healthcare." Called "Five Steps to Safer Health Care," the campaign asks patients to take low-tech and immediate steps, such as writing down the names of medications that they are taking and bringing them to the doctor. In the future, high-tech solutions will reside in the development and implementation of computerized physician order and electronic medical record systems.

During the coming year, the agency will make $50 million in grants to further the use of health information technology to improve quality and safety. For example, having full-blown

"The billing enterprise has long been electronic for the most part. What's new is actually drawing on the power of this technology to influence the core clinical enterprise itself."

> "Each [doctor] may have a fabulous electronic medical record system, but if they can't talk to each other, you still have the same problem. Their offices are just neater, there's less paper around. The strategy of developing programs for sharing health information in a secure and confidential way within a community is something that we're going to be starting on this year...."

electronic medical records will enable doctors to better diagnose ailments, prescribe treatment electronically, and communicate with patients. Since Dr. Clancy started her career as a general physician, she knows that it is rare to have the information you need at your fingertips. "What you've got at your fingertips is a chart," she says. She looks forward to the time when doctors can turn to electronic medical records, read a patient's entire medical history, receive messages about best practices in care based on the content of their medical records. Dr. Clancy explains: "Some of us use Amazon.com ... you know that you can not only buy books there, but periodically they send you e-mails, so when you log on it says, 'Based on your prior purchases you might want this [new book].' " In the future, she envisions a smart system that knows the types of patients that a doctor sees and sends the physician prompts, including new information that is customized to the physician's practice.

To make such a system work, a national strategy for information technology infrastructure is needed. Department of Health and Human Services Secretary Tommy Thompson is very interested in and committed to this initiative, notes Clancy. For this reason, the agency will invest additional resources in making sure that information technology within all healthcare organizations, including physicians' offices, can actually be shared and connected across a community. Otherwise, Dr. Clancy notes, the information problem that occurs when a patient sees multiple doctors still exists. "Each [doctor] may have a fabulous electronic medical record system, but if they can't talk to each other, you still have the same problem. Their offices are just neater, there's less paper around. The strategy of developing programs for sharing health information in a secure and confidential way within a community is something that we're going to be starting on this year, but will be amplified and expanded next year," she says.

Training is also a critical success factor in improving the quality and safety of healthcare. AHRQ's Patient Safety Improvement Corps trains healthcare professionals each year on how to implement new techniques and facilitate change management. As part of this program, the healthcare professionals spend four weeks on-site with AHRQ and the Department of Veterans Affairs. After the training, the professionals return to their home institutions to implement the new techniques to a heterogeneous and fragmented healthcare system. The desired outcome of this program, says Dr. Clancy, is "to grow a cadre of professionals who will actually understand and be able to apply these new skills and techniques on the ground." The Patient Safety Improvement Corps provides hands-on practice for healthcare professionals to use new health information technology.

Dr. Clancy believes that the success of implementing health information technology is "not about people getting smarter ... and not about telling healthcare professionals to read faster and pull their socks up, so to speak." Rather, it "is about creating a system where the right thing to do is the easy thing to do." ■

To learn more about the Agency for Healthcare Research and Quality, go to http://www.ahrq.gov.

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

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

Norman Enger

E-Government Program Director

Office of Personnel Management

Bringing E-Government to Human Capital

Norm Enger is not your typical Office of Personnel Management (OPM) employee. With more than 20 years of information technology experience, Enger was hired as the e-government program director to take OPM's mission online. His private sector experience included the successful sale of a software integration start-up company. In less than two years, Enger has enhanced USAJOBS, an online federal employment search engine, as well as e-clearance and e-payroll websites that have consolidated technologies across government agencies to enable the federal government to manage its human resources more effectively. Enger leads five of the original 24 e-government initiatives. These five initiatives encompass the federal employment life cycle from recruitment to retirement.

Making improvements to the beginning of the employment life cycle—the federal recruitment process—has been a top priority for OPM Director Kay Coles James. To respond to this challenge, Enger and his team of information technology managers developed a new and improved USAJOBS website, www.usajobs.com, which serves as a one-stop online service center for civilians looking for work with the federal government and for federal employers looking to hire. Citizens like the site because they can now log on and view available jobs, build a federal government résumé, determine which job is the best match for their skills, apply for jobs online, and track their application through the recruitment process. From the federal government's perspective, employers like the site because they can search for candidates who have submitted their résumés into the USAJOBS website.

Since its launch in August of 2003, the new USAJOBS website has seen a tenfold increase in users. Enger recalls: "We shut down the old site on a Friday, went live on a Monday morning. And to my great surprise, on the Friday before, on the old site, we had 20,000 people a day on the site; on Monday, we had 200,000 people on the site." Current figures

show that more than 60 million citizens a year now go to the new USAJOBS site. Enger attributes much of the success to mutually beneficial private and public sector partnerships. "One goal of e-government is to look for the best solutions, whether they are from the public or private sector, and then implement the best solutions," he says. For many of the initiatives, including the USAJOBS site, his team used commercial off-the-shelf software and contracted part or all of the operations from the public sector to the private sector.

Once hired, a government employee is encouraged to build skills across a variety of subjects. To meet this demand for continuing education, OPM has successfully implemented the e-training portal, golearn.gov. "The concept behind the e-training initiative was to provide to the federal employee one-stop shopping for high-quality learning resources," says Enger. "Going back historically, in July of 2002, we launched a relatively humble site ... which had at that time roughly 30 or 40 online courses, web-based courses.... We now have well over 3,000 courses on the site ... and, as of last year, we had 30 agencies using this for their primary training. By the end of this year, we'll have 60 agencies [participating]. It's become a primary site for quality online web-based training for federal people." Enger describes the site as a "virtual building with floors where people can go into classrooms and take any one of these 3,000 courses." From humble beginnings, the "golearn" portal now has more than 1 million civilian and
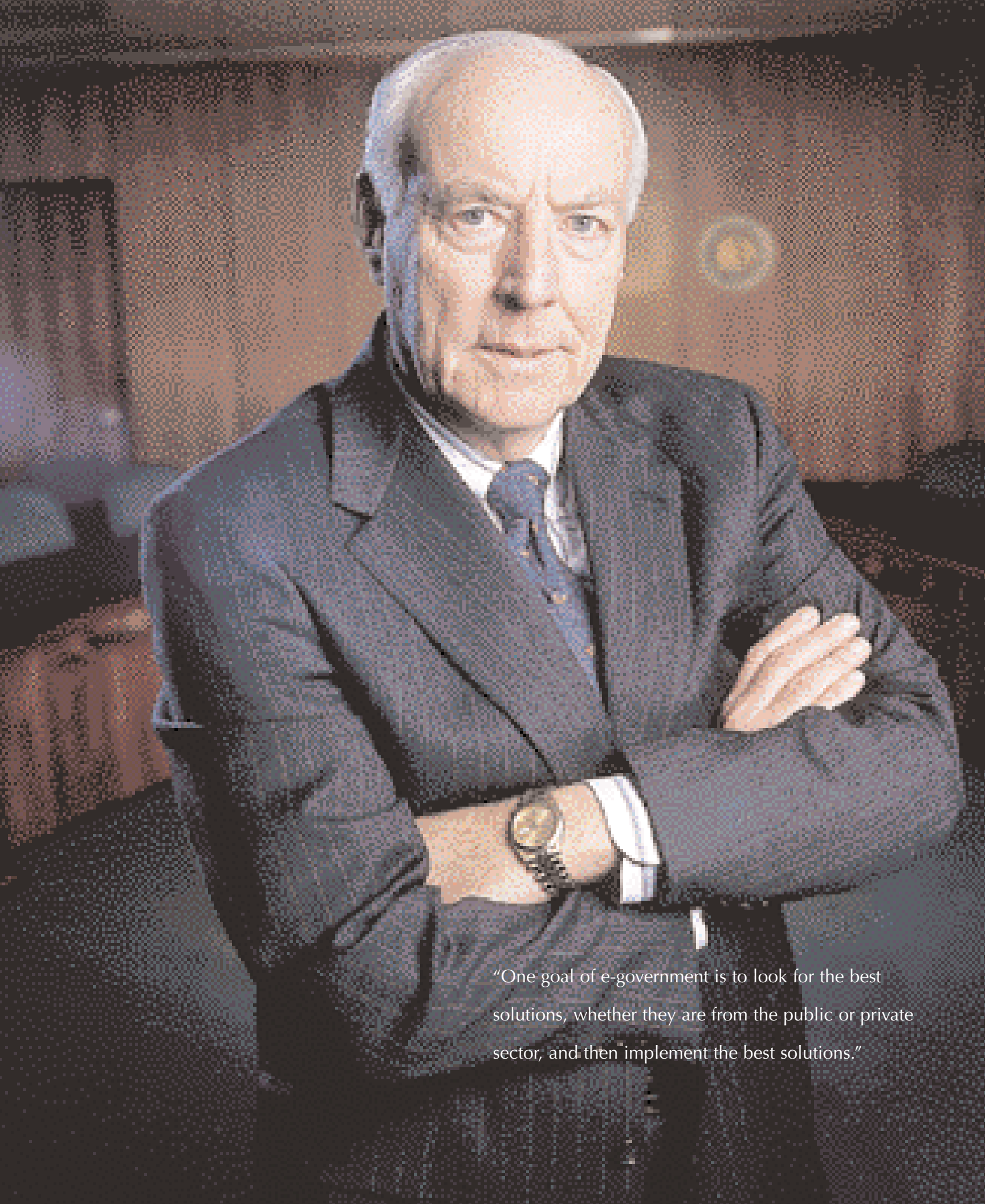
"One goal of e-government is to look for the best solutions, whether they are from the public or private sector, and then implement the best solutions."

> "I would advise future leaders in e-government to be aware that major transformations in federal business systems require building coalitions of support in affected agencies. Change management is a major factor in the success of e-government. Future e-government leaders should not focus on technology solutions without recognizing the other dimensions of change necessary for success."

military users annually and has been recognized for its innovations with the Distinguished Technology Leadership Award in 2003 and a Gracie Award (Grace Hopper Government Technology Leadership Award).

Another challenge facing the federal government is the increased number of federal civilians who are now required to get a security clearance before working on sensitive jobs. OPM, through their e-clearance initiative, has developed IT toolsets to expedite clearance processing. The first part of the solution was to create a centralized Clearance Verification System, or CVS, whereby an authorized person could check security clearances across the government. "What we did at OPM, through this initiative, is gathered into a [electronic] warehouse all of the clearance information held by individual civilian agencies," says Enger. "We built this warehouse, and then in January 2003, we linked this warehouse to a DoD system." The warehouse ultimately will hold 98 percent of all active clearances.

"For the first time ever, you had a system which let a person who's authorized to inquire across the entire civilian and military sector for the status of somebody's clearance," notes Enger. And the development of the e-clearance warehouse couldn't have been timelier for the new Department of Homeland Security. The department used the system to conduct 160,000 background checks on employees of 22 different organizations. The second part of the e-clearance solution is moving all of the forms and documentation required for a clearance into an electronic format and system, thereby cutting the time it takes to fill out forms and share them with the necessary reviewers to expedite the approval process.

An important part of the employment life cycle is the receipt of a paycheck that is consistent and timely. To facili-tate this process, OPM partnered with the General Services Administration and the Departments of Agriculture, Interior, and Defense to develop an e-payroll system that would standardize the federal employee payroll process and consolidate the 26 agencies that process payroll into two processing centers. The e-payroll initiative will "go live" in September 2004. By shutting down the 24 process centers, Enger projects that the savings achieved by the government will reach $1.1 billion over a 10-year period.

In reflecting on his e-government experience at OPM, Enger says: "I would advise future leaders in e-government to be aware that major transformations in federal business systems require building coalitions of support in affected agencies. Change management is a major factor in the success of e-government. Future e-government leaders should not focus on technology solutions without recognizing the other dimensions of change necessary for success." Regarding the importance of the change management part of the task, Enger states: "It's very important that you work with agency partners. You go out and, in effect, you sell, you show what you've done and get buy-in from people that you're asking to migrate to the initiative. There are two keys: one, really have a solution, not smoke; and [second], go out and build up coalitions of support so people will use and migrate to your solution." ■

To learn more about the Office of Personnel Management, go to http://www.opm.gov.

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

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

Janet Hale

Under Secretary for Management

U.S. Department of Homeland Security

Creating a New Department

The creation of the Department of Homeland Security (DHS) was the largest public sector merger in recent U.S. history. In addition to the size and scope of the merger, the speed in which it was undertaken is impressive. Legislation creating the new department was passed by Congress in November 2002. Four months later, on March 1, 2003, the new department opened its doors to 180,000 federal employees from 22 different agencies. As the under secretary for management, Janet Hale is responsible for the integration of human resources, information technology, procurement, and financial management at the Department of Homeland Security.

The department recently celebrated its first anniversary. In reflecting on the first year of the department, Hale says, "The world changed September 11th.... We [now] have to act with more vigilance than we did before September 11th. We need our agencies to be more agile in their decision making and their ability to implement those decisions." She believes that the department was created to leverage the knowledge and resources of the DHS component agencies in order to strengthen the protection of the United States against terrorist attacks.

As a key executive in overseeing the merger, she was committed to making the transition as non-disruptive as possible to its employees. The process began in January 2003, when she worked with her staff to put the "basics" in place for the merger. She recalls, "We had to go through very simple things: finding out where we were going to be housed, how many people we would have, how we were going to buy pencils ... the very traditional parts of setting up an organization...." The creation of the department also took place in the highly pressurized environment after September 11.

Another challenge facing the new department was the act of "hiring" the employees that would make up the new department. "… we had to literally fire 180,000 people on February 28th and [then] rehire them on March 1st," Hale

CAREER HIGHLIGHTS

- Under Secretary for Management, Department of Homeland Security

- Assistant Secretary for Budget, Technology, and Finance, Department of Health and Human Services

- Associate Administrator for Finance, U.S. House of Representatives

- Associate Director for Economics and Government, Office of Management and Budget

- Assistant Secretary for Budget and Programs, Department of Transportation

- Vice President, U.S. Telephone Association

- Executive Vice President, University of Pennsylvania

says. She adds: "We have tremendous men and women on the front lines doing this job day in and day out. They were dedicated before September 11th ... we need to be sure that we're getting them the support they need to do their job. They're the professionals out there and know how to do it." An example of this support was the creation of a new information technology system for the department. On day one of the new department, employees had a new, functional e-mail address by which they could communicate to and receive communications from the department's leadership.

The dedication of the employees that work on the "front lines" defending America's security continues to impress Hale. She says of the Transportation Security Administration (TSA): "I have the utmost respect for what they did. [Facing] statutorily created deadlines, [they went from] 0 to 45,000 people. They have done a tremendous job." While there is still

"We [now] have to act with more vigilance than we did before September 11th. We need our agencies to be more agile in their decision making and their ability to implement those decisions."

> "... if you look at where the true front line is, it is our state and local partners. We have had tremendous success in getting the resources, thanks to Congress, to be able to help facilitate and fund some of the priorities at the state and local levels.... What we're trying to do is be sure that we have state and local plans, so that our resources get out to them in a coordinated effort."

room for improvement in TSA, their major contribution, according to Hale, was the speed with which TSA reacted to the challenges posed to the country after September 11.

Hale has also worked to foster a new organizational culture for the department's component agencies, acknowledging that each had its own strong traditions and culture prior to joining the new department. She credits President Bush and DHS Secretary Tom Ridge for setting a positive tone at the top. The new department recognized the distinguished history of each of its component agencies. For example, the Immigration and Naturalization Service was welcomed into the department with a ceremony that included a film documenting its beginnings more than 100 years ago, including images of immigrants arriving through the Ellis Island gateway. Over all, Hale observes, "I have yet to find a cultural barrier that's stopped us from moving forward, because the mission is so critical and our employees so dedicated to [the mission] that we … were able to work through [those issues]."

In addition to creating a new shared culture across different agencies, Hale and the department have worked to create new systems for human resource and financial management. The development of a robust and integrated financial management system was imperative, as the budget for the department topped more than $30 billion in FY 2004 and continues to rise. Hale is looking to independent audits of the various agencies to serve as a baseline to gauge the department's financial health and to help implement the department's new financial system. She is seeking to put into operation a system that provides "the business information we need to make business decisions, not just the accounting or budget data."

In contrast, the development of a human resource strategy was met with some resistance from some stakeholders. Some employees were concerned about job security issues related

to the administration's new pay-for-performance human resource model. To respond to these issues, Hale emphasized open dialogue with key stakeholders about the proposed changes.

As the department evolves over time, Hale envisions the strengthening of partnerships with all levels of the government and sectors. She notes the department's strong partnerships with the Department of Defense, the FBI, the CIA, and the Department of Health and Human Services when it comes to dealing with bioterrorism. Hale also emphasizes the importance of state and local government in achieving the department's mission. "... if you look at where the true front line is, it is our state and local partners," she says. "We have had tremendous success in getting the resources, thanks to Congress, to be able to help facilitate and fund some of the priorities at the state and local levels.... What we're trying to do is be sure that we have state and local plans, so that our resources get out to them in a coordinated effort."

Hale realizes that protecting the homeland is a 24/7 responsibility. That is why the department is reaching out to work with all sectors, whether it's private sector businesses, or federal, state, or local agencies. The success of the department, she maintains, will ultimately depend on the strength of these partnerships. ■

To learn more about the Department of Homeland Security, go to http://www.dhs.gov.

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

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

Eugene W. Hickok

Deputy Secretary

Department of Education

Changing the Culture of American Education

The No Child Left Behind Act of 2001 has dramatically changed the federal government's role in K–12 education. Gene Hickok, the Deputy Secretary for the Department of Education, is the governmental official responsible for implementing the act. Before serving at the Department of Education, Hickok worked in various levels in government and in the classroom: He served on a local board of education, was a professor of political science and law at Dickinson College, and served as the Secretary of Education for the Commonwealth of Pennsylvania for six years under former Governor Tom Ridge.

The No Child Left Behind Act was founded on four fundamental principles: accountability, flexibility, choice, and doing what works. "The goal is simply this: that every child in every public school in this great nation be able to read on grade level and do math on grade level within 12 years," Hickok says. While simple to state, the goal is much harder to implement. Hickok is ready for the challenge. "We would like to have this national aspiration of every child being at grade level, no matter who they are ... if we fall short, we're a better nation for trying. We'll certainly be better if 90 or 85 percent are on grade level than we are now, where in some places 35 or 40 percent are on grade level," he says. Hickok stresses how important it is for the nation to boost its academic achievements. "We're talking about educating the next generation of America, and that's a generation that will have tremendous responsibilities. If this is a nation that can put a probe on Mars and can talk about putting a man on Mars, it's certainly a nation that can make sure its children can read."

Over the past three years, the act has changed the way Americans think about education. While it is early to see dramatic changes in test scores, or troubled schools turned around, there is evidence that scores are improving and schools are moving in the right direction. What is also encouraging to Hickok is the fact that the conversation about education has changed: "… everywhere—and I read local newspapers all the time, the

CAREER HIGHLIGHTS

- Deputy Secretary, Department of Education

- Under Secretary, Department of Education

- Professor, Department of Political Science, Dickinson College, Carlisle, Pa.

- Associate Director, Department of Political Science, Mississippi State University

- Special Assistant, Office of Legal Counsel, U.S. Department of Justice

- Member, Carlisle Area School District Board of Directors

newspapers that cover the school board meetings—… the conversation is all about performance, accountability, test scores, curriculum, highly qualified teachers. It's the kind of thing that wasn't part of the commentary just a few years ago."

We know, says Hickok, that not everyone is happy or satisfied with the No Child Left Behind Act. "There's a lot of anxiety out there. This is a complex law. It requires a lot of change. It makes people uncomfortable, and I understand that." In addition to requiring many changes in the classroom, the act has become politically contentious for several other reasons, including allegations that it labels schools as failures, demands too much of teachers, and is underfunded. No Child Left Behind has already become a major issue in the 2004 presidential election.

The purpose of identifying schools as "needing improvement" is to create incentives for the school to provide more options to the parents and students to improve their learning environment. In the first year that a school is deemed inadequate, it
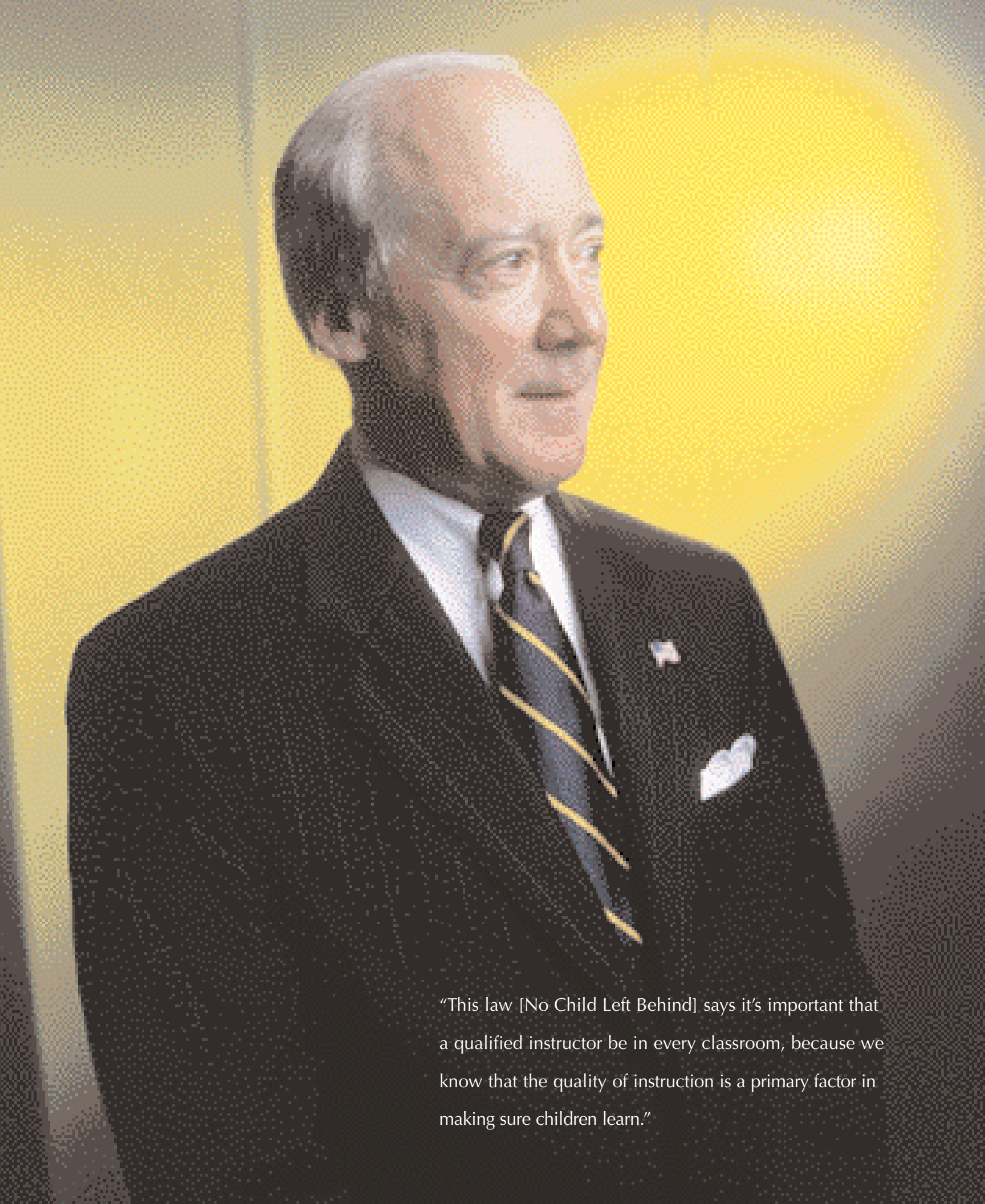
"This law [No Child Left Behind] says it's important that a qualified instructor be in every classroom, because we know that the quality of instruction is a primary factor in making sure children learn."

> "We're talking about educating the next generation of America, and that's a generation that will have tremendous responsibilities. If this is a nation that can put a probe on Mars and can talk about putting a man on Mars, it's certainly a nation that can make sure its children can read."

must offer students the option of attending another school and must provide for any transportation costs. In subsequent years, if the school hasn't improved, it must offer free tutoring services. These services would be funded by the taxpayers. If the school does not improve over a longer period of time, it then faces possible consequences regarding the governance of the school, the curriculum, and possibly even the closure of the school. Hickok knows that this is a difficult policy to implement: "Often schools are at capacity. … in some very troubled districts there are no schools to choose that work. But the goal here really is to create opportunities."

"This law says it's important that a qualified instructor be in every classroom, because we know that the quality of instruction is a primary factor in making sure children learn," says Hickok. First, a teacher should know the subjects that they teach: "It is a common-sense proposition, but in far too many places, America's high school math teachers are not math majors. They're not even math minors." Second, certifications issued by states should have a minimal requirement that is standard across the country, he explains. The certifications should be flexible to allow for highly qualified persons coming from different sectors to become eligible to teach. For example, Hickok says, "I'm a Ph.D. in political science. I've been teaching for years. Where I live, Pennsylvania, I'm qualified to teach an 18-year-old college freshman Civics 101 in September. I'm not qualified to teach that same 18-year-old four months earlier in high school civics. That strikes me as rather silly."

The fact that many teachers receive their training from U.S. colleges leads Hickok to believe that the goal of staffing qualified teachers in the classroom may require evaluating these college programs, a task that goes beyond the scope of No Child Left Behind. "There's huge new money in terms of teacher preparation and teacher certification and professional development. I think it's about a 3-billion-dollar increase. America has invested lots of money, most of it local, on professional development, and has no idea what they bought and what difference it has made," he observes. Hickok argues that

government has an obligation to taxpayers to make sure that the investment in teacher training is worthwhile. Because, says Hickok, "we're asking more of our teachers … we also [must] make sure it's used in ways that make a difference."

Today, Hickok contends it is not just about the amount of money that is spent toward education, but rather it is important to view spending on education as an investment. Americans spend upwards of $480 billion a year on education, of which 8 percent comes from the federal level. He argues: "It is unrealistic to assume that huge increases at the federal level will ever come close to matching what's already being spent. The issue isn't how much money; the issue is how well it is spent.... We're trying to change the conversation from an emphasis on spending to an emphasis on investing." Hickok says that investments should be targeted on curriculum and classroom activities that have been proven to work. He calls for "an accountability system that allows you gradually to determine the impact of a dollar.... A good business can tell you the marginal costs and the marginal benefits of every dollar." Tomorrow, Hickok argues, education will translate its investment in terms of the number of students who are proficient in reading and math across all levels, from kindergarten through high school.

Hickok believes that the No Child Left Behind Act is redefining American education so public schools will put the student first and parents can ask, "This is my child; what do you offer me to make sure my child can learn?" ■

To learn more about the Department of Education, go to http://www.ed.gov.

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

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

Lindy Ritz

Director, Mike Monroney Aeronautical Center

Federal Aviation Administration

Trailblazing New Ways of Doing Business

The Mike Monroney Aeronautical Center (MMAC) in Oklahoma City, Oklahoma, is the Federal Aviation Administration's (FAA) largest field facility located in the country. MMAC Director Lindy Ritz describes the origin of the Center and its namesake: "We started in 1946 as the CAA, or Civil Aeronautics Administration. Former senator Mike Monroney was really the impetus behind it. He wrote the first aviation bill, and was known as Mr. Aviation. ... it was envisioned that we would be the centralized training and logistics facility."

Today, the Aeronautical Center is "a microcosm of the FAA and the Department of Transportation." The Center has nine primary organizations and 24 additional straight-line organizations that include training and logistical services as well as other aviation-safety-related and business-support products and services. Before becoming the director, Ritz worked in three of the nine primary organizations including the Human Resource Department, the Logistics Center, the Aviation System Standard Organization, as well as FAA Headquarters.

As the director of MMAC, Ritz leads a major business operation. Approximately 5,000 federal employees, contractors, and students work there, and another 20,000 students come through the Center each year. "Our budget equates to right at a billion dollars a year. And the impact on the local economy is about 150 million dollars a year," she notes.

In 1997, the Center was authorized to become a franchise fund, which enables it to provide services to other federal departments and agencies pursuant to the criteria laid out by the Government Management Reform Act of 1994, which established six initial pilot franchise funds. Ritz explains: "The whole idea of a franchise fund was to act more like a business, to start making it easier to consolidate administrative services, and to be able to be in a position where you could start shrinking that area in government. So the act provided such things as a revolving fund, and our authorities mirrored what the pilot organizations did, such as having the ability to

CAREER HIGHLIGHTS

- Director, Mike Monroney Aeronautical Center (MMAC), Federal Aviation Administration, Department of Transportation

- Deputy Director, MMAC

- Deputy Director, MMAC's Aviation System Standards

- Deputy Director, MMAC Logistics Center

- Manager, MMAC Human Resource Management Division

- Acting Director, Human Resource Development, FAA Headquarters

carry over four percent of your revenue at year end." She adds: "There's also a provision for an operating reserve. You can invest back into your company, if you will, on capital investments. But on the other hand, you have to earn your revenue. You're not guaranteed the things like cost-of-living increases. You've got to earn enough money to be able to take care of those expenditures.... It's been a very successful function for us. I think some of the original pilots have gone out of the franchise, but we've been very pleased with our progress."

The franchise fund at MMAC encompasses the following functions: accounting, travel, payroll, information technology, logistics, aircraft maintenance, international training, and management training. Within the franchise fund, the Offices of Financial Operations, Enterprise Services, and Information Services were grouped together to create the Enterprise Service Center (ESC). The ESC offers accounting and integrated performance budgeting services through Delphi, a commercial off-the shelf accounting system. "There's a strong force within the government to consolidate and not have every agency

"There's a strong force within the government to consolidate and not have every agency develop their own automated system or duplicate functions."

> "The whole focus is the running of the business and how you can be the most cost-effective, how you can market, how you can stay in touch with what the customer really wants—that has not been a primary focus before."

develop their own automated system or duplicate functions. We were excited as we are the only department-level organization that has a commercial off-the-shelf solution. We're driving the 'Cadillac' right now, and it's exciting because it's always better to have a product that serves the customers' needs and is new and shiny," says Ritz.

In addition to providing services for the Department of Transportation and the FAA, the ESC appeals to many smaller agencies that are looking to upgrade their accounting and financial capabilities. "The financial impact [of implementing a system] is significant, in that if you are trying to transition and develop your own system or working with a commercial off-the-shelf system, you need to have a lot of upfront dollars and it's time-consuming." If smaller agencies choose to partner with the ESC instead of building their own system, they can skip some of the hardship that goes along with implementing a large system. "We've gone through the growing pains, and we've stood up all modes within the Department of Transportation on Delphi. So our folks have gone through all those different transitions and implementation.… We have been able to fine-tune some of the kinks in the system," notes Ritz.

Another attractive feature for smaller agencies thinking of partnering with the ESC is the opportunity to free up personnel from day-to-day financial activities so that they can focus on the mission of the agency. Ritz says, "We would like to be able to provide them a system that can support their financial needs and not have them get tied up in what may or may not be their core mission." Of course, she explains, "it's got to fit. They've got to feel comfortable, because when you think about it, if the agency is called to task with an accounting problem, we're very much a part of them. It's just like when you have someone do your taxes, you want to know they're

right there. The focus should be on what is the best capital investment. Is the system that we're offering filling their needs? You see less customization and more commercial off-the-shelf, where you're able to do releases in a timely way. The whole look of owning your own system and having it designed to meet your specific needs is changing. And what we could help them with, too, is how you reengineer their process where you're reengineering them to fit the system, not the other way around."

For Ritz, one of the most interesting things about operating a franchise fund is observing how it has impacted the way government conducts business. She observes: "… the whole focus is the running of the business and how you can be the most cost-effective, how you can market, how you can stay in touch with what the customer really wants—that has not been a primary focus before. What has been exciting to me is that this has carried over not just to those in the franchise, but those organizations supporting the franchise organizations." ■

To learn more about the Federal Aviation Administration's Mike Monroney Aeronautical Center, go to http://www.mmac.faa.gov.

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

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

Preston Jay Waite

Associate Director for Decennial Census

U.S. Census Bureau, U.S. Department of Commerce

Transforming the Decennial Census

In 1790, the first U.S. census was led by then Secretary of State Thomas Jefferson. U.S. marshals on horseback surveyed a population of 3.9 million inhabitants. In 2000, Preston Jay Waite, associate director for Decennial Census, led the U.S. census operations. He oversaw 800,000 civilian employees who surveyed a population of more than 293 million inhabitants. Waite is now transforming the 200-year-old practice of census data collection by embracing public-private partnerships and the use of technology. He envisions that canvassers in 2010 will use handheld devices to survey inhabitants and transmit the data back to headquarters.

Traditionally, the Census Bureau has collected data using two types of forms: the short form and the long form. The short form asks basic questions about the characteristics of the population, such as age, sex, and race. The long form asks more detailed questions about one's ancestry, income, employment status, and the quality of the housing stock. Since information from the long form was being used by policy makers and planners to make decisions, but was being collected and updated only every 10 years, decisions were often based on outdated information. Because of the time lag, the Bureau decided to eliminate the long form from its regular census collection. Instead, long form information is now being collected every month from 250,000 households through the American Community Survey. "Rolling that data up over a five-year period will give us 15 million long form sample cases, which is a sufficient size to produce small area data every year with a five-year rolling average," Waite says. "People will no longer have to worry about having eight-, nine-, and ten-year-old data to make … decisions."

Another challenge facing the Census Bureau is following up with nonresponders by sending canvassers to the right address. Until now, the Bureau has used a mapping device called Topically Integrated Geographic Encoding and Referencing System, or "TIGER" for short. TIGER is used to generate 20 million maps that are drawn proportionately to the exact addresses in the United States, but are not in Global

CAREER HIGHLIGHTS

- Associate Director, Decennial Census, U.S. Census Bureau, Department of Commerce

- Chief Operating Officer and Assistant Director for Decennial Census, U.S. Census Bureau, Department of Commerce

- Chief, Demographic Statistical Methods Division, U.S. Census Bureau, Department of Commerce

Positioning System (GPS) alignment. This adds to the difficulty of orchestrating the nonresponder collection activity. The Bureau is now investing more than $500 million over the next decade to align TIGER with GPS technology.

Using the short form in the next decennial census and updating its mapping capabilities with GPS, the Bureau hopes to streamline its processes and save millions of dollars in the field, where 70 percent of the 6.7-billion-dollar 2000 Census was spent. In 2010, Waite says that when the Bureau goes out in the field to do nonresponder follow-up, "instead of coming with a paper questionnaire, we'll be coming with a small handheld PDA with a GPS transponder on it that will allow the enumerator to find your house with your GPS coordinate, conduct the short form interview, transmit the results of that interview back to our headquarters, [and] eliminate the data capture for the millions of housing units for which responses were collected." This is the main thrust of the Bureau's cost containment strategy and embodies the exchange of "trees for electrons," Waite's term for modernizing the Bureau.

Waite started with the Census Bureau as a computer programmer in 1971. He is excited to embrace new technological advancements, but realizes the Bureau's historical resistance to technological change and adherence to traditional in-
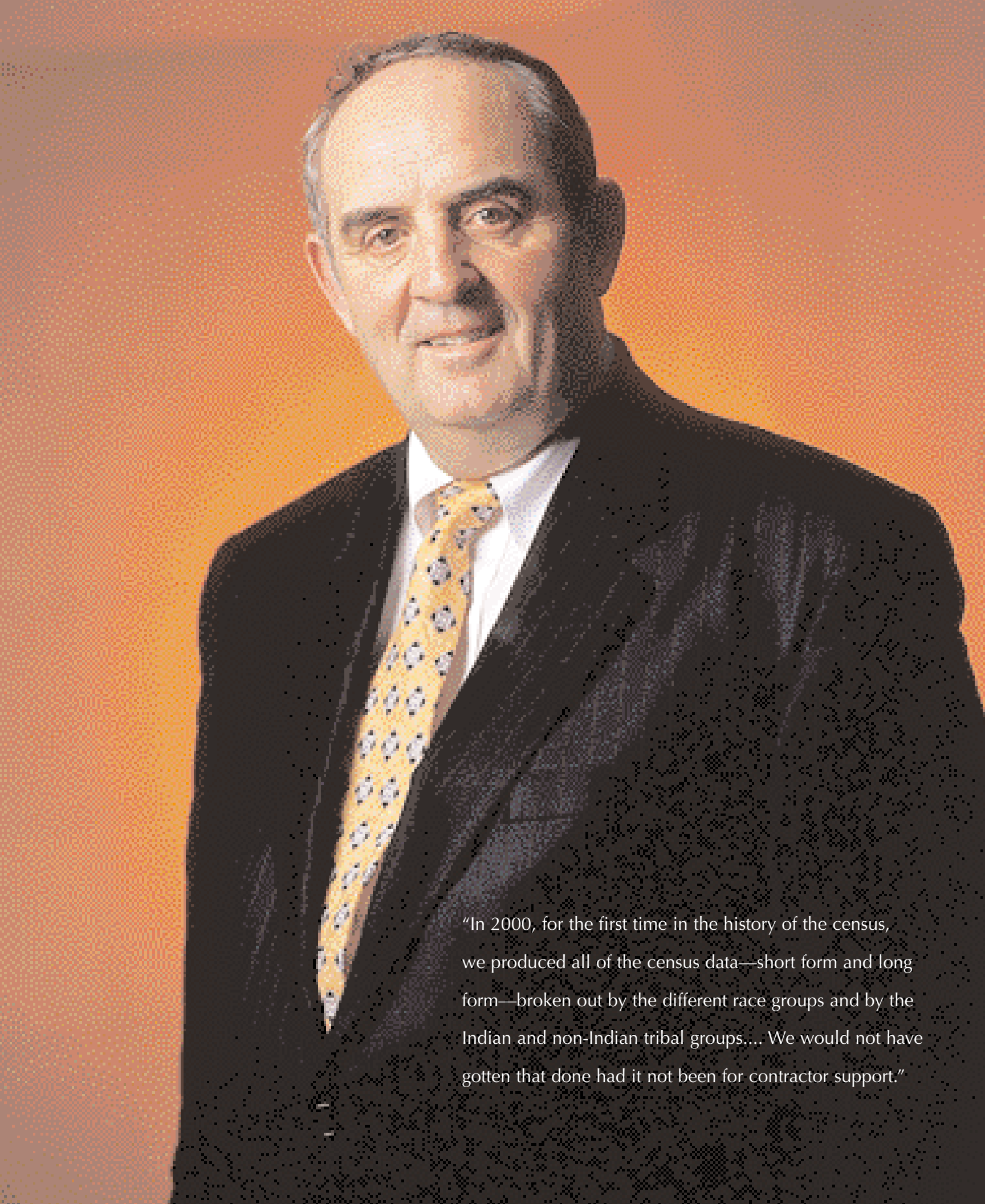
"In 2000, for the first time in the history of the census, we produced all of the census data—short form and long form—broken out by the different race groups and by the Indian and non-Indian tribal groups.... We would not have gotten that done had it not been for contractor support."

In 2010, when the Bureau goes out in the field to do nonresponder follow-up, "instead of coming with a paper questionnaire, we'll be coming with a small handheld PDA with a GPS transponder on it that will allow the enumerator to find your house with your GPS coordinate, conduct the short form interview, transmit the results of that interview back to our headquarters...."

house work arrangements, because he struggles with that himself. He observes that "for many years [the Census Bureau] believed that we were the only people living or dead that actually knew how to do a lot of these things. We had a lot of in-house systems, we did everything ourselves, and we felt that the private sector could not possibly figure out how to do this complicated job that we were doing." That all changed in 2000, when the Bureau contracted three of its major operational tasks: data capturing, call center operations, and data dissemination.

By partnering with contractors in 2000, the Bureau was able to reach new milestones in the area of data dissemination. In the past, the Bureau attempted to program and code a large volume of tables and then produce a large volume of data, first in books and then on CD-ROMs. Today, the Bureau has contractor support for publishing and disseminating census information. "The census produces huge amounts of data, and our eyes are always bigger than our stomachs. We always had hoped to produce all this data and never quite got around to it. In 2000, for the first time in the history of the census, we produced all of the census data—short form and long form—broken out by the different race groups and by the Indian and non-Indian tribal groups.... We would not have gotten that done had it not been for contractor support," reflects Waite.

In the areas of data capturing and call center operations, the Bureau contracted out the management of the high volume of paper documents and phone calls associated with the census operations. After sending out 400,000 questionnaires, the volume of both the calls and the returned questionnaires was tremendous. Waite says that in 2000, the census captured data from 1.5 billion pieces of paper in just six months. "To put that into a bit of perspective," says Waite, "a billion pieces of paper is 17 stacks of paper the size of the Sears Tower." He also notes that the Bureau received more than 6 million telephone inquiries. The Bureau was able to handle such volume with the help of contractors that had extensive experience operating call centers and data collection processing centers.

In addition to expanding the Bureau's capabilities, contracting with the private sector gives the agency the flexibility to adjust its workforce on demand. "For a period of two or three years, we need huge amounts of energy, expertise, and people," says Waite. "If you hire them permanently through the federal government, you've got a big issue with RIFs [reductions in force] or with long-term people and not knowing what to do with them." He adds: "One of the happiest days of my life is when we finished data capture, we closed down the data capture center. I went to one of the data capture centers we had in Baltimore [to close it]. I didn't have to fire anybody, I didn't have to pay any payroll, and I didn't have to move any desks. I just drove home smiling all the way [because] somebody else took care of those problems."

Reflecting on his experience in the 2000 census, Waite observes: "I think that we learned, surprising to us, that it is possible for a contractor to hire people to do the work that we thought only someone with years of government experience could possibly think about doing.... Our contractor friends learned that there was a little bit more to doing a census than they might have thought." As for the future of contracting in the Bureau of the Census, Waite says, "I think there's a lot more things that we'll be doing as we look forward. … we went into it with a little bit of hesitation. I think we came out of it not perfect … and everything didn't work well, but we learned from each other…. In the end, we had a very positive experience." ∎

To learn more about the Census Bureau, go to http://www.census.gov.

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

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

William Winkenwerder, Jr., M.D.

Assistant Secretary of Defense for Health Affairs

U.S. Department of Defense

Delivering Medical Care on the Battlefield and at Home

With thousands of troops deployed around the world, and 9 million service men and women and their families relying on coverage provided by the military's medical health care system, Dr. William Winkenwerder has responsibility for delivering medical care on two fronts. The Assistant Secretary of Defense for Health Affairs describes the role of his office this way: "Our mission is to provide for all of our military commands and for all the missions of the Department of Defense their medical support, and to ensure that our troops are medically ready, and that when we have operations, we have the ability, worldwide, to care for them. That's what we call our readiness mission."

"We have another mission," he adds, "and that is to take care of the everyday healthcare needs of those same service members as well as their families and dependents, and also military retirees who have at least 20 years of experience and then have a lifetime benefit. So we have a dual mission, an unusual type of arrangement, for any organization."

Being responsible for the military health system is no small task. The annual budget is approximately $28 billion, and there are over 130,000 healthcare professionals that include military uniformed members, reservists, guardsmen, and civilians. Dr. Winkenwerder's background has well prepared him for this challenge. He has advance degrees in medicine and business and has practiced medicine as a primary care physician. His prior work experience ranges from a public sector role at the Centers for Medicare and Medicaid Services to a private sector role with Blue Cross Blue Shield.

To meet the readiness mission, Dr. Winkenwerder works to translate Secretary of Defense Donald Rumsfeld's goals of transforming the military into a faster, more flexible, more mobile, and more interoperable operation into strategic goals for the military health system. To do so, he has encouraged partnerships with other federal agencies and the private sector to share technology and medical treatments as well as to develop new treatments and techniques to be used in the war

CAREER HIGHLIGHTS

- Assistant Secretary of Defense for Health Affairs, Department of Defense

- Vice Chairman, Office of the Chief Executive, and Executive Vice President of Healthcare Services, Blue Cross Blue Shield of Massachusetts

- Associate Vice President, Health Affairs, and Vice President, Emory Healthcare, Emory University

- Vice President and Chief Medical Officer, Southern Operations, Prudential Healthcare

- Associate Medical Director, Southeast Permanente Medical Group, Kaiser Permanente

against terrorism as needed. In Iraq, surgeons are being positioned close to where the action is, so that they may perform more lifesaving surgery in the field. One innovation being used in Iraq is a medical treatment called Quick Clot, which stops bleeding rapidly. The Department of Defense is also working with agencies from the Department of Health and Human Services—including the Food and Drug Administration, the Centers for Disease Control and Prevention, and the National Institutes of Health—in a collaborative effort known as Bioshield, to procure medical countermeasures to protect against attacks from biological agents, such as anthrax and smallpox.

The TRICARE Management Activity is the "operating division" of the Office of Health Affairs within the Office of the Secretary of Defense. TRICARE is charged with meeting the second part of the agency's mission—that is, to provide for the everyday healthcare needs of the military populations. It oversees the provision of health coverage plans for the roughly 9 million beneficiaries, which include active military service men and women, reservists, retirees, and their families. TRICARE manages 75 hospitals and 460 clinics that are staffed by military person-
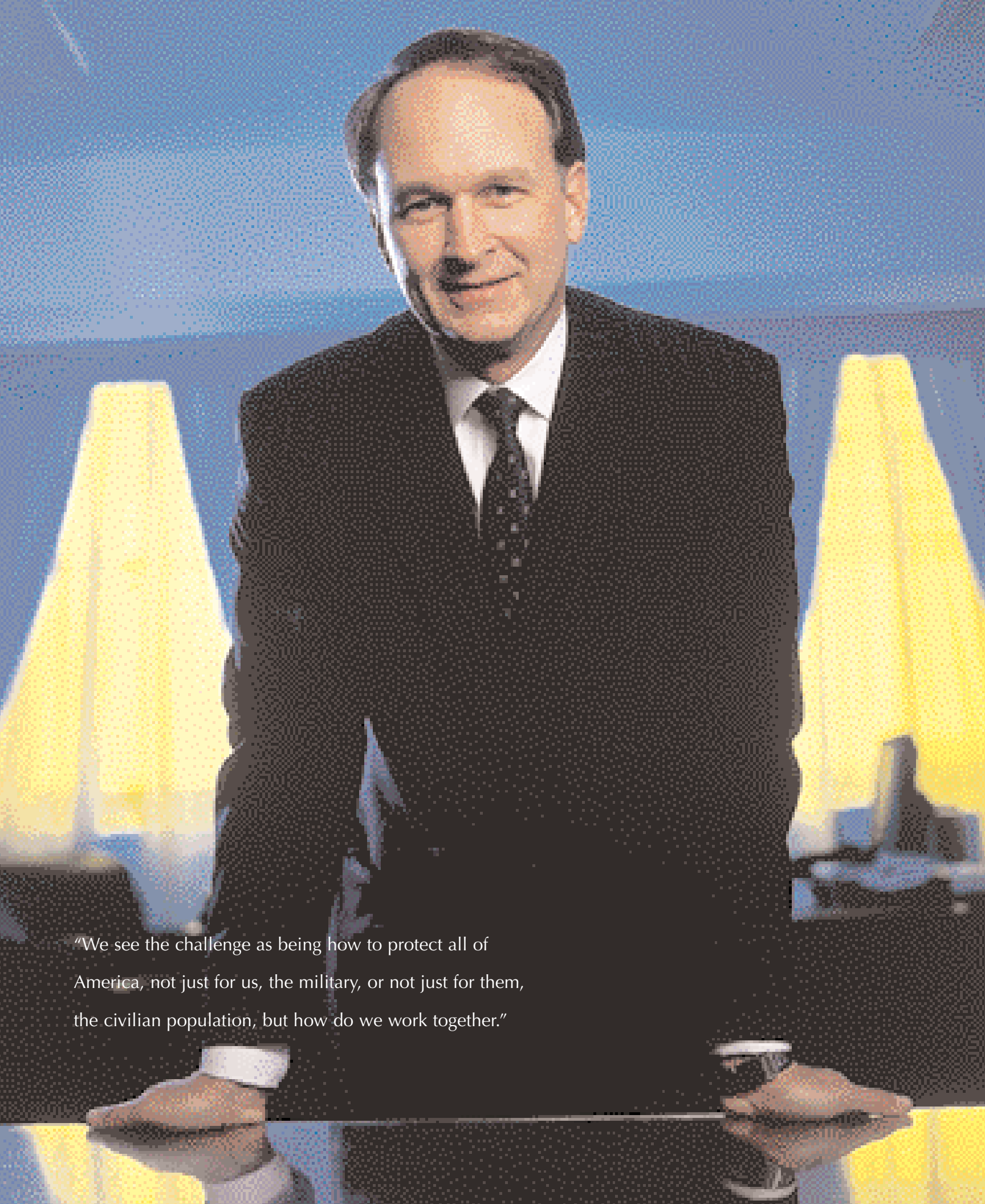
"We see the challenge as being how to protect all of
America, not just for us, the military, or not just for them,
the civilian population, but how do we work together."

> "We are embarking on what may be one of the most significant and comprehensive efforts ever undertaken with respect to the development and implementation of an electronic medical record system. There are really only a very few organizations that, because of the complexity involved in doing this, are attempting this."

nel, either uniformed or civilians, and contracts with four private managed health plans that enable many of the military beneficiaries to receive medical attention in their communities.

One of the initiatives of the TRICARE division is the implementation of electronic medical records. "We are embarking on what may be one of the most significant and comprehensive efforts ever undertaken with respect to the development and implementation of an electronic medical record system. There are really only a very few organizations that, because of the complexity involved in doing this, are attempting this," says Dr. Winkenwerder. Electronic medical records will do away with paper records, and the data will be kept on computers. The system, which has taken over a half decade to develop, with much collaboration from experts in the private sector, will be implemented for the military health system over the next two years.

As a leader in implementing electronic medical records, TRICARE is setting precedents for the way business transactions are being conducted with the medical care side and the insurance side that may lay the groundwork for electronic records in the civilian setting. For example, business transactions relating to medical must be standardized so that claims can be transmitted electronically and billing can be done electronically. The use of electronic medical records is also impacting the way that the military armed service branches track and monitor potential medical hazards in the field. In Iraq, the Army, Navy, and Air Force collect and maintain data about certain ailments across the forces that are now deployed into a single database. "We were sensitive obviously at that time about the possibility of use of chemical or biological weapons," Dr. Winkenwerder explains, "and this type of surveillance system is one capability that could give an early warning, and we were glad to be able to implement the database on a limited basis."

TRICARE is now undertaking activities to mitigate the risks involved with patient privacy and medical records. First: "We've added a privacy officer for TRICARE, elevating the importance of that whole issue, and we've obviously had to conduct a considerable amount of training in education for our staff, both with TRICARE and within the direct care system of the Army, Navy, Air Force, and Marines," he says. Second, TRICARE follows the standards from the Health Insurance Portability and Accountability Act of 1996 (HIPAA) legislation, which guarantees protection of personal medical information including expensive procedures to encrypt records and apply both administrative and technical safeguards to keep the the information private. Third: "There are rules as to who can have access to the system," observes Dr. Winkenwerder, "and there is constant oversight with respect to actual physical security and other things, and we really watch all this very carefully." Fourth, healthcare professionals must increase patient awareness about the process and the type of data that is being stored in computers, so that the patient can provide "informed consent" to participate in the TRICARE electronic medical records initiative.

With the nation's role in the war against terror, rising costs in the healthcare industry, and the challenge of attracting and retaining quality healthcare professionals, the responsibilities of Dr. Winkenwerder and his team of healthcare professionals remain great. He looks to partner with organizations that share the same goals to address these challenges: "We see the challenge as being how to protect all of America, not just for us, the military, or not just for them, the civilian population, but how do we work together." ■

To learn more about the Department of Defense Office of Health Affairs, go to http://www.ha.osd.mil.

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

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

Holly Wise

Director, Global Development Alliance Secretariat

United States Agency for International Development

Fostering New International Partnerships

The United States Agency for International Development (USAID) is transforming the way development projects are funded abroad. Established in 1961, USAID has provided four decades of economic assistance and technical expertise to developing countries in the areas of economic growth, global health, democracy, conflict prevention, and humanitarian assistance. In 2001, USAID created the Global Development Alliance to foster public-private partnerships that marry the agency's international development know-how with the resources and innovations of the private sector. Through such partnerships, USAID has leveraged an additional four dollars from the private sector for every one dollar it invests toward international development. Holly Wise played an integral role in the creation of the Global Development Alliance Secretariat and is now its first director. In just two years, Wise says, "we have put about 500 million dollars' worth of public money into these new activities, and that's leveraged over 2 billion dollars' worth of private resources."

Wise describes the external factors that led to the advent of the Global Development Alliance: "If you look at resource flows in 1970 from the U.S. to developing countries, about 70 percent of those resources that flowed were official development assistance. It was government money, public money, and there really weren't a lot of other players out there. You didn't see corporations that were either sourcing raw materials all over the world or manufacturing and distributing products all over the world. You didn't have this phenomenon of globalization as such a force. You didn't have universities and the whole host of non-governmental organizations (NGOs) with the kind of reach and placement, and the tremendous skills and assets that they bring to addressing development issues today. There weren't a lot of players, and there wasn't a lot of private money that was going overseas."

"Fast forward to 2000, and that reality is completely the opposite," she says. "In fact, at that point, about 80 percent of the resources that flow from the U.S. to developing

countries are private flows, and only 20 percent are official development assistance monies. Now, that's particularly striking when you think that the U.S. is the lead donor in the world in terms of total dollars spent on foreign assistance, and yet we're the minority shareholder, if you look at the total resource pie, of U.S. resources that go overseas. It's a very different world than the one which we started in."

Why do companies seek to partner with USAID in the first place? "There are many companies now that need to understand new markets and view poor people not as a liability but an opportunity. It makes these companies more agile and competitive, and they will be ready to take up tomorrow's challenges. They're willing to work in emerging markets with others who can help them understand those markets better, and help them do the right thing with delivering products to, or sourcing goods and services from, the poor ... so there are lots of drivers, and some of them are philanthropic, and some relate more to core business needs. And I would suggest that there's nothing wrong with enlightened self-interest. We need to accept the fact that companies need to make a profit. The way in which we intersect with them is not to directly contribute to

"The real impact is the difference it makes for poor people overseas.... So it's not the signing ceremony or how much you leverage, but what good it does that's going to be really most important and most instructive for us."

> "If you look at resource flows in 1970 from the U.S. to developing countries, about 70 percent of those resources that flowed were official development assistance. It was government money, public money, and there really weren't a lot of other players out there.... Fast forward to 2000, and that reality is completely the opposite. In fact, at that point, about 80 perc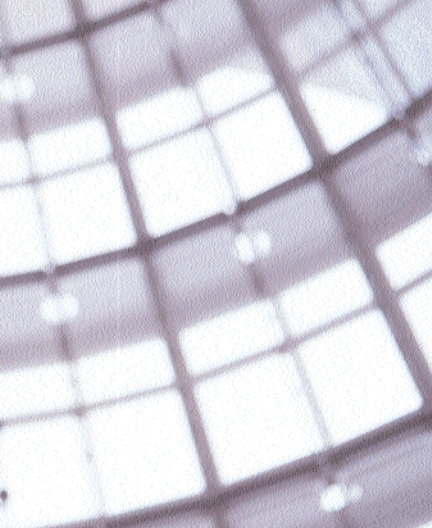ent of the resources that flow from the U.S. to developing countries are private flows, and only 20 percent are official development assistance monies."

their profitability, but to find a win-win situation where we can work together to address global development issues."

The Global Development Alliance is a framework that enables both public and private entities to bring their greatest assets to the table to address development challenges. With 40 years of international economic development experience and field missions around the world, she explains, "we know the local customs and the local officials. We understand the NGOs that are working there and the track records that they have. We have a whole network of contacts that are different from those that a company or a foundation might have." Wise adds: "When we are sitting down and talking with, for example, a mining company, they don't necessarily want or need to co-finance something with us, but they benefit from the fact that we know something about tuberculosis, or that we have active programs in Ghana, and know something about the way in which you link one activity with a whole set of other activities in order to have a sustainable program or a sustainable development activity."

In Angola, USAID partnered with ChevronTexaco to revitalize the agriculture industry in a country torn by 27 years of civil war following its independence from Portugal. ChevronTexaco and USAID signed a Memorandum of Understanding (MOU) to establish the Angola Enterprise Development Alliance. The MOU outlines the objectives of the program, the amount of money each partner will pledge, and the administration of the development monies. USAID and ChevronTexaco both pledged $10 million for a total of $20 million for the Angola Alliance. USAID manages the funding and is responsible for oversight and impact measurement.

The resources that flow through the Enterprise Development Alliance in Angola are used to sponsor a series of projects to support small- and medium-sized businesses such as the establishment of a development enterprise bank and a training center to teach agricultural techniques to displaced persons and former soldiers. The first objective of the alliance,

Wise says, "is an agriculture revitalization program, which involves five U.S. NGOs that we have worked with over a long period of time and had an existing relationship with in Angola." According to Wise, this alliance is exciting because "it means that there were resources to take it beyond what we had money for in the first instance, which was basically emergency feeding, and instead grow it to support seed multiplication, bringing tools to the farmers, helping these demobilized soldiers to go back to the land, after having the land mines taken off it. They could get back to work and plant their crops. The emergency food would tide them over, but they basically were making an investment in their future and able to get back into productive agriculture."

The Enterprise Development Alliance of Angola is just one of many initiatives supported through USAID's Global Development Alliance. "In the first two years that we've been building alliances, we've created many new relationships and expanded existing partnerships," she notes. These alliances include major global corporations and foundations, such as Starbucks, Home Depot, British Petroleum, and the Conrad Hilton and Coca-Cola Foundations. Through these alliances, USAID has been able to bring critical new assets and creative approaches to address development challenges. Wise is quick to point out that "the real impact is the difference it makes for poor people overseas.... So it's not the signing ceremony or how much you leverage, but what good it does that's going to be really most important and most instructive for us." ■

To learn more about the Global Development Alliance in the United States Agency for International Development, go to http://www.usaid.gov/gda.

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

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

Introduction: Moving Toward "Getting Results"

By Mark A. Abramson, Forum Editor

Mark A. Abramson is executive director of the IBM Center for The Business of Government. His e-mail: mark.abramson@us.ibm.com.

In the Summer 2003 issue of *The Business of Government,* Jonathan Breul, John Kamensky, and I identified four trends transforming government. One of these trends was an emphasis on performance. We wrote, "Over the past five years, federal, state, and local governments have been developing approaches to link organizational goals to intended results, oftentimes in customer-centric terms and occasionally beyond the boundaries of individual agencies."

In this issue of *The Business of Government,* we continue to address the performance issue in a Forum titled "Getting Results." From a variety of perspectives, each article in the Forum examines the incentives and structures now in place to encourage and stimulate a greater focus on "getting results" within the federal government. The increased focus on performance and results is now moving government policy makers from a fixation on the policy process (how decisions are made) to an emphasis on results (i.e., outcomes that Americans care about.) Results-based management focuses on how government performs, instead of solely on what it spends.

At the federal level, the most significant development over the last 10 years has been the attempt to use the federal budget process to foster more attention on "results." Three articles in the Forum discuss this important development. In his article, "Linking Performance and Budgeting," Philip G. Joyce discusses the many places within the budget process (from budget preparation to budget execution) in which performance issues can be addressed. Joyce observes that all too frequently previous studies have focused almost exclusively on the potential uses of performance information by the Office of Management and Budget (OMB) and Congress. This presents an incomplete view, argues Joyce, because it fails to recognize opportunities to use performance information at other important stages of the budget process.

While Joyce recommends looking beyond OMB and Congress to observe the use of performance-informed budgeting, OMB continues to be a major player in the movement to integrate performance and budgeting. In her article, "The Arrival of Performance Budgeting," OMB Deputy Associate Director for Economic Policy Justine Rodriguez provides a perspective from the front lines. Ms. Rodriguez describes how OMB is using the Program Assessment Rating Tool (PART) to assess the performance of federal programs, which has resulted in increasing agency focus on getting results. In "PARTing Is Such Sweet Sorrow," former OMB career executive Jonathan Breul further describes the PART process and its potential for improving the dialogue between the executive and legislative branches about performance.

But the budget process is only one arena in which incentives and processes are in place to encourage greater emphasis on results. For many years, the federal government has used a variety of strategies to measure the performance of state governments in different policy arenas. But this isn't easy. A number of federal departments and agencies, such as Education, Transportation, and the Environmental Protection Agency, are highly dependent on states and localities to achieve their missions. How can Congress hold these federal agencies accountable for national results when they provide only a small share of the total spending in these policy areas? Furthermore, in some cases, Congress prohibits federal agencies from collecting performance information (such as in many of the block grants) and in other cases federal agencies are constrained from taking action to improve state performance (such as mandating state motorcycle

helmet laws). In her article, "Strategies for Using State Information," Shelley Metzenbaum describes the delicate balance of the federal government in using "measurement, mandates, and money" to stimulate and measure enhanced program performance at the state level.

But internally tracking performance is not enough. In "E-Reporting: Strengthening Democratic Accountability," Mordecai Lee reports on his study of public sector agencies in making performance information transparent and available to citizens on government websites. Why is public reporting important? Citizen trust and confidence in their government stems largely from what they know about how it operates. Since trust and confidence in government is an essential element of a functional democracy, Lee posits that public managers have an obligation to "inform citizenry of their stewardship of public funds, record of accomplishment, and future goals and challenges." The emergence of e-government provides a new form of communication, allowing citizens 24/7/365 access. Lee defines criteria for assessing how well federal, state, and local agencies report their performance to the public as well as provides examples of best practices to inspire government agencies at all levels to move toward e-reporting. His findings and recommendations serve as a quick guide for public managers to assess their own reporting and how to emulate the best.

While each of the articles addresses various aspects of assessing, using, and publicizing performance information, the final two articles in the Forum address the difficult questions of what public managers actually can do to "get results" from their organizations. In "Showtime! Creating a Management Framework for Getting Results," John Kamensky says the key to success is for agencies to create and use a strategy-focused management framework. "The point of performance systems," he notes, "isn't to plan, measure, and be accountable, but to get meaningful results. The key to getting results is to know where you want to go and to develop a strategy—which is a manager's best guess on how to improve performance and achieve targets—that gets you there. Strategy, therefore, is constantly evolving to adapt to the changing environment and to learn from previous experience." Once a strategy-focused management framework is created, leaders have different ways of putting it into action. Kamensky describes three approaches to creating a strategy-focused management framework in government organizations. He assesses the following management innovations that each includes incentives for performance improvement: performance-based organizations, the CompStat initiative in New York, and the balanced scorecard.

In "Performance Leadership: 11 Better Practices That Can Ratchet Up Performance," Robert Behn focuses on actions agency leaders can take to improve an organization's performance. He offers a simple, stark bottom line: Good performance cannot be compelled, commanded, or coerced. Performance systems created in law or by central management agencies are attempts to compel good performance, and they basically don't work.

Dr. Behn's notion all but undermines the conventional tenets and institutions of public administration to "make the manager manage." However, he offers an approach to performance leadership capsulized in 11 "better practices" that he has observed in practice by many successful public leaders over the years. This approach focuses not on individual attributes and virtues, but rather leadership activities and performance. He cautions that these are not new rules, only suggestions.

We trust that this Forum will inspire government managers at all levels to develop their own strategies and commitments to get better results and, along the way, make a difference that all Americans will appreciate. ■

Linking Performance and Budgeting

By Philip G. Joyce

(This article is adapted from Philip G. Joyce, "Linking Performance and Budgeting: Opportunities in the Federal Budget Process" [Washington, D.C.: IBM Center for The Business of Government, 2004].)

Looking at the budget process comprehensively permits a more robust look at performance-informed budgeting by permitting an analysis of the reform at each stage of the budget process. Here we examine each of these stages in more detail, attempting to flesh out the specific issues involved with both availability and use, and drawing some preliminary conclusions concerning the current state of budget and performance integration at each of these stages. It is clear that performance information has great potential to be used at all stages. While the federal government does not yet have a fully mature performance-informed budgeting system, there are parts of the system (particularly in budget preparation and budget execution) where there are important success stories. Other stages—most notably budget approval—lag behind in the use of performance information for budgeting.

Budget Preparation

The budget preparation stage of the budget process is divided into two phases: the development of the request from the agency to the Office of Management and Budget (OMB) and the analysis of the request by OMB. Performance information can be used during both of these portions of the process, either to maximize the effects of funding on performance or to better justify the budget request as it goes forward to OMB or from the President to the Congress.

Development of the Agency Budget Request

As noted, the budget preparation stage begins with the initial planning by the agency, which can start a year or more prior to the submission of the budget request to OMB. For large agencies, this process can entail a time-consuming internal process within the agency. Many cabinet departments, for example, contain a great many subunits or bureaus. The process of arriving at an OMB budget request for such an agency involves a number of different steps, each of which can be time consuming and contentious.

The budget preparation stage is constrained by many factors, including political constraints imposed by interest groups and the Congress. Within those limitations, the budget request itself, and the information required to be included in the request, is dictated by OMB Circular A-11, and particularly Part 2 of that circular, entitled "Preparation and Submission of Budget Estimates." OMB Circular A-11 prescribes the specific information that must be provided with agency budget submissions.

Further, the budget request should be informed by the "judgment of the agency head regarding the scope, content, performance and quality of programs and activities proposed to meet the agency's missions, goals and objectives" (OMB, 2002).

Most agencies (particularly decentralized ones) have begun their internal budget process far in advance of the receipt of the circular. Upon receipt of the circular, agencies review the requirements to ensure that the information desired by OMB will be included in the request and continue (or begin in earnest) the process of developing the budget request, which (as noted previously) may involve a number of separate stages within a given cabinet department. The "traditional" budget request to OMB in many agencies has not been focused on the effects of funding on performance. Rather, it has been dominated by anecdotal information justifying additional expenditures by the agency, coupled with "current services" and "new initiative" requests from the agency. The process has been heavily focused on funding changes at the margin, asking questions such as, "How much more will it cost us to maintain current staff?"

During this first stage of the budget process, agencies can use a variety of tools and measures to make their budget request more focused on performance. This information is used by a number of different individuals in the agency to respond to a variety of questions necessary to build a budget request that is focused on the performance implications of funding. Making budget development more focused on performance normally requires that the agency budget office

Philip G. Joyce is Associate Professor of Public Policy and Public Administration, School of Public Policy and Public Administration, The George Washington University. His e-mail: pgjoyce@gwu.edu.

develop some framework for budget requests that clarifies the relationship between costs and performance. Such a budget request made to the agency budget office would include the following characteristics:

- **A strategic and performance context:** At least since the Government Performance and Results Act (GPRA) became fully effective, departments and bureaus are expected to have articulated some strategic vision. That means that budget requests should be presented in the context of their effects on the strategic priorities of the agency, normally established in the agency strategic plan. But further, this means that "programs" (or, in the language of federal budgeting, "programs, projects, and activities") should be related to the larger strategic goals and performance targets of the agency. In other words, there should be a logical connection that is presented between what the agency "does" on a day-to-day basis and its larger strategic and performance objectives.
- **Performance information:** Agencies should have output and outcome measures related to programs that are related to the larger strategic vision of the agency. The agency should have indicators of its success in meeting its objectives. These measures may be at several levels (output, intermediate outcome, final outcome), but ideally the agency, at all levels, could show a logical relationship between its various types of measures and its strategic objectives.
- **Cost information:** The budget request should identify the true cost of providing services, with costs charged to the appropriate bureau or program. This will not be possible without some relatively sophisticated means of allocating overhead or indirect costs. Administrative costs are now often accounted for separately and not allocated to individual services.

How can this information be used? First and foremost, it can be used to justify budget requests. Presumably most bureaus or subunits desire to be as successful as possible in the budget process (with "success" defined as achieving the largest budget possible to carry out programs within the

subunit). Bureaus can, therefore, present the information to make a specific linkage between costs (inputs), activities (outputs), and results (outcomes) in the context of the strategic vision of the agency. In this manner, the components can make transparent the effect of additional (or decreased) funding on performance in hopes that the agency head will find the case for funds more compelling if the performance implications are made clear. At the level of the line manager, and for the individual program, this may mean only that the relationship between inputs and outputs is clear. At the level of the bureau head, however, some linkage of these inputs and outputs to results is essential.

It is hard to overstate the importance of agency budget preparation to the overall effort to make the budget process more informed by performance. If the agency budget request, at all levels of the agency, has not laid the groundwork for relating funding to performance, it is highly unlikely that, as changes are made at higher levels (in OMB and the Congress, for example), the agency will be able to understand the performance implications of those changes. Further, when the agency implements its budget, it will be much more difficult for individual line managers to understand how they can use the money provided to them to help the agency maximize achievement of its strategic objectives. If these relationships are not well understood, agency managers and line employees may later find themselves managing "pots of money" without any clear understanding of how their actions can contribute to—or detract from—the overall performance of the agency.

Ultimately, the central budget office within the agency, on behalf of the agency head (the cabinet secretary or similar official), must collect and analyze each of these budget requests in order to determine what should be included in the budget request to OMB. It would be possible, of course, for the agency central budget office to simply collect the information, aggregate it, and send it to OMB without change. More frequently, however, the agency head needs to trim budget requests to fit them within some perceived envelope that represents what the agency head believes to be an

Contrasts between Traditional Views of Budgeting and Performance-Informed Budgeting

Performance-informed budgeting exists in a context of more traditional input-focused efforts to allocate resources. This input focus has historically been less on results and more on incremental levels of funding. The table below presents a contrast between traditional budgeting and performance-informed budgeting. It is important to keep in mind, however, that while performance-informed budgeting is probably unattainable, by the same token "traditional" budgeting, as described, is overly stylized. They are best viewed as ends on a continuum rather than discrete options.

Traditional Budgeting	Performance-Informed Budgeting
Inputs as ends in themselves	Relationship between inputs and results
Changes in inputs at the margin (for example, how many more dollars than last year)	Changes in inputs and results for the entire program (for example, how much more results for how much more money)
Divorced from planning and management in agencies	Budgeting integrated with planning and management
Budgeted resources	Costs

"acceptable" budget request (this notion of acceptability varies from agency to agency and from agency head to agency head). Given that OMB desires information on the performance effects of funding, at a minimum the agency budget office must ensure that the request going forward is fully justified in terms of presenting the best case for why the agency budget request should be fully funded to achieve the President's (or at least the agency's) strategic objectives.

A performance-informed budget at the agency level would be focused much more on outcomes than that at the bureau level. There may be a number of different bureaus that affect the same outcome, or a number of different federal agencies that affect that outcome. The department head needs to have information on how different funding levels will affect key results, especially those that are presidential priorities. For example, many federal agencies are currently involved in activities designed to enhance "homeland security," so agency heads need to understand the effect of proposed budget allocations on that goal. As another example, "reducing fraud and abuse in student loan programs" is one of the President's specific management agenda items. In that context, it would be important for the secretary of education to understand the effect that his proposed budget will have on the achievement of that objective. In the end, having appropriate performance and cost information can enable the agency head (and the agency budget office on behalf of the agency head) to analyze budget requests in the context of their performance implications, make trade-offs in a way that maximizes performance, and build a better justified budget request to OMB.

OMB Analysis of the Agency Budget Request

Once the agency submits the budget request to OMB, the President's budget office begins the difficult job of attempting to fit too many expenditure requests into too few revenues. That is, invariably the sum of agency requests far exceeds the total amount that can (or at least will) be included in the President's budget. This means that the process of arriving at a recommendation for each agency will involve, in most cases, attempts by the budget office to reduce the agency's budget request to a number that will fit within the overall budget constraint.

Frequently, only a limited number of resources are actually "in play" in a given budget. That is, those expenditures that are relatively "uncontrollable" (interest on the debt and most entitlement expenses) account for approximately 65 percent of the current federal budget, although presidential budgets routinely propose changes that affect entitlement programs and tax laws. Even for the remaining 35 percent of discretionary (appropriated) accounts, the process is not "zero-based"; that is, decisions are almost always being made "at the margin" (how much more and how much less will the agency receive compared to last year). It is the decisions concerning how these marginal dollars are to be allocated that are most likely to be informed by performance considerations.

Clearly, these issues are difficult to address, but they are better addressed with information on performance and cost than they are without that information. Simply building a "current services" budget without paying attention to the performance effects (past, present, and future) of funding runs the risk of

freezing current priorities and policies in place, rather than continually evaluating expenditures to determine which mixture of policies will best achieve the President's aims. In fact, it is crucial to remember that the President's budget is, first and foremost, a political document that reflects the President's funding priorities. Whatever information on performance that is brought into this process must be considered in the context of this political decision making.

Perhaps the greatest payoff to the use of better performance and cost information during this stage will come in the "conversation" between the agency and the OMB budget examiner(s). To the extent that cost and performance information is available and brought together, the debate between the parties can focus truly on whether the level of funding requested is justified by the results that will be achieved, as opposed to being driven solely by anecdotal evidence on one side or the other. This may prove advantageous to agencies that can build a strong case for the performance effects of their programs. It may prove advantageous to OMB in cases in which programs or agencies have continually received funding despite a general lack of evidence for the success of their programs.

Budget Approval

Once the President's budget is transmitted to the Congress, the budget approval stage begins. Budget approval is largely the province of the Congress as it approves legislation that affects both taxes and spending. It does involve the President in the sense that he must approve the bills that are passed by the Congress prior to their becoming law. In advance of this formal presidential action, the President and his advisers interact continually with the Congress, making various congressional committees and the congressional leadership aware of the President's positions on legislation moving through the Congress. The consensus is that currently the Congress makes very little systematic use of performance information for budgeting, particularly in the appropriations process. There are, nonetheless, a number of opportunities at various stages of the budget process for the Congress to make greater use of performance information if the incentives are present to do so.

Budget Resolution

The budget resolution does not deal with the details of the budget, but rather it creates a framework within which decisions on those details can be made by congressional committees. It is organized by type of spending (mandatory versus discretionary) and by major budget function (national security, international affairs, natural resources, health, and

so on). The budget resolution currently specifies levels of spending associated with these different functions and discusses in broad terms the assumptions behind these functional totals, but it does not specify any performance expectations. The General Accounting Office (GAO) has suggested that the Congress adopt a "performance resolution" as a companion to the budget resolution (Walker, 2002). This performance resolution would provide information on the performance expectations that would accompany the budgeted dollars in the budget resolution. It would cover not only spending programs but taxes as well. That is, if the budget resolution anticipates a tax cut or a tax increase, for example, the performance resolution would outline the expected effect on aggregate economic variables, such as economic growth. If the budget resolution anticipates an increase in funding for healthcare, the performance resolution would outline the expected effect on the number of uninsured persons, on the level of healthcare provided, and on the overall economy.

Authorizations

Federal programs operate under laws, which create them and establish the conditions under which they operate. Some programs are authorized indefinitely, while others are authorized for a specific period of time. For example, defense programs are subject to annual authorization, while agriculture or transportation programs have authorization bills considered every few years. Authorizing legislation is under the jurisdiction of committees that have specific expertise in a particular substantive area. Thus, a "farm bill" is an authorization bill covering agriculture programs, or a "transportation bill" is one covering transportation programs. Two authorizing committees—the House Ways and Means Committee and the Senate Finance Committee—consider laws governing tax legislation, which is frequently used to further social and economic objectives. Authorization bills often include direction concerning performance expectations, but frequently are not clear or quantifiable. Further, many agencies find themselves saddled with multiple and conflicting missions, and these conflicts are normally not resolved in legislation. Thus, agencies know what they need to accomplish in general but are often not given enough direction to allow them to set meaningful performance targets (or at least ones where there is consensus between the Congress and the agency, or even within the Congress, on the performance expectations for the agency or program). This lack of specificity leads to a situation in which agencies are more likely to need to resolve conflicts between congressional committees, or between the Congress or the President, or between competing interests, when implementing federal programs.

The important point is that the authorization process is crucial to developing expectations about the performance of programs, and it is therefore the most logical place for performance information to gain a foothold into the congressional budget process. While certainly many see it as desirable to have performance information integrated into the appropriations process as well, the most likely payoff would come by focusing first on the authorization process, for two reasons. First, the authorization process is already set up to deal with comprehensive questions of program design, redesign, and performance. Second, while only 35 percent of federal spending goes through the appropriations process, all federal spending and all tax laws are subject to authorization (although, as noted, efforts would need to be made to subject programs to more routine and systematic authorization than currently is the case).

Appropriations

In the appropriations process, decisions are made on funding levels for the 13 regular appropriation bills that together make up the 35 percent of federal spending referenced earlier. Those agencies funded from discretionary appropriations have no legal authority to spend money without the appropriation of those funds. Thus, the appropriations process is an important (in many years, the most important) annual budgeting ritual. Among the criticisms of this process, three seem particularly connected to the potential use of performance information:

- The process is usually focused only on marginal decisions rather than on the comprehensive effects of spending.
- There is little evidence that appropriations committees consider performance information in any systematic way when making decisions on allocations, relying instead on anecdotal information on program and agency performance.
- Members of Congress use the appropriations process, in part, as a vehicle to dole out money for "member priorities" (frequently referred to as "pork barrel projects"), sometimes at the expense of program or agency performance.

In addition, many appropriation accounts are not connected to programs or specific activities of the agency. Frequently the accounts are aggregate "salary and expense" items, which commingle several programs or activities into one relatively large account. This can make it difficult or impossible to tie the costs to specific programs, let alone to performance of particular programs (Breul, 2002).

How could performance and cost information be used in the appropriations process? First, accounts could be reorganized

> "It is hard to overstate the importance of agency budget preparation to the overall effort to make the budget process more informed by performance."

so that they tie more specifically to agency missions or programs. GAO has done extensive work on federal account structures and has found that these accounts are generally not well aligned with performance goals. A reform of account structures might allow for a more transparent illumination of costs that are associated with programs, and that reform could lay the groundwork for relating program costs to program performance. Changes in account structures are already being advocated by executive branch agencies, which have had some success in convincing the Congress to allow them to restructure accounts. For example, the U.S. Marshals Service completely restructured its accounts in the context of its FY 2004 budget request (OMB, 2003).

Second, the appropriations committees could demand, and make better use of, performance information as a part of the appropriation process. To the extent that many members of the Congress attempt to focus on "member priorities" or on anecdotal information when making budget decisions, they may be less likely to demand information on the effects of overall spending. If such information became a normal part of the congressional debate, however, it is more likely that the effects of appropriation decisions on performance would become more transparent.

Third, the appropriations committees could consider agency budgets more comprehensively, instead of focusing on changes at the margin. That is, they could relate program performance to cost at different funding levels, including the baseline (current services) level, as well as at levels that deviate from the baseline level (either positively or negatively). This would allow members of the Congress to have a better idea of the performance trade-offs inherent in providing different levels of funding to different agencies and programs.

The President

Bills cannot become law without the President's signature. So for each of the latter two types of legislation (authorizing bills and appropriation bills) the President also requires information prior to the completion of the budget approval process. Since the budget resolution does not require the President's signature, it is less directly important that the President have information on the performance implications of this resolution. But if the process is to work as designed, it is important that the President understand the performance implications of the budget resolution and how that expected performance compares to the performance that was expected in his budget proposal (Meyers, 1990). This will require a more explicit articulation of performance expectations in the budget resolution, since currently these performance expectations are not at all clear.

Budget Execution

Without question, there are important potential applications of performance information in each of the preceding stages of the budget process. A system in which the budget and performance were fully integrated would start with agency budget preparation informed by performance and would continue with OMB and the Congress focusing on performance when making funding decisions. Even if none of these preceding applications has occurred, however, there are myriad ways in which federal agencies can use performance information for budget execution—that is, for implementing the budget after it has become law.

Put simply, agencies have discretion. Authorizing and appropriation bills do not provide all the direction agencies require in order to operate, and the law does not anticipate all the circumstances that may arise in the course of managing federal programs. In part, this discretion occurs because it is easier to pass nonspecific and vague legislation that allows agency discretion rather than spelling out these details. Further, the Congress and the President do not possess all the technical expertise necessary to resolve all the issues necessary in running federal programs. Agencies and their management, for these reasons, need to "fill in the details" during the implementation (or budget execution) stage of the process. Budget execution is, therefore, about resource allocation.

There are many specific ways in which performance information can be brought to bear on allocating resources for the execution of the budget.

Understanding the Specific Implications of the Approved Budget for Performance

Regardless of whether the Congress and the President made clear the specific level of performance expected from the approved budget, the agency should review the budget as approved and translate the level of funding received into the expected performance that can be achieved at that level. This means evaluating how all the factors that affect performance—such as funding, legislative factors, environmental or economic conditions, or regulations—would be expected to affect performance. It is important that this analysis involve input from agency program officials concerning how these factors would affect results. After such analysis, the agency should communicate the expected performance from the approved budget to agency staff and other interested parties. If agency staff and external stakeholders are still operating under the assumption that the current expected level of performance is consistent with the level expected when the budget was formulated, that assumption will result in inaccurate signals. Therefore, these expectations should be revised based on the budget as approved. As noted previously, it is most likely that the performance expectations associated with the approved budget will be transparent if the performance implications of the budget were made clear at earlier stages, beginning with the development of the budget request from the lowest levels of the agency.

The ability to show the relationship between resources and results, and how that relationship has changed in the budget as approved, implies the ability to track costs by program. For many agencies, this means revisions to the account structure so that appropriation accounts do not contain multiple programs or programs are not contained within more than one budget account. If these revisions have not occurred, agencies will need to "crosswalk" between their appropriation accounts and the resources that are associated with individual programs.

Using the Agency's Discretion to Allocate Funds within the Agency

The approved budget from the Congress normally leaves a significant amount of discretion in the hands of the agency to allocate resources. For many agencies, this means allocating dollars toward different agency programs, or regional subunits, or both. In these cases, the agency can use information on the relationship between dollars and performance to attempt to maximize the level of performance that may be leveraged from a given budget.

Two characteristics of effective allocation are important to note. First, it is important to provide agency program officials with ample opportunities for dialogue and appeal about the performance implications of funding allocations. A "top-down" approach, where staff are informed of the expected level of performance but do not agree that this level of performance can be achieved with the dollars provided, is not likely to be successful. A fully mature performance-informed budgeting system will feature an ongoing dialogue between staff at all levels of the agency where the performance implications of different levels of funding are transparent to all parties. This is hard to pull off in practice, but it is far superior to a process in which such adjustments are not made and therefore the link between funding and accountability for results is severed.

Second, it is vital that funds be allocated in a timely manner. Resources that are provided late—which routinely occurs in the federal government when final appropriations are not provided until well into the fiscal year—impede effective financial and performance planning in agencies. Further, many agencies do not have adequate accounting systems, which means that managers lack timely access to information about the availability of resources, making it very diffi-

cult for these program managers to maximize the use of those funds (GAO, 2001, 20).

**Monitoring the Budget and Performance during Budget Execution**

It is not only important for initial allocation decisions to be informed by performance. It is also crucial that personnel in the agency engage in constant communication about the relationship between resources and performance during the budget execution phase. Priorities change, as do factors that influence performance, during the budget year. The cost of items important to service delivery may change, as may environmental factors. GAO highlights the importance of performance monitoring during budget execution so that "management has credible, up-to-date information for monitoring and decision making. Such monitoring should form the basis for decisions that address performance gaps by looking for root causes and, if necessary, adjusting funding allocations to rectify performance problems" (GAO, 2001, 20). GAO, in a separate report, identified a practice in the Nuclear Regulatory Commission whereby "operating plans track performance against established targets for each planned work activity to call attention to significant performance issues needing corrective action" (GAO, 2002, 20).

Sometimes performance monitoring may occasion transfers or reprogramming, where agencies spend resources for purposes other than those originally intended. In more extreme cases, they may lead to supplemental appropriations, where agencies seek additional funds to address performance gaps. In either event, it is important that the agency have a full understanding of the implications of the change, as well as the potential performance implications of the status quo.

Tracking costs during the fiscal year can have important implications for performance. If the costs of a given activity or program run substantially over or under projections, this can clearly affect performance. Further, for many programs productivity or cost measures are a significant component of performance measurement. It is particularly important that the costs captured represent the full cost of doing business, as opposed to only direct costs. As noted previously, this is a significant challenge for most federal programs, which have woefully inadequate accounting systems that cannot track full costs by program. Thus GAO notes that the ability to account for direct and indirect costs necessitates an information system that permits total costs (direct and indirect) to be associated with program goals (GAO, 2001, 23).

TO LEARN MORE

The Center report "Linking Performance and Budgeting: Opportunities in the Federal Budget Process," by Philip G. Joyce, presents an overview and history of performance budgeting in the federal government. It offers a comprehensive view of how performance information can be used at various stages of the budget process: preparation, approval, execution, and audit and evaluation.
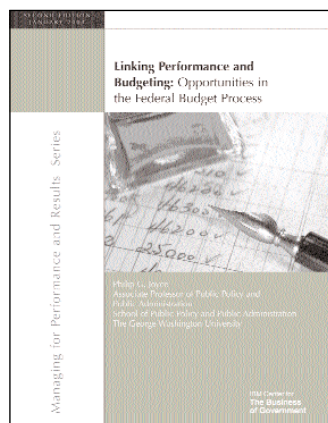
The report can be obtained:
- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

Congressional Oversight

Performance information could be used by the Congress for oversight of programs. Unlike other budget execution activities, congressional oversight is obviously not the province of the agencies. Instead, the Congress and its committees use oversight to monitor the progress of federal programs and agencies in implementing legislation, including the budget. The criticism of congressional oversight historically is that it has not been focused on the extent to which programs have achieved their objectives. Rather, oversight has been used to draw attention to politically sensitive or high-profile issues. Some political scientists have argued that the Congress engages in "fire alarm" oversight, where high-profile issues get attention, as opposed to "police patrol" oversight, where agencies or programs are looked at in detail in an effort to determine what works and what does not (McCubbins and Schwartz, 1984).

If, as discussed, budget resolutions, authorizations, or appropriation bills are more explicit about specifying expected performance, it will be far more likely that oversight will also focus on these performance issues. Currently the attention that congressional committees pay to detailed oversight of programs varies substantially from committee to committee. Certainly some committees make substantial use of hearings and GAO studies, for example, to evaluate the effectiveness of programs. Other committees are less likely to focus on the performance of programs and more likely to focus on "oversight" episodically or in an effort to promote a political agenda. In these cases, while it would be desirable for oversight to focus on performance questions, there are currently limited incentives for members of committees to focus in detail on oversight of programs. More emphasis on oversight will probably not occur until some of these incentives have been changed. It is possible that changing the terms of the debate by greater specification of performance expectations in legislation would help create more incentives for detailed oversight.

Audit and Evaluation

Finally, performance information can be used in important ways in the audit and evaluation stage of the process, during which federal programs are reviewed to determine compliance with laws, management practices, and program performance. Theoretically, the results of the audit and evaluation stage should feed into the formulation of the budget during some subsequent fiscal year. This frequently occurs with a significant time lag, because by the time audit results are known from one fiscal year, the budget preparation phase may be under way for a fiscal year two or more years after the year to which the audit information applied. Still, recent years have seen significant developments in the questions that are being asked in audits and evaluations, in the capacity of the federal government to answer those questions, and in the reporting of information to the public after the fact.

The audit and evaluation stage of the budget process historically looked only at the use of inputs. It fit squarely within what Allen Schick referred to in 1966 as a "control" function of budgeting (Schick, 1966). Agencies were evaluated according to whether the funds that had been appropriated had been used for the specific purposes intended, and not according to what resulted from those expenditures. Given this history, even moving to asking more "output" oriented questions, which began to occur in the 1950s, was a step forward.

Beginning in the 1960s, however, research and program evaluation offices began to be created in many federal agencies. In fact, agencies like the Department of Defense and the Department of Health, Education, and Welfare were noted for their capacity to engage in long-term planning and evaluation. These evaluations often focused on performance after-the-fact and certainly addressed resource issues as one of many factors that could affect program success. The capacity for many federal agencies to ask outcome-related questions was almost certainly enhanced by the PPBS (Planning-Programming-Budgeting System) reform, in spite of the fact that the reform is viewed overall as less than successful.

At the same time, GAO was shifting its focus from asking traditional accounting questions—which focus rather narrowly on inputs—to asking more questions about the operations and performance of federal agencies. Further, other positions—such as agency inspectors general and chief financial officers—were subsequently created and charged with asking performance questions, in addition to supporting the development of the data that would be necessary to connect resources and results.

The last 15 years have seen substantial legislative impetus for performance measurement and therefore for a greater performance focus in audit and evaluation. The CFO Act, GPRA, the Clinger-Cohen Act, and other laws had in common the notion that we should better understand the relationship between resource use and results. The George W. Bush administration's initiatives share this focus, perhaps particularly manifested in the PART, which requires after-the-fact knowledge of performance and inputs in order to succeed.

In what specific ways, then, can the audit and evaluation process be supportive of performance-informed budgeting?

- **Appropriate estimating of cost:** As noted previously, understanding the connection between resources and results requires the appropriate measurement of each. Financial audits typically focus on expenditures by budget account and on compliance with legal restrictions on spending. These are important considerations. Perhaps more important for performance-informed budgeting, however, is that agencies have the capacity to establish costs by program or mission. Audits can assist by providing information on the status of cost accounting and by making recommendations on further developments.
- **Reporting on performance:** The performance reports that are required under GPRA are clearly exemplary of a performance-informed audit and evaluation process. Prior to GPRA, there was no systematic requirement that agencies report on results. These reports, to the extent that they highlight gaps between expected and actual performance, can be useful tools for future planning.
- **Developing "logic models" concerning the relationship between resources and results:** Understanding costs and understanding performance levels is not enough. A mature performance-informed budgeting system must be able to connect the two. And making connections between dollars and performance requires that we understand how the former affects the latter, meaning that the causal relationships between resources and results must be clearly understood. Since many other factors (besides the level of funding) can affect performance, tracking causal relationships is potentially a complex undertaking. It is vitally important, however, to the eventual linkage of inputs and outcomes. It also can present the relationship between inputs, outputs, intermediate outcomes, and outcomes. This enables agency and program staff to understand the relationship between "what they do" as individuals and the goals of the organization.
- **Highlighting data limitations and problems:** Audits and evaluations can present information that helps users understand the limitations and problems associated with the data necessary to develop a mature performance-informed budgeting system. This can include problems with data reliability, timeliness of collection, timeliness of reporting, or failure to understand causal relationships.

In the end, any sophisticated performance-informed budgeting system requires the ability not only to specify performance before the fact and to use performance information in allocating resources at all stages of the process, but the ability to evaluate performance after the fact and make adjustments for the future accordingly. This necessitates an investment in evaluation capacity that has been lacking recently in federal agencies (Newcomer and Scheirer, 2001). It also requires that auditors and evaluators ask the right questions and that the information included in the audits be provided to agency staff and leadership, OMB, and the Congress in a timely fashion. ■

References

Breul, Jonathan (2002). "Performance Budgeting in the United States," paper prepared for the Strategic Planning and Environmental Governance Conference, Ministry of Environment and Territorial Protection, Formez, November 28–30, Rome, Italy, 13–14.

General Accounting Office (2002). Managing for Results: Efforts to Strengthen the Link Between Resources and Results at the Nuclear Regulatory Commission, GAO-03-258 (December), 20.

General Accounting Office (2001). Results-Oriented Budget Practices, GAO-0101084SP (August).

McCubbins, Matthew, and Thomas Schwartz (1984). "Congressional Oversight Overlooked: Police Patrols Versus Fire Alarms," *American Journal of Political Science* 28, 721–748.

Meyers, Roy T. (1990). "The Budget Resolution Should be a Law," *Public Budgeting and Finance* 10 Number 3 (Fall), 103–112.

Newcomer, Kathryn E., and Mary Ann Scheirer (2001). "Using Evaluation to Support Performance Management: A Guide for Federal Executives." Washington, D.C.: IBM Center for The Business of Government, January.

Office of Management and Budget (2003). "Budget and Performance Integration," Chapter 1 of Budget of the United States Government, *Analytical Perspectives,* Fiscal Year 2004. Washington, D.C.: U.S. Government Printing Office.

Office of Management and Budget (2002). Circular A-11, Part 2, Preparation and Submission of Budget Estimates, Section 30-1.

Schick, Allen (1966). "The Road to PPB: The Stages of Budget Reform," *Public Administration Review* 26, Number 4, 243–258.

Walker, David M. (2002). Comptroller General of the United States Statement on Performance Budgeting: Opportunities and Challenges, before the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, House Committee on Government Reform and Oversight, and Subcommittee on Legislative and Budget Process, House Committee on Rules, September 12, 2002, 18.

The Arrival of Performance Budgeting

By Justine F. Rodriguez

In recent years, federal agencies began an effort to systematically improve the outcomes they work to achieve for Americans. Under the Government Performance and Results Act of 1993 (GPRA), they developed their first strategic plans in 1997, setting forth strategic goals and analyzing how they might be achieved. The first annual performance plans set forth targets for performance for FY 1999. Two years later, these performance reports assessed achievement of those targets. GPRA laid a foundation for setting priorities across programs and departments. In parallel, agencies began to "match" cost with programs and outputs in their accounting.

But old hands knew that real incentives would improve performance only when they were linked to the budget. In government, the budget drives policy making, resource allocation, and management in ways both obvious and subtle. To get the budget to drive improvements in performance, agency budget justifications would have to be integrated with agency performance plans and they would need to request resources to achieve specific performance targets. Budget allocation would be informed by effectiveness ratings for all the programs supporting each strategic goal, so funds could be shifted and programs modified to maximize strategic goal achievement. And program managers would be given the budget, program, and staff authority so they could justly be held accountable for achieving performance targets.

To harness these incentives and achieve better results, budget and performance integration became one of the five initiatives in the President's Management Agenda, encouraging collaboration, development of a performance budget, program evaluation, budget account alignment, full costing—and making a place for performance measures in parallel with the program and financing schedule in the annual Appendix to the United States Budget. Subsequently, the Bush administration developed the Program Assessment Rating Tool (PART), a questionnaire providing a common framework for assessing the effectiveness of individual programs.

While not all of the effort to integrate performance and budgeting is publicly visible, much of it, including some of the new performance budgets, are now available on government websites. Behind the scenes, there has been much activity over the last year in which the concept of performance budgeting has moved closer to reality.

- In the last six months, agencies completed the third round of strategic plans, collectively answering the question: "What does the federal government do?"
- With the FY 2005 budget, the Bush administration's initiative to assess the effectiveness of all federal programs with the PART reached the 40 percent mark. Both the one-page summaries and the full questionnaires for about 400 programs are available on OMB's website, beginning to fill in answers to: "How well does the government do it?"
- Agencies, drawing on both of the above, have sent "performance budget" justifications for FY 2005 to the Congress. Their strategic goals provide structure for the overview and are reflected throughout. Programs are presented in the context of the goals they support, with PART results, performance records, plans for the budget year, and the usual supporting material.
- There are now varied examples of "best practices" to help agencies in need of them, as well as early anecdotes on the ways in which the integration of performance and budget provides incentives for greater effectiveness in government.

Streamlined Strategic Plans

GPRA strategic plans have greatly improved since the first-round submissions in 1997. That effort included extensive consultation about agency mission and goals. In retrospect, it yielded perhaps too many objectives rather than overarching ones, too many performance measures (although too few outcomes), and heavy volumes.

The second round of plans was published at the end of 2000. Many departments found ways to define goals and measure their potential outcomes or benefits for society, based on their

Justine F. Rodriguez is Deputy Associate Director for Economic Policy in the Office of Management and Budget. Her e-mail: justine_f_rodriguez@omb.eop.gov. The views expressed in this article are those of the author.

authorizing legislation and the way they were organized to carry it out. Departments such as Agriculture, Commerce, Labor, Transportation, and Veterans Affairs identified goals similar to those they espouse today. (In 2003, the Departments of Labor and Transportation made interesting modifications to emphasize foresight in dealing with the competitive global economy.)

The just-completed third round of strategic plans has several distinguishing features. Immediately obvious is that the current plans are often slender, attractive pamphlets. The ability to sculpt them that way is based on understanding the value of focusing on a few key purposes and greater skill in showing how portfolios of programs work toward them. These plans are generally less "visions" and more "operating frameworks" to guide the agency in the next few years, although some agencies by their nature have longer time horizons.

Deserving of special mention are the following plans, several of which are potentially transformational:

• The Department of Health and Human Services and the Department of the Interior—each traditionally a holding company of bureaus with individual plans—are using their first department-level plans to integrate their work around cross-cutting purposes to which many bureaus would contribute.

• The Department of State has planned jointly with the United States Agency for International Development, making the purposes of diplomacy transparent and potentially improving coordination of its global efforts.

• The Department of Defense (DoD) strategic guidance, the Quadrennial Defense Review completed early in the Bush administration, is in the form of a "balanced scorecard" intended to minimize total risk. Implementation has cascaded common performance measures throughout DoD.

• And the agencies most affected by September 11, including the Departments of Homeland Security, Justice, and Treasury, have used their strategic plans to prioritize and reshape their goals.

More and More PARTs

In order to assess the effectiveness of individual programs in a consistent way, the Bush administration developed the Program Assessment Rating Tool (PART). The PART is a questionnaire of about 30 items with sections on program purpose and design, program planning, program management, and program results. In addition to numerical ratings for each section, an overall rating is given: effective, moderately effective, adequate, ineffective, or results not demonstrated because of the absence of appropriate performance measures or data.

Link to *Analytical Perspectives* volume of the 2005 Budget
http://www.whitehouse.gov/omb/budget/fy2005/pdf/spec.pdf

Links to all PART information
http://www.whitehouse.gov/omb/budget/fy2005/part.html

Program Summaries
http://www.whitehouse.gov/omb/budget/fy2005/pdf/ap_cd_rom/part.pdf

2005 Budget Justification	Web Address
Agriculture 2005 Budget Summary	http://www.usda.gov/agency/obpa/Budget-Summary/2005/FYbudsum.pdf
Highlights of the Dept. of the Navy 2005 Budget	http://www.navweb.secnav.navy.mil/pubbud/05pres/highbook/05highlights.htm
Education FY 2005 Budget Summary	http://www.ed.gov/about/overview/budget/budget05/summary/05summary.pdf
Energy FY 2005 Budget Request	http://www.mbe.doe.gov/budget/05budget/index.htm
Health and Humans Services Budget in Brief FY 2005	http://www.os.dhhs.gov/budget/05budget/fy2005bibfinal.pdf http://www.os.dhhs.gov/budget/05budget/FY05AnnualPerformancePlan.pdf
Homeland Security Budget in Brief FY 2005	http://www.dhs.gov/interweb/assetlibrary/FY_2005_BIB_4.pdf
HUD FY 2005 Budget Summary	http://www.hud.gov/about/budget/fy05/budgetsummary.pdf
Interior Budget Overview for 2005	http://www.doi.gov/budget/2005/05Hilites/toc.html
Labor FY 2005 Budget	http://www.dol.gov/_sec/budget2005/overview-pb.pdf
State Department Budget in Brief FY 2005	http://www.state.gov/documents/organization/28790.pdf http://www.state.gov/m/rm/rls/perfplan/2005/pdf
Transportation 2005 Budget in Brief	http://www.dot.gov/bib2005/BIB_FY05.pdf
Treasury FY 2005 Budget-in-Brief	http://www.treas.gov/offices/management/budget/budgetinbrief/fy2005/index.html
EPA FY 2005 Budget in Brief all documents	http://www.epa.gov/ocfo/budget/2005/2005bib.pdf http://www.epa.gov/ocfo/budget/2005/
FY05 Congressional Justification: General Services Administration FY2005 Budget Summary and Highlights	http://www.gsa.gov/gsa/cm_attachments/GSA_DOCUMENT/ 2005CongJust_R2E-s65_0Z5RDZ-i34K-pR.pdf
NASA FY 2005 Budget Summary all documents	http://www.nasa.gov/pdf/55524main_FY05%20Agency%20Summary-2.31.pdf http://www.nasa.gov/about/budget/index.html
National Science Foundation FY 2005 Budget Request to Congress	http://www.nsf.gov/bfa/bud/fy2005/toc.htm

The PART was first applied to 234 programs for the FY 2004 budget. Another 173 programs were assessed for the FY 2005 budget. Some of the programs assessed as part of the FY 2004 budget were assessed again in FY 2005 as agencies, now more familiar with the tool, developed additional data and evidence. Thus, there was a decrease in the proportion of programs that could not demonstrate results.

Chapter 2, "Budget and Performance Integration and the Program Assessment Rating Tool," in the *Analytical Perspectives* volume of the FY 2005 United States Budget explains the PART and shows, by agency, each of the programs rated so far—their ratings, program type, and funding level. In summary:

• About 40 percent of programs, with spending of almost $713 billion, were rated effective or moderately effective.
• About 20 percent of programs, with spending of $162 billion, were rated adequate or ineffective.

• About 40 percent of programs, with spending of about $209 billion, were still unable to demonstrate their effectiveness.

The *Analytical Perspectives* volume also showcases some of the first crosscutting analyses using the PART.

• Federal statistical programs were highly rated, with five effective and three moderately effective, as noted in Chapter 4 of *Analytical Perspectives*.
• Federal research and development programs also received high ratings. By share of funding, 45 percent were effective and 34 percent moderately effective, with most of the rest, 17 percent, unable to demonstrate results, as Chapter 5 of *Analytical Perspectives* displays.
• Investment programs are analyzed in Chapter 6, which compares programs that invest in physical capital, education and training, and R&D based on their ratings and scores for purpose, planning, management, and effectiveness. This analysis covers 119 programs with $132 billion of spending.

NASA—A Stellar Example

For FY 2005—and for FY 2004—the National Aeronautics and Space Administration (NASA) sent a full performance budget request to the Congress. The entire document was structured by strategic goals; all programs were organized within the goals. The justification is analytical and uniformly formatted. Budget accounts are fully aligned with goals, and program activity lines with programs. Within programs, budget authority is requested at the project level to cover full cost, including center and headquarters costs.

Project managers have an incentive to manage dollars and staff to maximize their outcomes. They are customers for service from centers like Goddard and from other providers. NASA's justification so satisfied its appropriators last year that the Continuing Resolution for FY 2004 allowed it to start the fiscal year under its reformed full cost budget. Thus, it is the only agency already executing a full cost budget, with budget authority where it is used.

- Credit and insurance programs are analyzed in Chapter 7 using some statistical comparisons and assessing how the nature of these programs places importance on program design and management.
- Grants to state and local governments (100 programs for diverse purposes) are assessed in Chapter 8. A larger proportion of these programs were rated "results not demonstrated"—an unsurprising result given the breadth of purpose of some programs and the lack of agreement about goals and performance measures. Grant programs have to work harder than other program types to define results, achieve them, and demonstrate them.

To access *Analytical Perspectives* volume of the 2005 Budget, go to: www.whitehouse.gov/omb/budget/fy2005/pdf/spec.pdf

And Now, Performance Budgets

Each year, the Office of Management and Budget (OMB) sends guidance for budget preparation to agencies. For the 2005 budget, sent to Congress in February 2004, OMB required changes that supported the creation of a "performance budget" justification. OMB wrote:

A performance budget starts from an overview of what the agency intends to accomplish in the budget year. The overview, structured like the recently revised strategic plan, would show past and expected outcomes for each strategic goal, how supporting programs would work together toward them, and

how past shortcomings would be remedied. Summary tables would show how PART and program outcomes and targets support the outcomes for the strategic goals and objectives. Tables would also show the full cost paid by the agency toward each strategic goal and for each program.

The remainder of the budget may be presented by bureau or other organization, but each entity should analyze its contributions to strategic goals, followed by detailed analysis of supporting programs—based on the PART whenever available. Your budget request should be justified on the basis of resources needed to make planned progress toward the strategic goals, and achieve the annual targets set for the program outcomes. Because the plan would be integrated into the performance budget, a separate annual performance plan would not be needed to satisfy GPRA requirements.

Preparations of budget justifications begin in agencies right after their previous budget is sent to Congress. It is first prepared for internal review; then sent to the Secretary for his or her decisions; then submitted to OMB; and, finally, the President's decisions frame agency justifications for the Congress. The justifications are voluminous. Heretofore, they have been accompanied by the agency's Annual Performance Plan. But juggling to see a program's performance record and plan together with its cost were demanding and analytically challenging.

A performance budget is a thoughtful integration of key elements of a performance plan with the budget justification. It is meant to add value by facilitating comparisons of performance and cost. It would show the benefits for the public achieved with past appropriations, and those the agency plans to achieve with requested funding. Comparisons of benefits and costs over time and across programs for similar purposes would be facilitated. Improvement in the effectiveness of budget execution would be encouraged. And contrary to fears, the resulting volumes are shorter, more readable, and more analytical, without loss of traditional data.

For FY 2005, many departments and nearly all major agencies have developed performance budgets. The variety among them demonstrates the flexibility available while fulfilling the principle of matching outcomes with the resources used to achieve them.

- The Department of Transportation has a performance budget highlighting goals such as safety and mobility,

Department or Agency	Strategic Plan with Release Dates	Web Address
Agriculture	Strategic Plan for 2002–2007 (9/02)	http://www.usda.gov/ocfo/sp2002/sp2002.pdf
Commerce	FY 2004–FY 2009 Strategic Plan	http://www.osec.doc.gov/bmi/budget/04strplan/Entire.pdf
Defense	Quadrennial Defense Review (6/01) Annual Defense Review (2003)	http://www.defenselink.mil/pubs/qdr2001.pdf http://www.dod.mil/execsec/adr2003/index.html
Education	DOEd Strategic Plan 2002–2007 (3/02)	http://www.ed.gov/about/reports/strat/plan2002-07/plan.pdf
Energy	DoE 2003 Strategic Plan (9/03)	http://strategicplan.doe.gov/hires.pdf
Health and Human Services	HHS Strategic Goals and Objectives — FY 2003–2008 (final draft, 9/03)	http://aspe.hhs.gov/hhsplan/
Homeland Security	Strategic Plan 2004 (2/04)	http://www.dhs.gov/interweb/assetlibrary/ DHS_StratPlan_FINAL_spread.pdf
HUD	Strategic Plan FY 2003–FY 2008 (3/03)	http://www.hud.gov/offices/cfo/reports/03strategic.pdf
Interior	Strategic Plan (1/03)	http://www.doi.gov/ppp/strat_plan_fy2003_2008.pdf
Labor	FY 2003–2008 Strategic Plan (9/03)	http://www.dol.gov/_sec/stratplan/strat_plan_2003-2008.pdf
State	FY 2004–2009 Department of State and USAID Strategic Plan (8/03)	http://www.state.gov/documents/organization/24299.pdf
Transportation	Strategic Plan 2003–2008 (9/03)	http://www.dot.gov/stratplan2008/strategic_plan.htm
Treasury	Strategic Plan 2003–2008	http://www.treas.gov/offices/management/budget/ planningdocs/treasury-strategic-plan.pdf
Veterans Affairs	VA Strategic Plan FY 2003–2008 (7/03)	http://www.va.gov/opp/sps/2003plan/Plan 2003.pdf
EPA	2003–2008 Strategic Plan (9/03)	http://www.epa.gov/ocfo/plan/2003sp.pdf
General Services Administration	Strategic Plan (4/02)	http://www.gsa.gov/gsa/cm_attachments/GSA_DOCUMENT/ GSAStrategicPlan_R2E-s43_0Z5RDZ-i34K-pR.doc
NASA	2003 Strategic Plan	http://www.nasa.gov/pdf/1968main_strategi.pdf
National Science Foundation	Strategic Plan FY 2003–2008 (9/03)	http://www.nsf.gov/od/gpra/Strategic_Plan/FY2003-2008.pdf
Office of Personnel Management	Strategic Plan FY 2002–2007	http://www.opm.gov/gpra/opmgpra/sp2002/
Small Business Administration	Strategic Plan FY 2003–2008	http://www.sba.gov/strategic/strategicplan2003.pdf
Social Security Administration	Strategic Plan FY 2003–2008 (2/03)	http://www.ssa.gov/strategicplan2003.pdf

which cut across modes of transportation and bureaus. The specific strategies for improving transportation safety and mobility have been analyzed.

- The Department of Labor has a performance budget, fitting programs into strategic goals, showing the performance record, performance targets and strategies for achieving them, and justification for resources requested. Outcomes are emphasized. The department is the center of crosscutting employment and training common measures. Nearly full cost is shown at the program level; bureau costs are spread and central services charged via the working capital fund.

- The Environmental Protection Agency has substantially improved its performance budget, using five strategic goals and a standard format including all plan and budget elements. The agency has revised its planning, budgeting, accounting, and performance structure, and introduced concepts of "program/project" and "activity" into budget formulation and execution to budget, account, and manage resources at a refined level.

- The Departments of Agriculture, Energy, Interior, and Treasury have performance budget overviews, with varying degrees of follow-through in their bureau presentations. Some departments have not yet posted their budget justifications.

Best Practices

As agencies improve their strategic plans, build their inventory of PART assessments, and present them in an integrated performance budget justification, best practices are emerging for getting the most improvement in results for Americans.

- **Outcomes.** Best practice has always been to commit to influencing outcomes, even though agencies cannot control them. A continuing challenge is to find the relationships and logic models that explain the best ways for agency actions to influence outcomes. The PART reviews pay particular attention to program outcomes. *Agencies are getting additional insights by looking at strategic goal outcomes together with the measures for all of the programs that contribute to that goal.* Do they fit together into a strategy sufficient to reach the strategic goal?
- **Portfolios.** How do the programs that support a common goal relate to each other? Are they competitive, doing the same thing in the same way, so that more public benefit could be achieved by shifting all resources to the most effective one? Are they alternative, doing the same thing in different ways; if so, do we know which way is better and for whom? Perhaps they are parallel, seeking the same goal for different populations or regions; the approach best suited to one may not suit another. Lastly, they may be complementary; for example, different kinds of services may be needed to make a homeless person independent. *Best practice should maximize the strategic outcome from each portfolio of programs.*
- **Grant programs.** Agencies that work extensively with state and local grantees have realized that extensive *up-front collaboration is needed to agree on performance measures.* In the case of broad programs, perhaps alternative measures could be provided, with choice depending on local emphasis. Further, the grantees may need support to identify and share best practices. And recognition for those who do well at achieving performance goals is always welcome.
- **Alignment of authority with accountability.** One of the most powerful tools in the management textbook is getting agency attention. *The essence is to provide program authority, control over staff, and full cost budget authority to the same manager and program unit that will be accountable for program outcomes.* One or more of the authorities may be out of kilter. At NASA, for example, project managers used to control only external contracts particular to their project; staff, travel, and support services, and all the rest were handled elsewhere. Now managers can decide to save in one part of the budget in order to buy something that could improve their results.

"A performance budget is a thoughtful integration of key elements of a performance plan with the budget justification. It is meant to add value by facilitating comparisons of performance and cost."

The federal government is seeking to improve the effectiveness of service delivery to the public. To do so, it is integrating planning and budgeting, and "matching" budgetary cost with performance measures so that both routinely provide incentives for better resource allocation and management. Where alignment has improved, there are already signs that program managers are responding entrepreneurially, and beginning to feel more effective. NASA's performance budgeting system enabled it to staff out the effects on different performance targets of substantial changes in presidential goals. And the Department of Labor seems to be managing its employment and training programs so as to maximize overall gains in hiring, retention, and earnings. Continued integration of budget and performance is the key to systematically improving the effectiveness of the federal government. ■

PARTing Is Such Sweet Sorrow

By Jonathan D. Breul

"Parting is such sweet sorrow," says Juliet as she bids a tearful good night to Romeo in William Shakespeare's *Romeo and Juliet.* Their sorrowful parting is also "sweet" because it makes them think about the next time they will see each other.

For the past two years, federal departments and agencies have been "PARTing" with the Office of Management and Budget (OMB)—with quite a different meaning. PART to them refers to OMB's Program Assessment Rating Tool, which ranks the overall effectiveness of individual programs by assessing each program's design, planning, management, and programmatic results.

A Brief History

Good government advocates have called for performance budgeting for decades. Championed in 1949 by the first Hoover Commission, a federal "performance budget" was intended to shift the focus away from the inputs of government to its functions, activities, costs, and accomplishments. Over the past decade, the Congress and two administrations have put in place a structure for increasing the use of performance information. Federal agencies have been working to carry out the Government Performance and Results Act of 1993 (GPRA), which requires the development of strategic plans and annual performance plans and reports. GPRA requires a closer and clearer linkage between resources and results, recognizing that one of the ways in which performance management becomes useful—and used—is if this information becomes relevant for the allocation of resources.

Program Assessment Rating Tool (PART)

The current administration has made linking resources to results one of the five components of the President's Management Agenda, using a Program Assessment Rating Tool, or PART, to explicitly fuse performance information into the budget formulation process at a funding decision level. The PART takes the form of a diagnostic questionnaire used to rate selected programs, and is meant to provide a consistent approach to evaluating federal programs during budget formulation.

The use of PART assessments underscores the long-standing gap in performance and evaluation information throughout the federal government. PART assessments contain 25 to 30 general questions about each of the following four broad topics to which all programs will be subjected:

• Program purpose and design
• Strategic planning
• Program management
• Program results (i.e., whether a program is achieving its long-term and annual goals)

The PART instrument builds upon the supply of performance information that federal agencies have been generating as a result of GPRA, which is designed to inform congressional and executive branch decision making by providing objective information on the relative effectiveness and efficiency of federal programs and spending. The PART also goes beyond GPRA in two important ways. First, the PART renders a *judgment* on whether programs are effective by systematically and transparently assessing program management and actual results (what happened). Second, the PART enables decision makers to attach budgetary and management *consequences* to those programs that cannot demonstrate their effectiveness.

Reviewing Government Operations at the Program Level

Past initiatives, such as President Johnson's Planning-Programming-Budgeting System, or PPBS, devised unique structures to capture performance information. These structures ultimately proved difficult to link to congressional budget presentations. This disconnect led, in part, to the failure of the efforts, because they did not prove to be relevant to budget decision makers in the executive branch or Congress.

Jonathan D. Breul is Senior Fellow, IBM Center for The Business of Government, and Associate Partner, IBM Business Consulting Services. His e-mail: jonathan.d.breul@us.ibm.com.

GPRA, on the other hand, requires agencies to plan and measure performance using the same structures that form the basis for the agency's budget request: program activities. This critical design feature of GPRA aims at assuring a simple, straightforward link among plans, budgets, and performance information and the related congressional oversight and resource allocation process.

GPRA's required use of program activities appearing in the President's budget as the basis for performance planning and measurement is intended to establish the direct budgetary link absent in earlier initiatives. But this goal is dependent on the capacity of the current program activity structures to meet GPRA's needs. Subject to clearance by OMB, and generally resulting from negotiations between agencies and their appropriations subcommittees, program activity structures differ from agency to agency and, within an agency, from budget account to budget account. Program activities, like budget accounts, may represent programmatic, process, organizational, or other orientations. Consequently, their suitability for GPRA planning and measurement purposes also varies.

How Does the PART Work?

Beginning with the FY 2004 budget cycle, OMB applied the PART questionnaire to 234 programs. This year the total number of programs assessed jumped to 399. Within three years, the administration plans to assess 100 percent of the

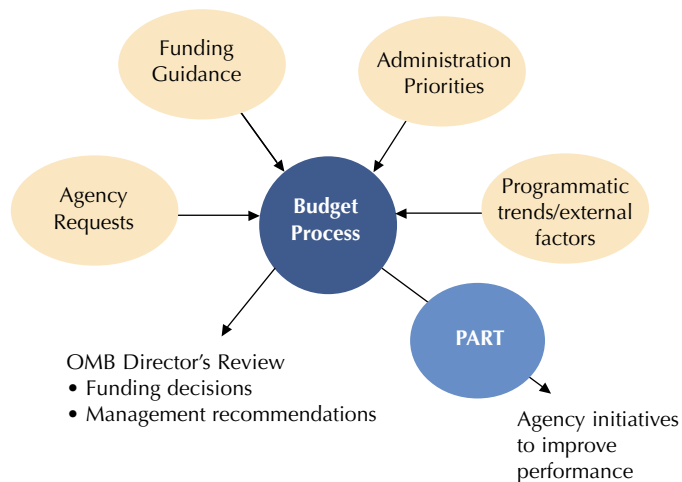| "Results" carry the greatest weight on the overall score	
Section	**Weight**
Program purpose and design	20%
Strategic planning	10%
Program management	20%
Program results	50%

programs in the federal budget. That is a tall order, but agency and program accountability will be truly ingrained throughout the federal government if it happens.

The PART review gathers information and assesses a program's purpose, performance measures, alignment with budget and results, and planning and management to determine its overall effectiveness. Examiners give a score for each component of the questionnaire. The scores are then weighted, with the fourth component, "results," carrying the greatest weight (50 percent) of the overall score.

Information provided by performance measurement is just part of the information that managers and policy officials need to make decisions. Performance measurement information must often be coupled with evaluation data to increase understanding of why results occur and what value a program adds. Performance information alone cannot serve as a replacement for data on program costs, political judgments about priorities, creativity about solutions, and common sense. A major purpose of performance information is to raise fundamental questions; the measures seldom, by themselves, provide definitive answers. Figure 1 on page 64 describes some of the many factors that must be considered during the budget process. The PART is one key input into that process.

Performance is not, therefore, the only factor in funding decisions. Determining priorities, including funding priorities, is a

OMB is applying the PART to about 20 percent of the budget each year	
Fiscal Year	**Number of Programs**
FY 2004	234
FY 2005	165
FY 2006–2008	Approximately 600 more

Figure 1: Factors Considered in the Budget Process

OMB Director's Review
• Funding decisions
• Management recommendations

Agency initiatives
to improve
performance

Being marked "results not demonstrated" does not necessarily mean that a program is ineffective or effective, but rather that it does not now have adequate performance measures and is unable to provide credible evidence one way or the other. However, an "ineffective" rating means just that—the program is not working as intended.

A majority of the programs rated by the PART are able to demonstrate that they are producing their intended results (and more were able to do so this year). This is an indication that more programs are becoming results oriented and better able to demonstrate the results they achieve on behalf of the American people.

Figure 2: PART Assessments of Program Performance FY 2004

function of competing values and interests. As a result, the scores do not automatically determine funding changes. For example, the President's budget request recommended funding increases for some programs rated "effective" or "moderately effective," while recommending additional funding for others rated "ineffective." Indeed, the most important role of the PART was not its use in making resource decisions, as much as its support for recommendations to improve program design, planning, and management.

While budget reviews have always involved discussions of program performance, such discussions have not always been conducted in a rigorous, systematic, or transparent fashion. Through its development and use of the PART, OMB has more explicitly infused performance information into the budget formulation process, increased the attention paid to evaluation and performance information, and ultimately increased the value of this information to decision makers and other stakeholders. By linking performance information to the budget process, OMB has provided agencies with a powerful incentive for improving both the quality and availability of performance information.
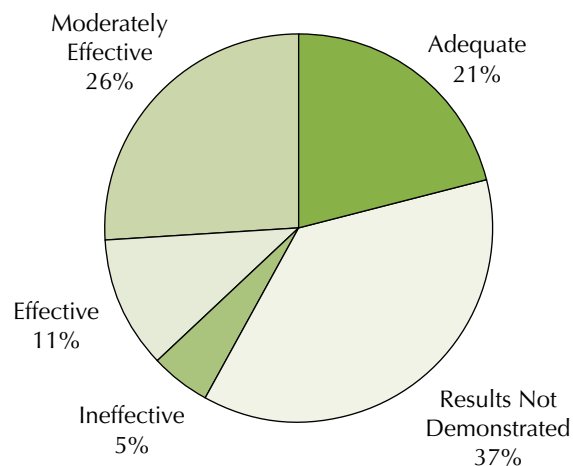
How Are Programs Performing?
So, how are federal programs performing? The quick answer is that some are doing much better than others. Compared to last year, the percentage of programs deemed ineffective or unable to demonstrate results has dropped significantly from 55.5 percent to 41.9 percent, while programs judged adequate or better went from 44.5 percent to 58.1 percent, a significant improvement in only one year.

Are Some Kinds of Programs Doing Better Than Others?
The PART categorizes programs into seven types:

• *Capital Assets and Service Acquisition* programs that acquire capital assets or services
• *Competitive Grant* programs that provide funds to government and other entities by a competitive process
• *Block/Formula Grant* programs that likewise distribute funds but do it by a formula or block grant
• *Regulatory-Based* programs that implement laws, policies, or procedures
• *Credit* programs that provide loans, loan guarantees, or direct credit
• *Direct Federal* programs that provide support and services by federal employees
• *Research and Development* programs that develop and apply knowledge

Jonathan Breul (left) with Maurice McTeague, Mercatus Center, George Mason University, prior to testimony.

"Performance budgeting is the next logical step in the implementation of results-oriented government. It will not be the answer to the vexing resource trade-offs involving political choice. It does, however, have the promise to modify and inform policy decisions and resource allocation by shifting the focus of debate from inputs to outcomes and results. Technology-enabled performance budgeting tools are also now available to support agency decision makers in the development, presentation, and execution of the budget. Pursuing a systematic use of strategic and performance planning, budgeting, and financial information is essential to achieving a more result-oriented and accountable federal government."

From Jonathan D. Breul testimony before the House Government Reform Subcommittee on Government Efficiency and Financial Management, February 4, 2004

Not surprisingly, the PART scores are mixed depending on the type of program. Based on the data in the FY 2005 budget, credit programs and research and development programs were rated more effective than others. Direct federal programs that provide services by federal employees were in the middle of the pack. Block/formula and competitive grants scored lowest.

Strategies for Improving the PART

The PART instrument, and the entire endeavor of budgeting for results, is still very much a work in progress. It is far from perfect. Yet the PART remains an important step in changing the way federal managers think about their responsibilities. It places the burden of proving effectiveness squarely on their shoulders. With further improvement and use, it can provide incentives for federal managers to make their programs more effective. It can also provide meaningful evidence to Congress and other decision makers to help inform funding decisions and identify flaws in underlying statutes that undermine effectiveness.

PART Assessments by Type of Program	
Type of Program	**Adequate or Better**
Credit Programs	71.4%
Research and Development	70.7%
Regulatory-Based	68.0%
Direct Federal	63.0%
Capital Assets and Service Acquisition	52.3%
Block/Formula Grant	49.3%
Competitive Grant	48.4%

Departments and agencies are making important progress with their underlying data and management systems. The integration or "matching" of costs and performance information is fast becoming the standard to achieve in federal budgeting and accounting. Documents that show cost *or* performance are giving way to documents that show cost *and* performance. Databases that show cost in budgetary *or* accounting measures are giving way to databases that *match* cost with program outputs and outcomes, and aggregate to strategic outcomes.

What Is Next?

OMB and the agencies now need to reach out to congressional committees early in the PART selection process to gain insight about which program areas and performance issues congressional officials consider warrant PART review. Engaging Congress early in the process may help target reviews with an eye toward those areas most on the agenda of Congress.

To make further progress on performance budgeting, agencies must also work with their appropriations committees in Congress, other key congressional contacts, and agency stakeholders so that these key actors understand the usefulness of this additional information to inform the authorization, appropriations, and oversight processes. Agencies must consult their appropriators about the outline and sample justifications. They should reassure their appropriators that all of the information and tables they use will still be included and show them where the data can easily be found. Any proposed changes in accounts or sub-accounts must be discussed in advance, with technical support to show that the intent of the appropriations language will be fully carried out and tracked in Treasury accounts.

Representative Todd R. Platts (R-Pa.), chairman of the House Government Reform Subcommittee on Efficiency and Financial Management, held a hearing on the PART on February 4, 2004, titled "Should We PART Ways with GPRA?" and a "Hearing on the President's Management Agenda" on February 11, 2004. Shortly thereafter, he introduced legislation that would amend GPRA to require regular evaluations of all federal programs. The bill would ensure that future administrations complete some type of program-level reviews by requiring OMB to assess each federal program's performance at least once every five years.

Conclusion

The attention of the federal government to strategic planning and the supply of performance information has increased substantially in the last 10 years. GPRA is doing exactly what

was expected—it has laid the foundation for the use of performance information. As a consequence, the federal government has never been in a better position to make decision making more informed by considerations of performance.

Going forward, a wide range of very serious challenges, including changing security threats and a long-term fiscal imbalance, will require reexamining existing programs and policies. The PART review has advanced the use of performance information for program and budget analysis by OMB and government agencies, and stimulated further interest in budget and performance integration. Disciplined review of program performance and results—whether through the PART or by other means—will continue to be a useful tool to help inform management and funding decisions. ■

Editor's Keyboard
from page 3

successful professional coach. Spurrier's experience made me appreciate even more the importance of the strong-willed members of my team, who argue with me and point out where I might be wrong, even when I don't want to listen. By preventing me from erring, these team members make me a better manager.

Lesson 4: Assemble an executive team that complements your own shortcomings. Joe Gibbs may be the greatest offensive mind in football, but his team still needs to play defense. To field a successful defense, Gibbs' first hire after his return to football was an outstanding defensive coach. Prior to jumping to professional football, Spurrier was one of the greatest offensive minds in college football. Upon joining the professional ranks, his first hires were other offense-minded assistant coaches. The contrasts between the Gibbs and Spurrier approaches remind me how hard it is to deal with one's own weaknesses. But successful leaders deal with themselves truthfully and address these areas directly by seeking out and hiring those with complementary skills to make up for their own shortcomings.

I believe you can learn much about management by observing other leaders. The management literature typically discusses what you can learn from great, or not so great, private sector chief executive officers. But I've learned that you can also learn a great deal about management from reading the sports pages. Coach Gibbs, welcome back to town. I look forward to watching you *manage* the Redskins. ■

Strategies for Using State Information

By Shelley H. Metzenbaum

(This article is adapted from Shelley H. Metzenbaum, "Strategies for Using State Information: Measuring and Improving Program Performance" [Washington, D.C.: IBM Center for The Business of Government, 2003].)

Federal agencies that set goals for or measure the performance of states often find themselves in testy territory. For both political and practical reasons, states resent efforts by the federal government to influence their goals and their performance levels. Nonetheless, citizens often turn to their elected representatives in Congress to require federal agencies to drive state performance improvements when they feel their state or local governments have failed to address a problem necessitating a governmental response.

The question is: How can federal agencies best use performance goals and measures to work with state and local governments to improve societal outcomes? What can they do that is both practical to implement and politically feasible? The federal government has long used measurements of conditions and practices in states, together with mandates and money, to encourage both the measurement and improvement of social results. A better appreciation of federal agencies' experience in this arena can help Congress craft better laws, help federal domestic policy agencies design more effective implementation strategies, and help state agencies reap greater value from their frequent interactions with the federal government.

Results Act Is Changing the Conversation

Now that all federal agencies are required by the Government Performance and Results Act of 1993 (GPRA) to set outcome-focused goals and report annually to Congress on progress toward those goals, the conversation about performance measures and goals is changing between states and the federal government.

Most federal departments and agencies charged with implementing domestic programs—especially the Department of

Education, the Department of Transportation, the Department of Health and Human Services, the Department of Housing and Urban Development, the Environmental Protection Agency, the Department of Agriculture, and the Department of Labor—depend heavily on other levels of government to accomplish their goals. Nearly a quarter of federal domestic program funds are transferred to state and local governments through these seven departments and agencies. This funding figure, however, fails to capture the full magnitude of the relationship, because most federal agencies also influence

Key Questions Regarding Federal Use of State and Local Performance Measures

1. Should federal agencies adopt clearly defined outcome goals for states or require states to adopt them?

2. Should they require public reporting on progress toward those goals?

3. Should they require performance reporting that is comparable for all states?

4. Should the federal government enter into formal performance agreements with each state encompassing these goals and measures?

5. What should federal agencies do with the performance measures, once reported?

    a. Should they publicly report them?

    b. Should federal agencies compare state performance?

    c. Should they analyze them to find the successes worthy of replication and the problems warranting intervention or assistance?

    d. Should the level and nature of federal actions in a state, including rewards and penalties, be calibrated to state performance?

6. How should federal agencies handle goals that states have already set for themselves?

7. Should federal agencies include state-specific performance information in their annual GPRA reports?

Shelley H. Metzenbaum is Visiting Professor, School of Public Affairs, University of Maryland, and Executive Director of the Environmental Compliance Consortium. Her e-mail: smetzenbaum@aics.net.
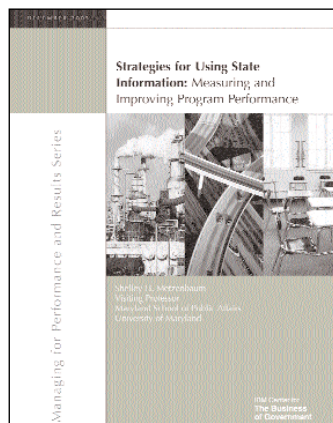
the ways state and local governments use their own funds through grant terms, regulations, and other requirements. Under GPRA, federal domestic agencies will inevitably need to grapple with whether and how to use state and perhaps local government performance measurement. Surprisingly, GPRA says little about how federal agencies should integrate information about state and local performance into their GPRA reports. Given federal reliance on states and localities to accomplish their programmatic goals, GPRA's silence on the subject of states is surprising, as is the limited discussion of this subject in the policy guidance documents issued by

the U.S. Office of Management and Budget pertaining to GPRA implementation.

The shift in government's attention to societal outcomes as an outgrowth of GPRA raises a new set of questions about the federal/state relationship. Should federal agencies change the way they currently work with states? Should they adopt clearly defined outcome goals for states or require states to adopt them? Should they require public reporting on state progress toward those goals? Should they require performance reporting that is comparable for all states? What should federal agencies do with the performance measures, once reported? How should federal agencies treat goals that states adopt for themselves? A few recent studies have begun to probe these questions. Frederickson, for example, in a recent study of GPRA, urges federal agencies to "use GPRA as the vehicle through which federal agencies expand their monitoring activities to include the universe of third-party relationships" (Frederickson, 2001).

How Should Federal Agencies Respond?

At least for the moment, however, it has been left to each federal agency to sort out for itself if and how to change the way it works with states post-GPRA. To some extent, the lack of guidance makes sense. Each agency has its own laws, concerns, and organizational patterns that have evolved over time governing the way it works with states, including whether it sets goals for states and what information it must collect. At the same time, federal agencies face many common issues in dealing with the states. The agencies could benefit from each other's experience and might also benefit from some standardized practices. They could also benefit from a clearer sense of the potential benefits of performance goals and measures and the ways federal agencies can use measures in working with states to improve societal outcomes.

On a practical level, in answering these sorts of questions, the federal government must consider the same issues that face any large organization, public or private. What is best

---

TO LEARN MORE

The Center report "Strategies for Using State Information: Measuring and Improving Program Performance," by Shelley H. Metzenbaum, provides case studies of four federal agencies that depend heavily on states and localities to meet their GPRA goals. They are examples of how federal agencies have attempted to use—to varying degrees of success—measurement, mandates, and money to pursue national goals in partnership with states and localities.

The report can be obtained:
- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

Measurement, Mandates, and Money: The Case of Motorcycle Helmet Laws

The Department of Transportation's National Highway Traffic Safety Administration (NHTSA) struggles with the question: How can it best use what it learns to reduce fatalities and injuries? Should it limit itself to the "bully pulpit of expertise," giving states information NHTSA collects about problems and viable solutions, hoping each state will have the good sense to use it? Or should the federal government mandate that states adopt strategies demonstrated to be more effective? This is a recurring question in the federalism debate. In recent years, NHTSA—often with direction from Congress—has experimented with a variety of approaches that provide valuable lessons about how the federal government can use performance goals, often in the form of mandates to meet minimum standards or to adopt programs demonstrated to be effective, combined with mandates to measure. NHTSA's experience with motorcycle helmet laws demonstrates how federal measurement, mandates, and money—in combination and separately—can motivate improved state performance. It also illustrates how, as argued in Federalist Paper No. 51, "the different governments will control each other, at the same time that each will be controlled by itself."

The Highway Safety Act of 1966 (P.L. 89-564) required the federal government to set uniform standards for state highway safety programs. With evidence that riding motorcycles without helmets cost lives and exacerbated injuries, the federal government required states to adopt laws stipulating that all motorcycle riders wear helmets. States that failed to adopt such a law would lose 10 percent of their federal-aid highway construction funds.

The threat of a significant reduction in federal highway construction funds worked. Most states moved quickly to adopt universal helmet laws. In 1966, no state had a motorcycle helmet use law. By 1975, universal helmet laws had been adopted in all states but California and Utah.

In 1975, the Secretary of Transportation moved to exercise the penalty power in the 1966 law against the non-complying states. The states protested and Congress responded. It amended the law to prohibit federal imposition of penalties as well as the establishment of a federal standard pertaining to helmet use. Without the threat of a federal penalty, 28 states dropped their universal helmet laws. (By 1996, 25 states and the District of Columbia had adopted universal helmet laws, while another 22 had laws for younger riders.)

In the early 1990s, concerned about the continuing high number and cost of deaths associated with helmet-less motorcycle riders, the U.S. Congress, with leadership from former Senators Daniel P. Moynihan and John Chafee, again positioned the federal government to try to motivate changes in state law and rider behavior. This time, however, Congress took a less punitive motivational tack. The Intermodal Surface Transportation Efficiency Act of 1991 created an incentive grant program to reward states that had both a universal motorcycle helmet and passenger-vehicle safety belt use law. In addition, Congress added a potential penalty. Any state that failed to have a universal motorcycle helmet law and a safety belt use law by October 1, 1993, would have a portion of its highway construction funds transferred to its safety programs.

The incentives in the 1991 law proved less effective than the incentive of the 1966 law. Twenty-three states that already had both laws in place in 1991 received grant funds, but only Maryland and California adopted a universal helmet law between 1992 and 1995. In addition, the federal government transferred funds from state construction funds to the safety account in over half the states to penalize them for non-compliance.

States moved more quickly to change the 1991 law rather than their behavior. In 1995, Senator Ben Nighthorse Campbell, a motorcycle rider who liked neither helmets nor federal mandates on states, led the congressional effort to repeal the penalty. Following that repeal, four more states subsequently amended or repealed their universal helmet laws (D. F. Preusser et al., 2000).

The federal experience with universal motorcycle helmet laws clearly demonstrates the power of performance goals (mandates), measures, and money to improve societal outcomes. But it also demonstrates the vitality of the federalist system of checks and balances for gauging and addressing the outcomes that concern the American people.

Measurement of societal outcomes and tracking of program characteristics led to a policy that effectively reduced a large number of serious traffic-related injuries and fatalities. At the same time, resistance to helmet laws in many states reflects differences of opinion about how to balance two valued outcomes—greater safety and the joy of riding helmet-less. The federalist system afforded a voice to people with both points of view. The authority of both levels of government to set goals and measure progress toward them keeps each level of government responsive to its citizens.

done centrally and what is best decentralized? Centralized actions often lead to economies of scale in research, production, and marketing. In many circumstances, centralized decision making can also trigger greater investment in innovative solutions than can decentralized purchasing decisions by multiple, decentralized buyers. For example, when the federal government sets a performance standard for all states, such as a maximum emissions limit for cars or highway construction performance standards, more businesses are likely to invest in new product development to meet those standards than if each state sets its own standard.

Counterbalancing the economies and innovation-inducing value of centralization are associated diseconomies of scale and innovation-diminishing costs. Henry Ford captured the essence of the costs of centralized decision making when he assured his customers they could have a Model-T in any color they wanted as long as it was black. National road quality standards may feel too stringent for sparsely traveled sections of Western state roads and too lax for heavily traveled roads in the East. National water quality standards appropriate for a river used heavily for recreational purposes in a densely populated community may seem unreasonable for a stream that has water only two months a year and is located in a sparsely populated area. Centralized standards can also inhibit innovation when they make it more difficult for innovators with technologies that exceed national standards to find purchasers of their more innovative but not yet federally approved products.

The Political Dimensions of Measuring Intergovernmental Performance

Practical considerations pertaining to the federal use of state performance goals and measures tend to pale next to the political ones. Federal decisions about state goals and measures provoke fears that unbounded federal decision makers will impinge on constitutionally protected states' rights. The 10th Amendment to the Constitution reserves to the states or the people of the United States "powers not delegated to the United States by the Constitution, nor prohibited by it to the States." Neither the Constitution nor the 10th Amendment clearly articulates what those reserved powers are, however. From the beginning of U.S. history, an unending debate has raged about the path of the dividing line delineating the roles of federal, state, and local governments. Periodically, the Supreme Court weighs in to clarify the demarcation, but it often views that clarification as the prerogative of the U.S. Congress. This was the message the Supreme Court sent in *Garcia v. San Antonio Metropolitan Transit Authority* (1985) when it opined that democratically elected representatives, through the federal legislative process, should balance the debate regarding appropriate federal and state responsibilities.

Recommendations

In her report, Professor Metzenbaum sets forth the following nine recommendations to catalyze conversations in Congress, federal agencies, the states and their trade associations, and public interest groups about the question, "How can the federal government best use performance goals and measures to work with states to improve societal outcomes?"

1. Collect, organize, and make information readily available.

2. Create robust measurement systems.

3. Standardize and normalize.

4. Require measurement.

5. Involve and benefit those being measured.

6. Encourage analysis.

7. "Market" the results.

8. Motivate with comparison and rewards, but carefully.

9. Share best practices.

It is often assumed that congressional balancing will follow party lines—that Republicans will favor state assumption of responsibilities with no federal constraints while Democrats will prefer centralized federal authority. In reality, the votes of federal legislators tend to align more with their support for the particular federal policy being debated rather than strict adherence to principles of states' rights. The Republican-led welfare reform law, for example, whose legislated purpose was to "increase the flexibility of the states in operating a program" to assist needy families is replete with requirements restricting state flexibility in determining whom states can help and how much support they can provide. At the same time, Democrats fight mightily to assure that the federal government does not restrict state flexibility in legislating tort laws. In short, it has never been possible to sort out the balance between the constitutional partners in a rational way that would prevail under all circumstances.

Federalist Paper No. 51, written by James Madison, suggests the ambiguity may be intentional:

> In the compound republic of America, the power surrendered by the people is first divided between two distinct governments, and the portion allotted to each. Hence a double security arises to the rights of the people. The different governments *will control each other,* at the same time that each will be controlled by itself. *[italics added for emphasis.]*

Multiple levels of government with ambiguously defined spheres of authority each check the powers of the other, protecting citizens. At the same time, they also serve as competitors of a sort in what could otherwise be a monopoly situation, giving citizens the ability to press for specific products and services from one level of government when the other refuses to address a problem citizens believe warrants a governmental response.

The politics of the federal/state relationship is not only a matter of political philosophy, however. It is also affected by personal sentiments. When a federal official makes a decision forcing a state or local official to take an action he or she would otherwise not have taken, it naturally unleashes feelings of resentment by the person being compelled to take the action toward the person wielding the power, especially if handled undiplomatically. And, when federal and state decision makers are of different political parties or seek the same political office, federal goals and state measurement provide ammunition for political advancement. Federally sponsored measures that encourage citizens to judge the performance of their state agencies are seldom welcomed by state officials.

The Integrating Role of Federal Agencies
The federal government's success using performance goals and measures to work with states and local governments to improve social outcomes depends on agency skill in balancing the use of three tools it has at its disposal: measurements, mandates, and money. Selected experiences from several federal agencies suggest fruitful performance management practices that federal agencies can adopt to work more constructively with state and local governments to deliver improved societal results to the public. They also demonstrate the inevitable tensions in and difficulties of an intergovernmental service delivery system.

Federal agencies can take a wide range of beneficial actions using goals and measures with states to improve outcomes. These include information collection; analysis to find successes, problems, and patterns of problems; audience-tailored organization, presentation, and dissemination of the raw data and analyses; broad and easily accessible dissemination; serving as an expert resource; goal setting linked

with incentives for motivation; and fair peer comparisons for the same purpose. Congressional mandates to carry out these actions greatly enhance their prospects for success, although they are not necessary.

As a general rule, my research has found that federal agencies that emphasize the informational value of performance measurement—that add value to the information they gather by organizing and analyzing it to identify successful practices and detect problems or at least trigger focused follow-up questions—are likely to build more sustainable and valuable measurement systems than measurement systems used primarily to assure fulfillment of state and local commitments to the federal government. By their actions and the way they use performance information, federal agencies can encourage the creation and maintenance of a learning environment that continually seeds, harvests, and re-sows the lessons of state experience. This is not to suggest that federal agencies should not use performance goals and measures to boost accountability; rather that the emphasis in using goals and measures should be on building an informational system that helps all governments more readily learn, from their own and each other's experience, ways to improve social outcomes. Louis Brandeis is oft-quoted proclaiming the states as the "laboratories of democracy." Laboratories produce little of value, however, without someone in the laboratory objectively documenting, analyzing, and writing up the experimental results. ■

References

Frederickson, David G. (2001). "The Potential of the Government Performance and Results Act as a Tool to Manage Third-Party Government." Washington, D.C.: The IBM Center for The Business of Government, August, p. 21.

Preusser, D. F., et al. (2000). "Evaluation of Motor Cycle Helmet Law Repeal in Arkansas and Texas." Springfield, Va.: National Technical Information Service, September.

E-Reporting: Strengthening Democratic Accountability

By Mordecai Lee

Contemporary Public Reporting: E-Reporting

When public management developed into a profession during the first half of the 20th century, great importance was attached not only to management skills, but also to the issue of these management skills being used to inform and communicate with the public. Would public administration be different from business administration just because of its governmental context, and should it be? One answer to that question was that public managers had an obligation to be accountable to various elected bodies (such as the legislative branch) and also to the public at large. Public reporting through agency and governmental reports, it was thought, would play a part in maintaining an informed citizenry, an important attribute of democracy. From this idea, the concept of encouraging government managers to keep the public informed of their agencies' performance evolved, since it is to the citizenry that government executives are ultimately responsible in a democracy.

What exactly is public reporting? The traditional definition of public reporting, as practiced in the 20th century, is:

> The management activity intended to convey systematically and regularly information about government operations, in order to promote an informed citizenry in a democracy and accountability to public opinion. It consists of direct and indirect reporting of the government's record of accomplishments and stewardship of the taxpayers' money. Public reporting is presented in many different communication formats, but always uses vocabulary that is understandable and meaningful to lay citizens (Lee, forthcoming).

This definition also helps clarify that there are management programs and reports that are related to, but are *not,* public reporting. Many agency activities generally fall within the larger rubric of administrative communications. (See "What's In and What's Out?" on page 74.)

Based on this definition, public reporting is one discrete activity within a government agency's overall obligation to make information available and transparent. Reporting consists of communication from the agency to the public at large with the primary purpose of disseminating general information about the agency's record and being open to subsequent interactive relationships. From that point on, there occurs an opaque process by which public opinion coalesces and communicates itself into the democratic process and back to government (Milner, 2002; Bennett and Bennett, 1990; Price, Cappella, and Nir, 2002).

Linkage of Public Reporting to Performance Information

The definition of reporting used here also helps identify that public reporting is an integral part of the process of collecting and disseminating performance information. The development of the contemporary focus on "managing for results" was partly driven by a need for more refined tools for internal management and for external oversight of government agencies by elected officials. Since then, the uses of performance information have gradually evolved to include external uses—for example, by attentive external stakeholders such as clients and customers. Performance information now also can be used for systematic and credible public reporting.

Based on the study of citizen-driven performance measurement at Rutgers University-Newark, public reporting is an important part of the performance measurement process. Generally, it suggests "performance data should be presented in a way that is meaningful to citizens so they can understand what is happening in their neighborhood, as well as the community as a whole" (Callahan, 2003, 915).

Mordecai Lee is Associate Professor of Governmental Affairs, University of Wisconsin-Milwaukee. His e-mail: mordecai@uwm.edu.

One of the early and very successful approaches to managing for results was the CompStat program in the New York City Police Department. While originally developed to use performance data for *internal* accountability, CompStat's potential for *public* accountability rapidly became clear. Now residents of New York can access current crime statistics for their neighborhood on the city's homepage. (To view the data generated by CompStat, visit the New York City Police Department website at http://www.nyc.gov/html/nypd/html/pct/cspdf.html.)

In Baltimore, the use of performance data for accountability was extended beyond the police department and beyond internal management oversight. The mayor's office utilized the managing for results (MFR) process to convene reviews every two weeks for all municipal departments. The full potential of Baltimore's approach to MFR for public accountability has not yet been reached. (To view the data generated by CitiStat, visit the Baltimore, Maryland website at http://www.ci.baltimore.md.us/news/citistat/index.html.)

As shown by Baltimore's CitiStat, even though public reporting is a distinct activity, this does not mean the reports themselves have to be created from scratch. On the contrary, much of the content used in public reports can originate from other reporting activities such as performance measurement systems. The information generated from those management reporting systems would simply need to be "translated" so that performance data becomes understandable to the lay public. Public reporting does not need to be a major new burden to government agencies. There is no necessity to reinvent the wheel. Most information can be recycled from other uses.

Linkage of Public Reporting to E-Government

Along with performance information, one of the most important innovations in public management recently has been the trend to electronic government, or e-government. Parallel to the expansion of managing for results activities such as CompStat and CitiStat for civic communication purposes, e-government has also transformed the interaction between government and the individual citizen. Sometimes called government-to-citizen (G2C) e-government, it focuses on using digital technology to permit a direct connection between government and individual citizens seeking to interact with a particular public agency.

Much of the focus and emphasis of e-government up to now has tended largely to be on transactions and useable information (Marchionini, Samet, and Brandt, 2003, 26). In that respect, e-government has consisted of using an emerging technology so that pragmatic and tangible governmental missions could be accomplished faster, better, and cheaper. This has led, indeed, to a revolution in how government agencies do their jobs and deliver their goods and services. The first stage of e-government was simply providing *information* to citizens. For example, citizens could find out when an agency would be open, whether a book they wanted was in the collection of the public library, what their neighbors' assessed property values were, and so on. The second stage of e-government focused on *transactions,* such as renewing a driver's license, reserving a library book, and paying a fine. The recent innovations of extending geographic information systems (GIS) to public use on government websites is an indication of the potential of e-government to improve services to individual citizens (Perlman, 2003).

Now e-democracy is engaging the attention of those at the cutting edge of the digital era. For example, interactive citizen participation in government decision making is being developed and refined. Information that contributes to the role of citizens in democracy has been expanded to real-time information, a public sector version of "news you can use." Government agencies are discovering ways that they can promote democracy by being accountable to the citizenry

What's In and What's Out?

Based on the description of public reporting, what agency activities would "count" and which ones would not?

Public reporting activities are those that are intended to fulfill the manager's obligation to citizens by providing information about agency performance to the public at large, such as:

- Annual reports, whether hard copy or digital, that provide overall information about the agency's performance in a way that is understandable and meaningful to the lay citizenry.
- Periodic reports (for periods shorter or longer than a year) that are intended to give a big-picture overview of governmental activities and programs.
- Special reports on specific topics that the agency wants to inform the public about.
- Capsule and brief reports that are inserted in other media (such as agency mailings, agency magazines, and local newspapers) that provide condensed summary information for the citizenry.

On the other hand, these reports and programs would not automatically be considered public reporting because they have purposes and functions other than the goals of public reporting:

- Reports fulfilling legal and other professional requirements for financial, budgetary, and accounting purposes, such as those mandated by the Governmental Accounting Standards Board (GASB), which covers state and local government.
- Reports required by elected and other political oversight institutions, such as regular reports that federal agencies must file with Congress on their progress in implement-

ing the Clinger-Cohen Act of 1996 regarding use of information technology.
- Reports for the purpose of internal management control, such as using "managing for results" (MFR) information systems to hold managers accountable.
- Specialized reports and other communications to attentive publics and tangible stakeholders, such as clients and customers, special interest groups, and legislative liaisons with committees having jurisdiction over the agency.
- Marketing and public relations efforts to accomplish the core goals and mission of the agency, such as marketing efforts to increase utilization of existing programs and inform people of new laws they would be affected by or new services they may be eligible for.
- Efforts to *listen* to the public through public opinion surveys, market research, focus groups, etc.
- Efforts aimed exclusively at accomplishing public participation in decision making regarding future agency policies and programs, such as through advisory committees, public hearings, invitations for comments on proposed rules, and customer referenda.

Certainly, this long list of exclusions is not intended to minimize or belittle the value of these types of communications and external relations programs. They are equally important to the functioning of a government agency (Graber, 2003; Lee, 2000; Garnett and Kouzmin, 1997; Garnett, 1992). Rather, a targeted focus of public reporting helps zero in on this distinct obligation that public managers have to democracy. Also, public reporting has a cheek-by-jowl relationship to many of these other agency activities. As such, they can often be implemented and delivered in a coordinated and interlocking fashion.

while simultaneously contributing to the improvement of the quality of life of individuals. Some examples of this emerging trend in e-government include up-to-date reports such as:

- Localized lists of weather watches and warnings from the National Weather Service
- Traffic and road closure information from the Federal Highway Administration

- Flight delay information from the Federal Aviation Administration
- Ozone levels from the Environmental Protection Agency
- Comparison data on nursing homes provided by Medicare
- Current crime data by neighborhood, available from the New York City Police Department and also from the police departments of Chicago and New Orleans

In these situations, agencies are stretching the potential of e-government technology to provide information the public can use as well as accomplishing accountability to the citizenry.

Public reporting, too, can be greatly enhanced by e-government. Technology can be used to update the 20th century view of public reporting. E-government permits "new forms of public accountability" (Margetts, 2003, 374). Instead of focusing solely on expensive hard copy reports, as was done in the 20th century, public managers can use e-government to fulfill their obligation to citizens by delivering reports digitally. This facilitates access to information, direct reporting to the citizenry, and 24/7/365 use. It also provides the ability to revise and update reports without limitations.

Baltimore's CitiStat shows how e-government can be used to strengthen public accountability through reporting. The municipality began using the CitiStat results as a "civic communication tool" (Henderson, 2003, 33). The data submissions for CitiStat were made available to the public on Baltimore's website. In that way, citizens could look over the same information that managers had:

> In keeping with the mayor's pledge to operate an open and transparent government, CitiStat has stimulated the accumulation of previously unavailable data regarding the operations of the municipal government. By making the agencies' data submissions available to the public via the city's website, citizens are able to access the same information that the administration uses to prioritize spending and gauge performance (Henderson, 2003, 25).

Defining E-Reporting

The convergence of performance information and e-government with 20th century public reporting leads to a reconceptualization of reporting for the 21st century, called *e-reporting*. E-reporting is defined here as:

> The administrative activity that uses electronic government technology for digital delivery of public reports that are largely based on performance information. E-reporting is a tool of e-democracy that conveys systematically and regularly information about government operations that is valuable to the public at large, in order to promote an informed citizenry in a democracy and accountability to public opinion. E-reports are planned to be citizen-friendly, by being understandable and meaningful to the lay public.

The Benefits of E-Reporting

Public reporting continues to be a relevant and constructive way for government agencies to fulfill their obligation to democracy by making performance information available to the public at large. The rationale for such regular reporting and the principles of good reporting are little changed from the 20th, even the 19th, century. As practiced then, governments viewed their annual reports as significant platforms to inform the citizenry of their stewardship of public funds, record of accomplishment, and future goals and challenges. Now, in the first decade of the 21st century, technology and management tools present an opportunity to perform this timeless attribute of democracy in new and more effective ways. The emergence of e-government technologies provides cutting-edge, inexpensive, omnipresent, and efficient ways to convey modern-day reports to citizens. Placing reports on agency websites has become relatively common in the United Kingdom (Margetts, 2003, 372). Parallel to that new technology, the tool of managing for results can be used not only for internal organizational and control purposes, but also for democratic accountability. Performance information can succinctly present the results of an agency's activities over the previous year and in ways that can be easily understood by lay citizens.

Yet, effective and vigorous public reporting can also catalyze a more concrete benefit to a government agency. The motivation for public reporting can be an agency's self-interest. As such, e-reporting can also be viewed as a pragmatic activity that helps accomplish more specific governmental goals. As part of an external relations and public communications program, e-reporting can contribute to the emergence of positive public opinion toward an agency. It is already recognized that having "good press" and a positive public image can strengthen an agency vis-à-vis its overseers, even lead to expanded appropriations and new programs (Gormley and Balla, 2004, 19–21, 177–8). For example, astronaut Jim Lovell (of Apollo 13 fame) stated bluntly in his memoirs that "public opinion helped determine funding" for NASA (Lovell and Kluger, 1994, 155).

Although politicians generally have a "fingertip feel" for public opinion about government, the attitudes of the public toward government agencies is now quantified and tracked like other subjects. The American Customer Satisfaction Index (ACSI, 2003a), based at the University of Michigan Business School, measures the annual scores of the level of public satisfaction with individual federal agencies. For example, in the report released in December 2003, for the IRS,

An Idea for the Future: A Chief Democracy Officer for Each Agency

Most government agencies have CFOs and CIOs. For agencies seeking to reap the benefits of public support that is often a result of exemplary e-reporting, they similarly could have a Chief Democracy Officer (CDO). The CDO would work to modify the agency's already existing publications, performance data, website, and public relations programs to assure that the agency was making itself accountable to the public at large. CDOs helping their agencies participate in the democratic process would facilitate citizen understanding of agency programs and the benefits that emerge from an informed public opinion about the agency.

In terms of implementation, creating a Chief Democracy Officer in an agency (or for a general level of government, such as at city hall) does not necessarily mean creating a new position or hiring new staff. Rather, most agencies and governments have some type of office of public affairs (there tends to be wide variation in what this operation is called). The mission of these offices is closely related to promoting democracy. Therefore, perhaps with little need for significant reorganization, the director of public affairs could be redesignated as the Chief Democracy Officer. There might be a temptation to assign the responsibility for e-reporting to the CFO, since he or she probably handles performance information, or to the CIO, given the connection of e-reports to information processing and the agency's website. However, the central focus of these two officers could subtly pull them away from the public manager's obligation to the citizenry at large. Given the mission of directors of public affairs, these professionals would already have an orientation that is largely in the direction of what would be expected of a CDO.

"satisfaction among individual tax filers (including both electronic filers and paper filers) increases by 1.6 percent this year to 63. This is the fourth consecutive annual increase, driven largely by the IRS's efforts to encourage more people to file electronically. The U.S. Mint, for which the ACSI measured the satisfaction of buyers of its numismatic and commemorative coins, surges by 5.6 percent to a score of 89" (ACSI, 2003b).

Similarly, the Pew Center in 2000 released results of a poll of citizens rating government agencies and compared the results with other polls (Pew, 2000).

Elected officials want to be seen as supportive of government agencies that have high public support and critical of agencies that are unpopular. Therefore, it is in the pragmatic best interest of a government agency to engage in activities that can have the indirect effect of contributing to public support.

Effective reporting as described in this study can be a distinct and helpful component of such efforts. What was written over half a century ago is still valid today: "A well-conceived annual report, attractively presented, can serve a highly useful purpose in building understanding, good will, and public support" (Richard, 1947, 150). E-reporting can indirectly contribute to the development of public support for the agency, which in turn is converted to concrete support from elected officials. Rourke summarized this dynamic succinctly:

> Basic to any agency's political standing in the American system of government is the support of public opinion. If it has that, an agency can ordinarily expect to be strong in the legislative and the executive branch as well. Because public opinion is ultimately the only legitimate sovereign in a democratic society, an agency that seeks first a high standing with the public can reasonably expect to have all other things added to it in the way of legislative and executive support. Power gives power, in administration as elsewhere, and once an agency has established a secure base with the public, it cannot easily be trifled with by political officials in either the legislative or the executive branch (Rourke, 1984, 50).

Good efforts at democratic accountability lead to good things for government agencies. E-reporting that contains performance information can be part of that picture. It's good for democracy and in the best interests of the government agency, too.

Research Findings

General Findings and Conclusions

A total of 172 websites were initially reviewed for the presence of e-reports to the citizenry. Due to disappointing results for state websites, a follow-up review was conducted of the homepages of states' departments of health and human services. That second stage yielded only slightly better results.

In all, about a quarter of all government webpages reviewed included reports to citizens. The results generally showed that when reports are available through websites, they are not easily found, with only nine directly linked to the main page of their government's website. The mean number of web pages to navigate through to get to the report was two. Most reports were judged easy to grasp their purpose (mean = 3.6 with 5 as best) and easy to navigate (mean = 3.6 with 5 as best).

Regarding presentation, a slight majority of reports contained photos and graphs, with about two-thirds containing tables. Only one report included a multimedia presentation. In terms of visual interest to the reader, the mean score was 3.1 (of 5). Regarding reading level, the mean score was slightly higher than 10th grade, from a low of 7th grade to a high of 12th grade. Most reports were quite long, imposing a burden on a casually interested lay citizen. From a low of 3½ pages to a high of 408, the mean length was 132 pages.

Besides seeking to identify in general the current state of e-reporting, this review focused on two main subjects. First, it sought to review the use of performance information in public reporting. Second, given the recent tremendous enhancements in communications technology, the review focused on the degree to which public reporting is done electronically.

Regarding performance information, the review showed that only about half the reports (28 of 54) had some performance measurement data. Of the reports that included performance information, the information was somewhat tailored to lay citizen readers. "The statistics would be of interest to a lay citizen" had a mean score of 3.5 (from a low of 1 to a high of 5) and "data was relatively easy to understand" had a mean score of 3.9 (with "difficult to understand" as 2 and "very easy to understand" as 5). Similarly, about half the reports highlighted key results and were relatively easy to compare to previous years' data (mean of 3.1, from a low of 0 to a high of 5). It appeared that most of the data used in the public reports came from the same management data system used for internal management control purposes.

Looking at the uses of e-government technology to accomplish public reporting, only about a third of the reports had hot links for additional information, most were well maintained and up-to-date, about two-thirds were searchable, and most included reports from previous years to permit comparison of current performance with earlier results. Similarly, most of the documents could be shared by one citizen with another. However, few permitted two-way communications, such as naming a contact person, having a feedback option, having a participation option or a signup for future dissemination of like reports.

In general, the results indicate that regular reporting to the citizenry is not a common online activity by governments in the United States and that those entities engaging in reporting tend neither to focus on performance results in their reports nor to use the full technological and interactive capabilities of e-government.

The outstanding websites that provided operational examples of best practices in e-reporting, especially combining the use of performance information with the capabilities of e-government technologies are:

A+:	General Accounting Office
	National Science Foundation
A:	Environmental Protection Agency
	National Aeronautics and Space Administration
	U.S. State Department
	Oregon Department of Human Services
	New York City
	City of Portland, Oregon
A-:	Consumer Product Safety Commission

As a general conclusion, the ongoing challenge of being a public manager is to integrate management skills refined in business administration with the unique aspects of working in the public sector. Public reporting is a way that public managers can fulfill their obligation to informing the public, an important attribute of democracy. A report issued more than 70 years ago is as relevant today as it was then:

> The right of the people to govern has the guarantee of many words in legal constitutions and more words in political platforms. That right has been established and reiterated too often to the neglect of its corollary. Its unfulfilled corollary is the guarantee of the right to information indispensable to sharing in the conduct of government (National Committee on Municipal Reporting, 31).

Aided by such important advances in public administration as "managing for results," along with new government-to-

Level of Government	Number Reviewed	Number with Reports	Percentage with Reports (rounded)
Federal	43	30	70%
State	52	1	2%
State departments of health and human services	52	8	15%
County	12	1	8%
City	65	14	22%
All levels of government	224	54	24%

citizen e-government technologies, the 21st century government executive has an opportunity to institutionalize e-reporting as a major contribution to good management and good government.

Findings Regarding Federal E-Reporting

As a generalization, federal agencies have more advanced e-reporting than other levels of government, due in part to the Government Performance and Results Act. GPRA requires that all federal executive branch agencies (with some exceptions) submit annual reports that are based on performance information. Almost all GPRA-required reports on agency websites reflect federal agencies' engaging in a minimal and adequate degree of e-reporting. However, most GPRA reports fall under the jurisdiction of agency CFOs. This tends to mean that reports reflect the ethos of the profession of accounting, with its focus on comprehensive and detailed financial reporting. When reports are so long as to be intimidating to the average citizen, they lose their value from the perspective of e-reporting.

Two federal agencies are examples of e-reporting at its best. The General Accounting Office and the National Science Foundation both prepare a highlights report as a separate publication from their GPRA reports. While still containing

key performance information, these lay-oriented e-reports are citizen-friendly and are inviting to the less knowledgeable public.

Findings Regarding State and Local E-Reporting

Generally, state and local governments have also been affected by the trend to "managing for results" as well as the trend toward e-government. However, as would be expected in a decentralized system of government, there is much greater variation in the e-reporting levels of state and local governments compared to federal agencies. A much smaller proportion of state and local governments, which lack a uniform mandate comparable to GPRA, included performance information from their annual reports on their webpages. Certainly, many state and local governments seek to implement a "managing for results" orientation and to have accessible websites. However, only a small proportion of the sites reviewed engaged in even minimal e-reporting, which consisted of performance-based reports on their homepages.

Recommendations

Recommendation 1: When you do public reporting, do it electronically.

Public managers have a general obligation to report on their agencies' record to the citizenry. Rather than doing this through old-fashioned 20th century hard-copy annual reports, the emergence of e-government provides a technology that can greatly enhance and modernize reporting. Government executives are encouraged to post on their agency websites periodic reports to the citizenry that are presented in lay-oriented formats. In particular, a short and easy-to-understand highlights report, presented in a visually pleasing way, constitutes exemplary e-reporting.

### Recommendation 2: Use performance information in e-reports.

Most agencies and governments already have performance information. E-reporting does not necessitate reinventing the wheel. Rather, existing data can be repackaged in ways that are relevant and understandable to the lay citizenry, with highlighting of key categories of performance results. To assure accountability, standardized performance categories need to be retained from year to year. Similarly, it should be possible for the reader to compare current performance results with that of previous years.

Recommendation 3: Create options to engage citizens in the use of performance information.

E-government began with passively providing information on the Internet. Its second stage was facilitating two-way transactions. Now agencies are able to advance to the next stage:

TO LEARN MORE

The Center report "E-Reporting: Strengthening Democratic Accountability," by Mordecai Lee, traces the history of public reporting on government performance and explains how technology now allows government leaders to dramatically expand citizen access to that information.
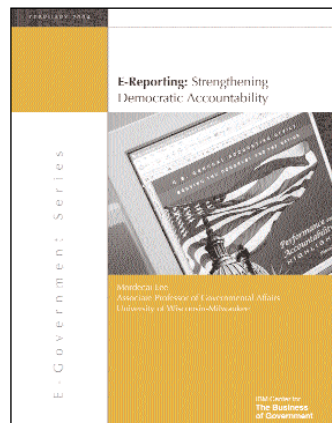
The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

E-Reporting: Strengthening Democratic Accountability

E-Government Series

Mordecai Lee
Associate Professor of Governmental Affairs
University of Wisconsin-Milwaukee

IBM Center for The Business of Government

e-democracy. E-reporting can engage citizens in government, particularly through the presentation of performance information. For example, some agencies are providing reports more frequently than once a year. Some are providing real-time reports with data that is useful to the citizen. In particular, innovative efforts to distribute and disseminate e-reports are encouraged. It's not enough to simply post an annual e-report on the agency's homepage. Methods can include e-mails to previously created lists, speakers' bureaus, information kits for various age groups, interactive media, mailings to lists of opinion leaders, and media events to get free coverage. Similarly, e-reporting can increase *interaction* with the public, including two-way communication features such as an opinion feedback option, the opportunity for citizens to volunteer to participate in agency public planning processes, and a sign-up feature for receiving future reports automatically. When citizens experience a tangible benefit from accessing e-reporting information, it redounds to the credit of the agency through positive public opinion. ∎

References

American Customer Satisfaction Index (2003a). "Federal Government Index Scores." Retrieved December 20, 2003: http://www.theacsi.org/government.htm.

American Customer Satisfaction Index (2003b). "Customer Satisfaction with the Federal Government Improves." Retrieved December 20, 2003: http://www.theacsi.org/ government/govt-03c.html.

Bennett, Linda L. M., and Stephen Earl Bennett (1990). *Living with Leviathan: Americans Coming to Terms with Big Government.* Lawrence, Kan.: University Press of Kansas.

Callahan, Kathe (2003). "Performance Measurement, Citizen Driven," in Jack Rabin (ed.), *Encyclopedia of Public Administration and Public Policy.* New York: Marcel Dekker, 910–6.

Garnett, James L. (1992). *Communicating for Results in Government: A Strategic Approach for Public Managers.* San Francisco: Jossey-Bass.

Garnett, James L., and Alexander Kouzmin (eds.) (1997). *Handbook of Administrative Communication.* New York: Marcel Dekker.

Gormley, William T., Jr., and Steven J. Balla (2004). *Bureaucracy and Democracy: Accountability and Performance.* Washington, D.C.: CQ Press.

Graber, Doris A. (2003). *The Power of Communication: Managing Information in Public Organizations.* Washington, D.C.: CQ Press.

Henderson, Lenneal J. (2003, May). "The Baltimore CitiStat Program: Performance and Accountability." Washington, D.C.: IBM Center for The Business of Government. Also available on the web. Retrieved October 11, 2003: http://www.businessofgovernment.org/pdfs/HendersonReport.pdf.

Lee, Mordecai (2000). "Public Information in Government Organizations: A Review and Curriculum Outline of External Relations in Public Administration," *Public Administration and Management: An Interactive Journal* [www.pamij.com] 5:4, 183–214.

Lee, Mordecai (forthcoming). "The History of Municipal Reporting," *International Journal of Public Administration*.

Lovell, Jim, and Jeffrey Kluger (1994). *Lost Moon: The Perilous Voyage of Apollo 13.* Boston: Houghton Mifflin.

Marchionini, Gary, Hanan Samet, and Larry Brandt (2003). "Digital Government," *Communications of the ACM* 46:1 (January) 25–7.

Margetts, Helen (2003). "Electronic Government: A Revolution in Public Administration?" In B. Guy Peters and Jon Pierre (eds.), *Handbook of Public Administration.* Thousand Oaks, Calif.: Sage, Chapter 29.

Milner, Henry (2002). *Civic Literacy: How Informed Citizens Make Democracy Work.* Hanover, N.H.: University Press of New England.

National Committee on Municipal Reporting (1931). *Public Reporting, With Special Reference to Annual, Departmental, and Current Reports of Municipalities.* New York: Municipal Administration Service.

Perlman, Ellen (2003). "Maps for the Masses," *Governing* 17:1 (October) 26-8. Also available on the web. Retrieved October 11, 2003: http://www.governing.com/articles/10gis.htm.

Pew Research Center for the People & the Press (2000). *Performance and Purpose: Constituents Rate Government Agencies.* Retrieved September 15, 2003: http://people-press.org/reports/display.php3?ReportID=41.

Price, Vincent, Joseph N. Cappella, and Lilach Nir (2002). "Does Disagreement Contribute to More Deliberative Opinion?" *Political Communication* 19:1 (January-March) 95–112.

Richard, Oscar (1947). "The Public-Relations Value of the Annual Report," *Public Personnel Review* 8:3 (July) 144-50.

Rourke, Francis E. (1984). *Bureaucracy, Politics, and Public Policy*, 3rd ed. Boston: Little, Brown.

Showtime! Creating a Management Framework for Getting Results

By John M. Kamensky

The stage is set. The various sections of the orchestra have finished tuning their instruments. The curtain is raised. But the veteran concertmaster is new and doesn't have the sheet music. The audience becomes restive as it waits for him to lead. The orchestra members begin to fidget. The concert-master knows the next step—improvisation! Jazz always works for an audience.

How often is this the scenario in public agencies with new leaders?

Many public managers attempting to get results in their programs see some similarities: The policy makers have made policy, the planners have planned, the budgeters have budgeted, the measurement experts have created performance measures, the human capital staff have staffed, the acquisition experts have let the contracts, and so on. Each of these office functions is there to support the overall performance of the agency, but, in the end, the pieces don't quite seem to come together when the concertmaster comes on stage without the sheet music.

Veteran government observer Christopher Wye notes that each of these support office "kingdoms" tends to operate its own system, with its own culture, its own requirements, and its own motivations. But often the reaction from agency program managers, who have to deliver services or programs, is: "That's fine. We've completed the requirements imposed on us by the Office of Management and Budget, the department, and Congress, but now we have real work to do." And the systems that created the plans, measures, and budgets go by the wayside. It's back to improvisation. Harvard's Robert Behn calls this scenario "the futile search for a performance system." He says, "Rather than develop public managers with the leadership capacity to improve the performance of their agencies, we have sought to create performance systems that will impose such improvements."

There doesn't seem to be unanimity on this point, though. In a retrospective assessment of the three-year-long Federal Performance Project, which assessed the management capacity of several dozen federal agencies, RAND's Gregory Treverton observed: "The art of managing for results in government involves bringing into harmony three sides of a triangle: goals, institutional capacity, and authorizing environment.... The critical element in that process is not personal leadership—though that matters—but whether or not an agency's goals and mission are clear and supported by its authorizers."

Reality, however, is probably a combination of these two points of view, with a dose of what author James Collins calls "catalytic mechanisms," or incentives for individuals in an organization to behave a certain way. Nirvana would be to create Collins' "right" incentives to attract Behn's "right" kind of leaders who thrive in a results-oriented environment, and give them the "right" institutional capacity envisioned by Treverton. But Nirvana is a state of mind. What do public managers do?

The "Right" Puzzle Pieces of a Managing for Results Framework

There are many pieces to the "managing for results" puzzle laid out by various observers. These pieces, for example, are reflected in Robert Kaplan and David Norton's work on "strategy-focused organizations" and the General Accounting Office's report on high-performing organizations. These pieces include:

- A clear mission, goals, intended outcomes
- Defined processes or logic models of how various services connect both within the organization as well as across agencies
- Defined measures of performance and targets
- Defined strategies for achieving the targets

John M. Kamensky is Senior Fellow, the IBM Center for The Business of Government, and Associate Partner, IBM Business Consulting Services. His e-mail: john.kamensky@us.ibm.com.

- Links between budget resources and organizational performance
- Clearly defined performance roles for managers, employees, contractors, and grantees
- A scorecard of real-time performance, accessible by all
- A forum where top leaders in an organization have fact-based interactions on a regular basis on how to move forward

Many of these puzzle pieces exist in different agencies, but rarely do they come together in one place. For example, the following public agencies are "best in class" in developing and using various pieces:

- The District of Columbia has put into place a strategic planning and budgeting process that links citizen input to the budget process.
- The Natural Resource and Conservation Service in the Department of Agriculture has put in place a real-time, web-based system to collect, monitor, and analyze performance information.
- The Commonwealth of Virginia and the U.S. Department of Health and Human Services both use "performance contracts" to tie the accountability of top political leaders to organizational performance commitments.
- The U.S. Environmental Protection Agency uses logic models to define outcomes and link associated programs and their performance to budget resources.
- The State of Texas defines programmatic performance strategies and links them to performance targets and dollar resources in its legislative appropriations process.

Individually, these are exciting examples of progress toward better managing for results. But the challenge of a new leader is to collect the puzzle pieces in one place and get them to fit together in ways that action occurs. This requires creating a strategy-focused management framework and incentives to perform.

What is a strategy-focused management framework? The point of performance systems isn't to plan, measure, and be accountable, but to get meaningful results. The key to getting results is to know where you want to go and to develop a strategy—which is a manager's best guess on how to improve performance and achieve targets—that gets you there. Strategy, therefore, is constantly evolving to adapt to the changing environment and to learn from previous experience. For example, the strategy for a job-training program for unemployed workers will be different in a recession than it would be in a period of economic expansion. Creating a management framework to manage performance against an organization's evolving strategies is a key to getting results.

In addition, creating a set of incentives that "push" organizational performance, rather than a set of systems that "pull" performance, seems to be the secret of high-performing organizations. But what are those incentives? Linking performance to budget resources can be an incentive, but it is often too long term to make a difference in the day-to-day performance of managers. Linking organizational performance to senior executives' performance contracts can be an incentive as well, but again it is often too long term. Using various forms of near-term incentives, including personal accountability, perceived standing with peers, and rapid problem resolution, seems to work better in many organizations. Such incentives are reflected as characteristics in James Collins' 1999 *Harvard Business Review* article on creating "catalytic mechanisms" to leverage large-scale change in organizations. In that article, Collins gives examples of how changes in operating procedures—such as allowing members of a work unit to hire or fire their first-line managers—change day-to-day behavior and can result in large-scale improvements in performance in the corporate world.

Creating a Strategy-Focused Management Framework: Three Approaches

In the past decade, three management innovations have evolved that create a strategy-focused management framework and incentives to perform. These three approaches are performance-based organizations, CompStat, and the balanced scorecard. Of course, the success of each of these approaches depends on having a leader who wants to manage for results.

Performance-Based Organizations. In the mid-1990s, the federal reinventing government initiative imported a British management innovation to the United States and dubbed it "performance-based organizations," or PBOs. It involves creating clear measures of performance, holding the head of the organization clearly accountable for achieving results, and granting the head of the organization the authority to deviate from government-wide rules if this is needed to achieve agreed-upon results. These actions create strong incentives for the top leader to focus on results and gives that leader the tools to do so. The three main characteristics of a PBO include the following:

- Service operation functions are separated from their policy components and placed in separate organizations reporting to the agency or department head. Policy making is retained in the office of the agency or department head. The PBO is composed of the service operations.
- A three- to five-year governing framework document is negotiated between the PBO and the Secretary of the department that sets out explicit goals, measures, relationships, flexibilities, and limitations for the organization. The PBO is also given the authority to negotiate alternative approaches to, for example, procurement and civil service rules through the framework document. This grant of flexibility is tied to commitments to increased accountability for results.
- A chief operating officer (COO) heads the service operation functions. The COO is appointed or hired on contract, through a competitive search, for a fixed term such as five to six years, with a clear agreement on services to be delivered and productivity goals to be achieved. The COO is held personally accountable for delivering agreed-upon levels of performance and a significant portion of the COO's compensation hinges on meeting these performance levels.

Because this approach generally requires statutory changes, it has been sparingly applied. The pilot efforts in several agencies, though, seem to be encouraging. For example, the first PBO was the Federal Student Aid program in the

Department of Education in 1998. Its first chief operating officer, Greg Woods, negotiated clear performance goals with the department. Over three years, he agreed to: (1) maintain operating costs at a constant level (in reality a 19 percent cut when factoring in inflation) while improving performance, (2) improve customer service to be equal to, or better than, private sector lending organizations, and (3) improve employee job satisfaction to be within the top five agencies in the federal government. He also committed to a series of other targets, such as reducing the percentage of delinquent student loans. In exchange, he negotiated a governing framework document that granted flexibilities from the department to do his own budgeting, hiring, and contracting. He installed an activity-based costing system, used a share-in-savings approach with a private sector company to invest its own resources in technology upgrades in exchange for a share of the efficiency savings, and used a system of incentives with private loan collection agencies to ensure delinquent loans were collected efficiently but also with a smile.

Woods created incentives for his employees by committing to pay them an extra two-week paycheck (or a prorated share) based on the extent to which the organization met the three targets in his own performance agreement with the Secretary. As a result, there were joint incentives to make progress. The time to approve student aid applications dropped significantly when they were put on the web, and the PBO integrated 13 different computer systems so colleges could turn to a single source for information on the different federal loan programs in which their students were enrolled. These actions contributed to a 10-point increase in customer satisfaction with the student aid program between 1999 and 2001.

More broadly, though, the PBO framework has limited success in the federal government. Only three organizations have adopted it, and even in those three organizations, its success is heavily dependent on the willingness of the departmental Secretaries to grant operational flexibilities and the willingness of the chief operating officers to be held accountable for measurable results via written performance agreements. Generally, Congress, OMB, and the departments are reluctant to grant operational independence, but in cases where this has occurred, it seems that the relationship between the Secretary and the chief operating officer is key to success. There are several instances where this approach has been attempted administratively, but there has not been long-term experience with it. Once organizations have had several years of operational experience, assessing this approach will be useful in determining if it has potential for wider applicability.

CompStat. In 1994, New York City Police Commissioner William Bratton created a management framework that he dubbed "CompStat." The guiding principles for CompStat include providing: (1) accurate and timely intelligence, (2) rapid deployment to address problems, (3) effective tactics, and (4) relentless follow-up. The key elements of this approach are to:

- Collect data real time.
- Analyze these data with a small staff who ensure quality, relevance (one-page performance sheet of background information, supplemented with real-time problems and strategy-related approaches to resolving those problems).
- Create strong personal accountability by program managers (precinct commanders) by having their precinct's performance discussed weekly in an open forum of their peers.
- Have the top leader lead the weekly forums.
- Involve all stakeholders who have a role in ensuring success, such as the district attorney's office, the transit and housing police, and so on.
- Make certain that performance information is shared with all key players, and, in some cases, the public.

The forum is run by a small staff, the "CompStat Unit," who manage a computerized monitoring system that creates snapshots of performance statistics and generates precinct maps that are used to monitor crime patterns. The Unit also prepares the weekly briefings and materials for the police commissioner, and maintains profiles on each of the precinct commanders that describe the overall performance of each precinct. The forum is not an information presentation format; it is highly interactive and often unpredictable in terms of where the conversation will go once it gets started. It is action oriented, with an emphasis on applying strategies leading to immediate performance changes on the beat.

While many of these elements are often in place in other organizations, the dynamics of how they interact are key to the incentives created for precinct commanders. It works in New York because the police commissioner—Bratton as well as his successors—personally leads each of the biweekly review sessions and asks extensive questions. The personal accountability of each of the precinct commanders for the performance of their precincts means they are "on the spot" in front of their peers in a lively, collaborative problem-solving environment, not a "blame game." This approach reflects the traits Larry Bossidy and Ram Charan, authors of *Execution: The Discipline of Getting Things Done,* say are essential for leaders where "execution requires a comprehensive understanding of a business, its people, and its

environment. The leader is the only person in a position to achieve that understanding."

And it has made a difference. When this approach was first deployed by the New York City Police Department, the murder rate dropped by 67 percent over an eight-year period. When adapted to the City's traffic bureau, motor vehicle fatalities dropped 26 percent in one year. When adapted to the City's Corrections Department, jailhouse violence dropped 80 percent. It has since been adapted to the City's school system and park system, and to police departments in other cities. It has also been adapted to entire city performance management frameworks—called CitiStat—in Baltimore and Chattanooga.

The CompStat approach seems to be spreading as a successful management framework in local governments, but it has not yet been adapted at the federal level. CompStat creates more of a system view of a policy area, and its success requires reaching beyond any one organization's boundary. Therefore, this requires a willingness to collaborate with other organizations at an operational as well as at a policy level. There are already several institutions where this approach could be applied, such as the National Security Council and the intelligence community management staff. In addition, there are many other potential applications at the federal level, such as employment, housing, and homeland security. However, the initiative for such efforts would probably have to come from outside of any one department or agency to be successful.

Balanced Scorecard. In 1992, Harvard Professors Robert Kaplan and David Norton described an approach to managing organizations that they dubbed a "balanced scorecard." The scorecard is composed of a family of measures to assess an organization's performance from the perspective of the customer, the employee, the stakeholders, and the business itself. The objectives of this management approach are to:

- Provide a framework linking strategic objectives with financial and non-financial measures.
- Translate strategy to operational terms.
- Align the organization to its strategy.
- Make strategy everyone's day job.
- Make strategy a continual process.
- Mobilize change through leadership.

Scorecards can be organizational or cascaded down to individual managers and teams of employees.

While there have been many instances of creating a set of balanced measures by an organization's planning or measurement office, the key is to ensure these measures are used to drive performance. There has to be a focal point, often a decision-making forum, where the measures are used to actively solve performance challenges as they arise.

Scorecards have been applied successfully in many public sector organizations, and new leaders choosing this approach have found it to be an effective tool to align their organizations around key strategies. For example, when Tom Bloom became the head of the Defense Finance and Accounting Service (DFAS) in 2000, he inherited an organization that was stovepiped around its predecessor finance agencies that had been merged into a single organization but never acted that way. He quickly created a strategy and a measurement team and used their results to align DFAS around common priorities, driving change throughout his organization of more than 16,000 staff.

Bloom put in place a governance structure that included: (1) a strategic plan steering group, (2) a cross-functional team that created a set of metrics, and (3) an executive-level team that used the plan and metrics to define an integrated view of the performance of DFAS and to apply operational strategies through aggressive reviews of performance of each of the major business lines within DFAS. Every six months, he would bring together the top 100 managers to review the strategy, assess whether it was working, and develop mid-course corrections to improve performance. He also invested in training managers on how to use performance information in their jobs, and began to tie their personal performance commitments to the overall organizational strategies and performance. Bloom's overarching goal was to make the strategy real to every employee. Within a year, customer and employee satisfaction both increased by 5 percent while at the same time costs and the size of the workforce declined.

Scorecards are effective at an organizational level for framing and communicating leadership priorities. They are being used in several dozen federal organizations; in addition, their use is expanding in organizations and cascading down from the top to teams and individuals. The Office of Personnel Management has included the elements of a scorecard in the performance standards for senior executives as well. The advantage of this approach is that a leader can initiate the use of this framework without legislation or the need for collaboration with other organizations. The challenge, though, is that if it is not leader driven, it has the potential to become another burdensome reporting process.

Conclusion

While these management frameworks work, they cannot be imposed from outside the organization. Too often, "good management" reforms imposed on agencies devolve into a compliance and monitoring exercise that is passed off as "accountability." The hard truth, says Behn, is you cannot command good management. Leaders must lead. As Bossidy and Charan note: "Execution is the great unaddressed issue in the business world today. Its absence is the single biggest obstacle to success ... an organization can execute only if the leader's heart and soul are immersed into the company.... The leader has to be engaged personally and deeply in the business.... only the leader can make execution happen." This is just as true in the public sector as it is in the private sector. ∎

References

Behn, Robert (2004). "Performance Leadership: 11 Better Practices That Can Ratchet Up Performance." Washington, D.C.: IBM Center for The Business of Government, May.

Bossidy, Larry, and Ram Charan (2002). *Execution: The Discipline of Getting Things Done.* New York: Crown Business.

Collins, James (1999). "Turning Goals into Results: The Power of Catalytic Mechanisms." *Harvard Business Review,* July–August.

Henderson, Lenneal (2003). "The Baltimore CitiStat Program: A Management Framework for Performance and Accountability." Washington, D.C.: IBM Center for The Business of Government, May.

Kaplan, Robert, and David Norton (2001). *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment.* Harvard Business School Publishing Corporation.

O'Connell, Paul (2001). "Using Performance Data for Accountability: The New York City Police Department's CompStat Model of Police Management." Chapter 6, in *Managing for Results 2002.* Lanham, Md.: Rowman & Littlefield Publishers.

Treverton, Gregory (2004). "The State of Federal Management." *Government Executive,* January, pp. 23–34.

U.S. General Accounting Office (2002). *Federal Student Aid: Additional Management Improvements Would Clarify Strategic Direction and Enhance Accountability* (GAO-02-255), April 30.

U.S. General Accounting Office (2004). *A Comptroller General's Forum on High-Performing Organizations* (GAO-04-343SP), February.

Wye, Christopher (2002). "Performance Management: A 'Start Where You Are, Use What You Have' Guide." Washington, D.C.: IBM Center for The Business of Government, October.

Performance Leadership: 11 Better Practices That Can Ratchet Up Performance

By Robert D. Behn

(This article is adapted from Robert D. Behn, "Performance Leadership: 11 Better Practices That Can Ratchet Up Performance" [Washington, D.C.: IBM Center for The Business of Government, 2004].)

Helping the Managers Manage

How can the leaders of a public agency improve its performance? What can the leaders of a governmental organization possibly do that might have a positive effect on the results that their agency produces? This is an important question. This is a leadership question.

The Futile Search for a Performance System

This *leadership question* is not, however, the question about government performance that is usually asked. Traditionally, we have asked the *systems question.* Rather than develop public managers with the leadership capacity to improve the performance of their agencies, we have sought to create performance systems that will impose such improvements. We have sought to create government-wide schemes that will somehow require performance from all departments, agencies, and bureaus. Thus, we have tended (if only implicitly) to ignore the leadership question and, instead, have focused on the systems question: How can we compel, command, or coerce public agencies into improving their performance?

This systems approach is unlikely to prove very effective. Yes, it is possible for a legislature, a budget office, or a central administrative agency to force public agencies to do things that—if done with genuine enthusiasm and subtle intelligence—could contribute to improved performance. Those upon whom such requirements are imposed, however, are not likely to view them as helpful. They will see these requirements as another complex confusion of administrative regulations with which they must dutifully comply—not as a coherent collection of supportive principles that, if deployed discernably and employed adaptively, might actually help. Administrative requirements (for performance or anything else) are not designed to elicit discernment and adaptation. They are created to impose obedience and conformity.

Moreover, the senior managers upon whom such compliance is imposed have seen all this before. They have learned how to cope. Indeed, they became senior managers precisely because they learned how to cope. They learned that administrative requirements are hoops through which they must jump. And, as they moved up the organizational hierarchy, they learned to become very good hoop jumpers. They can now jump nimbly through big hoops and small hoops, red hoops and green hoops; they can even jump through flaming hoops without getting the least bit singed.

The following approach to performance leadership makes no claim to be a *best practice.* It might be, however, in Eugene Bardach's phrase, a "smart practice" (Bardach, 1998, 35–41). If employed with thoughtful discernment of the underlying principles and deployed with intelligent adaptation to the characteristics and needs of the particular organization and its environment, this approach might help some public managers improve their agency's performance, marginally or even significantly.

After all, to ratchet up performance a notch or two, most public managers do not require a best practice. All they need is a *better practice*—a set of operational principles, or just one good idea, that is an improvement over what they are currently doing.

I make no claim that employing all 11 practices is necessary to improve a public agency's performance. Still, each practice is, if the agency manager is not already using it, a *better* practice. Moreover, the 11 do reinforce each other. (Several of these practices are based on the same underlying principles, so that employing one practice without another is often difficult.) Consequently, public managers who employ several of them will have a better opportunity to exploit their reinforcing benefits. These 11 practices offer *one approach* to performance leadership.

Robert D. Behn is Lecturer, John F. Kennedy School of Government, Harvard University. His e-mail: redsox@ksg.harvard.edu.

Creating the Performance Framework

Practice 1: Articulate the Organization's Mission

This first practice is hardly profound. It is advocated by numerous management gurus and followed by many practicing managers. Everyone in the organization needs to understand the big picture. Thus, the leaders of the organization need to proclaim, clearly and frequently, what the organization is trying to accomplish.

When you walk into the main lobby of many business firms, government agencies, and nonprofit organizations, you will find the mission statement displayed on the wall. Yet, how many people know what these words say? How many appreciate the values that these words are designed to represent? How many act daily (or even occasionally) to further the basic purposes that are proclaimed in the mission statement and that thus constitute the rationale for the organization's existence? How many public employees go about their assigned tasks completely oblivious to how these tasks contribute (or not) to their agency's mission?

For any organization, particularly for a public agency, it is not enough to form a committee or engage a consultant to write or update the mission statement. After all, in the words of Scott Adams, a mission statement is nothing more than "a long awkward sentence that demonstrates management's inability to think clearly" (Adams, 1996, 36). Even if a public agency's mission statement is neither long, nor awkward, nor convoluted, posting the statement on the wall is not enough. If the agency's leaders want everyone in the organization to take the mission seriously, they need to reiterate its fundamental points at every opportunity.

Practice 2: Identify the Organization's Most Consequential Performance Deficit

The mission of any organization—public, private, or non-profit—is necessarily vague. It may be inspirational; nevertheless, it lacks specificity. It fails to provide any useful guidance about what to do next: What specific problem does the organization need to attack now to significantly improve its performance? The words in the mission statement do not answer this operational question. Thus, the organization needs to determine what key failure is keeping it from achieving its mission: "What is our most consequential performance deficit?"

Naturally, the organization will have a variety of failures and performance deficits. Just as naturally, it cannot attack all of them at once. It must choose. This is the first challenge to the organization's leadership—to figure out, from the variety of problems inhibiting its ability to produce results, that one performance deficit (or, at most, a very few) on which the organization should now focus its intelligence and energies.

Identifying the organization's performance deficit is clearly a subjective judgment. Every organization—no matter whether public or private; no matter how well it is performing—has multiple performance deficits. It has a variety of things that, if it did them better, would enhance its outputs, and thus the outcomes to which it contributes. Someone has to choose. This is a leadership requirement. If the individuals at the top of the organizational hierarchy fail to select the performance deficits on which their organization should focus, they have no claim to the title of leader.

The leaders of the organization can make this selection brilliantly or haphazardly. They can put some serious thought into the question, "On which performance deficit should our organization focus?" They can deliberately choose a big deficit that, when eliminated, will have a major impact on the organization's performance. Or they can just as deliberately select a small deficit that, when eliminated, will demonstrate to those working in the organization (and perhaps to multiple stakeholders) that they can accomplish even more. Of course, even if they choose deliberately, the organization's leaders can choose badly.

Still, the biggest mistake is not to choose at all—to avoid the responsibility for determining what the organization should fix next.

Practice 3: Establish a Specific Performance Target

Having made the admittedly subjective judgment about the aspect of the organization's performance deficit on which it will focus, the leaders need to make a second judgment. They need to create an explicit performance target for closing that deficit. That is, the leaders of the organization need to specify what new level of success the organization should attempt to achieve next and by when.

Practice 4: Clarify Your Theoretical Link between Target and Mission

Unfortunately, no performance target is precisely the same as the organization's mission. By achieving the target, the organization should further its mission. Otherwise the leadership team would not have chosen to focus on the related performance deficit or have selected this as its next target. Still, the leaders need to make this connection very clear. They need to define (for themselves individually, at least, and perhaps collectively) a mental model that explains how meeting the target will help accomplish the mission.

In some circumstances, the causal connection will be obvious. If a health department delivers the proper measles immunization to a child, that child's probability of actually being immune to measles, and thus healthier, is greater than 99 percent (Atkinson et al., 2002, 104). The output of immunization is directly connected to the outcome of a healthier child. Moreover, the immunization process is relatively simple and, if followed by certified personnel, does not have a lot of defects; if a certified nurse follows the standard operating procedures for measles immunization, the immunization will take. The theoretical linkage between achieving the performance target and furthering the agency's mission is not theoretical at all. It has been well established, very empirically.

Unfortunately, most actions taken by most public agencies are not connected this closely to their mission. The causal link between the actions taken by the agency to close its performance deficit and the achievement of its mission may be indirect, vague, poorly understood, or nonexistent. Consequently, the leaders of public agencies cannot merely define a performance deficit, select a performance target, and mobilize their organization to achieve this target—all under the (implicit) assumption that this will further its mission. These leaders need first to clarify explicitly the nature of their theory that connects reaching the target and furthering the mission. Then, once they have reached the target, they need to check to see whether this effort has, indeed, produced some real improvement.

11 Better Practices That Can Ratchet Up Performance

Creating the Performance Framework

Practice 1: Articulate the organization's mission.

Practice 2: Identify the organization's most consequential performance deficit.

Practice 3: Establish a specific performance target.

Practice 4: Clarify your theoretical link between target and mission.

Driving Performance Improvement

Practice 5: Monitor and report progress frequently, personally, and publicly.

Practice 6: Build operational capacity.

Practice 7: Take advantage of small wins to reward success.

Practice 8: Create "esteem opportunities."

Learning to Enhance Performance

Practice 9: Check for distortions and mission accomplishment.

Practice 10: Analyze a larger number and a wide variety of indicators.

Practice 11: Adjust mission, target, theory, monitoring and reporting, operational capacity, rewards, esteem opportunities, and/or analysis.

Driving Performance Improvement

Practice 5: Monitor and Report Progress Frequently, Personally, and Publicly

Again, this better practice is hardly mysterious. The leaders of the organization have to track and publish the performance data so that every team knows that the leadership knows (and that everyone else knows) how well every team is doing.

This is the first step in motivating teams (and the individuals on these teams) to achieve their performance targets. The mechanism chosen to monitor and report progress depends on both the culture of the organization and the nature of the performance targets. Still, whatever mechanism the leaders choose, they need to ensure that it provides several kinds of information.

First, this practice of monitoring and reporting needs to dramatize that the organization's leaders are paying attention to its progress. The people in any organization have an easy instrument for determining what their leaders care about; they measure how much time the leaders spend on their various

initiatives. If the leaders do not spend time monitoring progress toward their performance targets, the entire organization quickly realizes that the leaders do not really care.

After all, the leaders' most valuable resource is their own time. They can invent clever ways to get around budgetary limits and regulatory constraints. But they face one eternal, immutable constraint; like all other humans, they have only 168 hours in any week. They cannot squeeze 169 hours out of any week, save an hour from one week to the next, or borrow an hour from a colleague or friend. Thus, the metaphor about "spending time" is not a metaphor at all. It is reality. People "spend" time just as they spend money. Both are extremely valuable resources—and time is scarcer than money.

Performance measurement is not performance leadership. Performance measurement is a passive activity easily delegated to a few wonks in a back office. Performance leadership, however, requires the ceaseless, active engagement of the organization's leaders.

If these leaders do not spend time monitoring the organization's performance targets, everyone soon figures out that they are really not interested. If, however, these leaders do spend the time necessary to dramatize that they are carefully following progress, many in the organization will begin to take the performance targets—and their part in achieving them—seriously.

Second, this practice of monitoring and reporting needs to dramatize how well different teams or individuals are contributing to the overall target.

In many circumstances, effective reporting can be done on a single piece of paper. If the responsibility for achieving the performance target is allocated among various teams within the agency, the single piece of paper need contain only two columns: Column A lists all the teams that made their target for the last month, last quarter, or last year; Column B lists all the teams that did not make their target. I call this "The List" (Behn, 2003).

Practice 6: Build Operational Capacity
Of course, no team can win unless the organization's leaders provide their teams with whatever they need to achieve their targets. W. Edwards Deming did not like goals or, as he often called them, "quotas." One of his reasons was that he believed most organizations set goals for individuals or teams but failed to provide them with the operational capacity to achieve the goals. "I have yet to see a quota that includes any trace of a system by which to help anyone to do a better job," wrote

Deming. Personal "goals are necessary" and people should set them for themselves, he argued; "but numerical goals set for other people, without a road map to reach the goal, have effects opposite to the effects sought." (Deming, 1982, 1986; 69, 71).

Deming was, admittedly, talking about "numerical quotas for hourly workers," the classical "work standards" of scientific management (Deming, 1982, 1986; 70). Nevertheless, Deming's general point still applies. If the leaders of an organization wish to improve performance, they cannot just assign targets to individuals or teams. They have to provide everyone in the organization with the "system," the "road map"—whatever it takes to create the operational capacity necessary to achieve the targets.

This operational capacity might include money and other resources, people and training, technology and production systems, the cooperation of essential partners, and a road map of tactics and strategies that help teams achieve their targets. Leaders cannot simply demand improved performance. They cannot simply set new, demanding performance targets. The organization's leadership has to give teams the capabilities necessary for achieving these targets.

Practice 7: Take Advantage of Small Wins to Reward Success
Having established a performance target, the agency's leaders need to dramatize that they recognize and appreciate what teams (and the individuals on those teams) have accomplished. And although moving a team from Column B to Column A on a widely distributed piece of paper (or the home page on the agency's intranet) is itself a reward, the leaders can do more. When a team achieves its annual target—or even makes significant quarterly progress toward it—effective leaders understand how to celebrate the success. Some accomplishments warrant the simple recognition of a sincere thank you. Other triumphs require the leaders to kill the fatted calf. The magnitude of the ceremony should match the significance of the victory.

In public agencies, celebrating successes is undervalued. So is saying "thank you." There can be a danger in over-celebrating a minor achievement. In most organizations, however, the more common mistake is to under-acknowledge achievements of all sizes. Most public executives do not say thank you enough. As William James once wrote: "I now perceive one immense omission in my Psychology, —the deepest principle of Human Nature is the *craving to be appreciated,* and I left it out altogether from the book, because I never had it gratified till now" (James, 1920, 33).

To foster an environment in which successes will be celebrated more frequently, an agency's leaders can create more milestones. Do not just create a performance target for the year. Break that target down into quarterly and monthly targets. And when a team has an important breakthrough, the agency's leaders need to find a way to signal, both to this team and to everyone else throughout the agency, that this group of individuals has done something truly worthwhile.

This addiction strategy is really quite simple. Create performance targets that people can hit. Get them hooked on success. Give them an opportunity to earn the adrenaline rush that comes from accomplishing something worthwhile, and then give them the challenge of accomplishing even more.

This is why I describe this leadership approach as a way to *ratchet up* performance. Each small win creates not just a sense of accomplishment but also a new and higher plateau—a new baseline from which future performance must be compared.

Practice 8: Create "Esteem Opportunities"
Rewarding success is one way to ensure that the members of high-performing teams can earn a sense of accomplishment and thus gain both self-esteem and the esteem of their peers. And the opportunity to earn such esteem can be an important motivational strategy for any organization's leaders.

The leaders of a public agency can contribute to the esteem needs of their organization's employees and collaborators. The leaders can give people an opportunity to take pride in a real achievement. They can give people an opportunity to gain a reputation for real achievement. Moreover, in doing so, the agency's leaders can contribute to their organization's ability to do even more. For, writes Abraham Maslow, "satisfaction of the self-esteem need leads to feelings of self-confidence, worth, strength, capability and adequacy of being useful and necessary in the world" (Maslow, 1943, 382).

One practice (that I have seen employed in a variety of public organizations) is to ask the head of a particularly successful team: "Would you please come back to next month's meeting and tell us how you did it?" In doing so, the organization's leaders thereby reward the team's head by giving him or her an esteem opportunity. At the same time, they have rewarded this individual by giving him or her more work. For now, this team leader must (1) keep up team performance during the coming month so as not to be embarrassed by having to explain why the team regressed, and (2) devote additional time to preparing a coherent presentation to somehow explain the team's success. Still, the message will be clear. Everyone will get it. This team has been asked to report on its

strategy, tactics, and processes precisely because it is a high-performing team.

This esteem opportunity need not be limited to the head of the team. The agency's leaders could also ask: "Would you please bring your team to next month's meeting and tell us how you all did it?" Like saying thank you, esteem opportunities are not a scare resource that can be awarded to just a few elites. They can be created for multiple individuals and teams throughout the organization.

Moreover, this kind of esteem opportunity provides for technology transfer, and thus helps to build operational capacity. It gives those on the less successful teams—and often those on the more successful teams, too—the chance to learn new strategies, tactics, and processes. Although the explanations offered by some team members may not be as articulate or clear as ones that the agency's leaders might produce, such imperfect explanations come with one added advantage. Those listening to a convoluted explanation of what everyone accepts to be a significant success can easily conclude: "They aren't so smart. If they can do it, we certainly can do it, too."

Learning to Enhance Performance

Practice 9: Check for Distortions and Mission Accomplishment
Unfortunately, achieving the performance target does not guarantee that the organization achieves its mission. Achieving the target does not even guarantee that the organization has helped to accomplish its mission. Thus, the leaders of the organization need to verify that people are pursuing their targets in ways that do, indeed, further the mission (not in ways that either fail to help or even undermine the effort). They need to check for a variety of distortions in which achieving the target may not have contributed significantly to accomplishing the mission.

After all, the leader's theoretical link between target and mission may not be perfect. Indeed, this link may not even exist. It is always difficult, in any organization, to predict cause-and-effect relationships—to understand the complex interactions that are going on inside the organizational black box. The organization's leaders can take specific actions based on the perfectly reasonable prediction (derived from established theory or personal experience) that it will create behavior that will then produce the results they desire—or, at least, something close to these results—only to discover that actual consequences of these actions are quite different. They have no guarantee that the mental model they used to create their theoretical link between target and mission is correct, or even close to correct.

The leaders need to check carefully to be sure that the agency has, by achieving its performance target, indeed helped further its true purpose. Did their organizational black box respond as they predicted? If their theoretical link does not appear to work as they predicted, they have to figure out why.

Practice 10: Analyze a Large Number and a Wide Variety of Indicators

The leaders of the organization need to learn not only whether they have created any distortions, whether their agency has engaged in any cheating, and whether their agency is making progress toward achieving its mission. Regardless of how well the agency has done, they also need to learn how to improve. For all of these purposes, the leaders need to examine many forms of data—both quantitative and qualitative.

Some of this learning will be quantitatively sophisticated. After all, doing a conscientious evaluation of a public agency's impact is a complex undertaking. It requires a sophisticated analysis of a multitude of potential influences as well as some subtle judgments about how to measure progress toward the mission. It also requires a lot of very clean, quantitative data.

Some of this learning, however, will rely on data that are significantly less quantitative and significantly less verifiable.

TO LEARN MORE

The Center report "Performance Leadership: 11 Better Practices That Can Ratchet Up Performance," by Robert D. Behn, presents 11 "better practices" that he has observed in use by successful public managers over the years to spur improvements on program performance.

The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

It will come in the form of anecdotes and casual observations that may, however, be no less helpful. Particularly when the challenge is to uncover distortions and to develop ways to improve for next year, the organization's leaders may find that examining such qualitative data analytically (though not mathematically) can be of significant help.

The leaders can employ quantitative analysis to determine whether their agency is accomplishing its mission. But what they really want to know is whether they are moving their organization in the proper direction. A public agency's leaders need not seek to determine whether they have *achieved* their mission, for they never will. Instead, they need to learn whether or not they have done a better job recently. They need to learn whether or not their performance strategy is truly *furthering* their mission.

Once they are convinced that they are making progress, the leaders have to determine why: What are the things that they have done that have contributed significantly to their progress? It would be nice to be able to use quantitative analysis to answer this question—to determine precisely what actions contributed *most* to their progress. Their organization's data set, unfortunately, will rarely be robust enough to answer this question. But, then, the leaders do not need to determine *the best practice*. They need to uncover only *a better practice*— or two. Then they can employ these better practices in a way that ratchets up performance some more.

Thus, the analytical task of determining what has worked, what has not worked, and what needs to be done to improve performance requires examining a diversity of indicators. Some indicators will be found in formal data sets collected by the agency or by other organizations. Additional indicators will be found in careful, if serendipitous, observations in the reports from the heads of successful teams about how (they think) they achieved their targets, and in the complaints about inadequate resources, perverse incentives, or distortions.

Practice 11: Adjust Mission, Target, Theory, Monitoring and Reporting, Operational Capacity, Rewards, Esteem Opportunities, and/or Analysis

The learning that results from checking for distortions, from evaluating mission accomplishment, and from analyzing numerous indicators, itself, accomplishes very little. The leaders of the agency need to act on this learning, making the modifications necessary to ratchet performance up another notch.

The leaders may change any of the key components of their performance strategy—creating a new performance target,
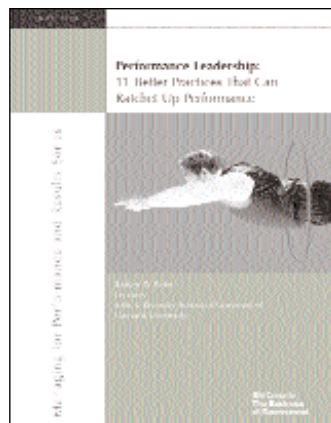
modifying how they monitor and report performance, reallocating resources, creating new operational capacity, revising rewards, inventing new esteem opportunities, or adjusting how they conduct their analyses. They might even decide to modify their mission. If they have significantly improved their operational capacity, they might extend their agency's operating mandate to include other authorized (but under-emphasized) purposes. Or, on discovering that they lack some key capability—be that essential funding or cooperative collaborators—they might contract their ambitions.

The Performance Treadmill

Thus, the cycle begins all over again. But I do not think of this as a neatly drawn, annual circle, containing 11 boxes with 11 (unidirectional) arrows connecting Box N to Box N+1 (and, at the end, Box 11 to Box 1). Rather, my operational diagram is quite messy. After all, if the leaders of a public agency learn something in month three, rather than waiting until the end of the year to make the implied change, they will make the change immediately. Indeed, if they are truly trying to ratchet up performance, they are constantly making changes.

Thus, this approach to performance leadership is a treadmill—a treadmill for the organization's leaders, for its employees, and for its collaborators. And once they jump on the treadmill, they cannot get off. They have to keep running—with the success on one lap requiring even more success on the next.

Business executives are accustomed to this treadmill. Shareholders do not say, "Because you did such a good job this year, you can take next year off." Instead, this year's performance becomes the baseline for measuring next year's accomplishments. In business, the expectations of the investors create the performance treadmill. Every year, the investors demand that a firm ratchet up its performance.

Although these 11 better practices reflect observations of public-sector organizations and are designed specifically for them, they can help any organization—public, private, or nonprofit—ratchet up performance. The leaders of a public-sector organization are not, however, required to jump on

the performance treadmill. After all, they have a lot of other responsibilities. Citizens are not single-minded in demanding that this year's performance become the baseline for next year's improvements. They are at least as focused on demanding that the leaders of public agencies deploy their financial assets precisely as prescribed by legislation and that they treat citizens, employees and applicants, vendors and bidders very, very fairly. These demands are enough to keep any self-respecting public manager quite busy. Why not focus on meeting the accountability demands for finances and fairness, and leave the demands for improving performance to a successor?

If, however, the leaders of a public agency do wish to ratchet up performance—if they choose to jump on the performance treadmill—these 11 better practices offer one approach that they can employ to exercise performance leadership. ■

References

Adams, Scott (1996). *The Dilbert Principle: A Cubicle's-Eye View of Bosses, Meetings, Management Fads & Other Workplace Afflictions.* New York: HarperBusiness.

Atkinson, William L., Charles Wolfe, Sharon G. Humiston, Rick Nelson (eds.) (2002). *Epidemiology and Prevention of Vaccine-Preventable Diseases,* 7th edition. Atlanta, Ga.: The Centers for Disease Control and Prevention.

Bardach, Eugene (1998). *Getting Agencies to Work Together: The Practice and Theory of Managerial Craftsmanship.* Washington, D.C.: The Brookings Institution.

Behn, Robert D. (2003). "On the motivational impact of: The List," *Bob Behn's Public Management Report,* Vol. 1, No. 2 (October): http://www.ksg.harvard.edu/ TheBehnReport/October2003.pdf.

Deming, W. Edwards (1982, 1986). *Out of the Crisis.* Cambridge, Mass.: Center for Advanced Engineering Study, Massachusetts Institute of Technology.

James, William (1920). *The Letters of William James,* Henry James (ed.). Boston: The Atlantic Monthly Press.

Maslow, A. H. (1943). "A Theory of Human Motivation," *Psychological Review,* Vol. 50, No. 4 (July), pp. 381–382.

Bridging the Knowledge and Skills Gap: Tapping Federal Retirees

By Jay Liebowitz

Responding to the Knowledge and Skills Gap

Determining and closing knowledge and skills gaps are important steps toward meeting and strengthening an agency's mission and goals. The July 1, 2004, human capital goals set forth by Kay Coles James, director of the Office of Personnel Management (OPM), directed federal agencies to identify and to reduce current and future skills gaps in mission-critical occupations and to assure continuity of leadership and knowledge through succession planning and professional development. To help identify these knowledge and skills gaps, a new position has been created throughout the federal government, the "Chief Human Capital Officer" (CHCO). A key component of the CHCO's responsibility is to develop ways to bridge knowledge and skills gaps throughout the federal government.

The 2002 Federal Human Capital Survey, with over 100,000 respondents, found that more than one out of every three federal employees said they are considering leaving government. In response to these statistics and other similar findings, federal agencies have been developing human capital plans over the last several years (OPM, 2002).

The federal government now needs to fill its skill needs and knowledge gaps via a variety of human resource tools. A critical yet overlooked source for filling the gaps is a relatively untapped pool of talent: federal retirees. Knowledge held by federal retirees could be shared and leveraged in a number of key ways to help the federal government address its human capital concerns. Knowledge retention programs, mentoring activities, and knowledge sharing forums with retirees and current government employees are examples of activities that could help the government deal with the anticipated knowledge drain.

Many retirees would like to continue to work in some capacity. For example, a *Los Angeles Times* poll of 1,589 adults nationwide found that 44 percent of those questioned said they plan to work part-time after reaching retirement age, and 14 percent indicated they'll work full-time (Johnson, 2001).

In the 2002 Study Report titled "Staying Ahead of the Curve," 69 percent of the respondents said they plan to work into their so-called retirement years (Montenegro, Fisher, and Remez, 2002). According to a June 2003 article "Companies Prepare for Aging Workforce," the number of workers age 55 and over is expected to increase by 47 percent over the next seven years (NACS, 2003).

In view of these findings, both business and government are missing key opportunities to bring their retirees back into the workforce to address potential knowledge gaps. Older workers provide great experience and are usually willing to share their insights with their colleagues to help bridge possible knowledge gaps. With the rapid graying of the federal government workforce, the government is vulnerable to knowledge drains as an increasing number of federal civil servants become eligible to retire.

In addition, organizations must now also be prepared to respond to new or unanticipated demands. One approach to responding to such demands is the creation of a more flexible workforce. Flexibility may mean an "on demand" or "on call" segment of an organization's workforce that can be brought in at special times to address specific problems or issues. Creating flexibility in a government agency will entail thinking of human capital beyond just current federal civil servants and contractors.

The federal government, as well as the private sector, now needs to be proactive in addressing these demographic trends in terms of their human capital strategy. The General Accounting Office (GAO) has estimated that 30 percent of the government's program managers could retire by 2006, and that retirements could shrink the ranks of engineers, contracting officers, and computer specialists by 8 percent to 14 percent over the same period. Having a more flexible workforce may be an effective approach to resolving some of these issues. A key yet underutilized component of this flexible workforce could be retirees.

Jay Liebowitz is Professor, School of Professional Studies in Business and Education, Graduate Division of Business and Management, Johns Hopkins University. His e-mail: jliebow1@jhu.edu.

Management theorist Charles Handy's framework, shown in Figure 1, identifies three types of organizational workers needed in the "new government/corporation" (Handy, 1990):

1. A core group of managers and skilled workers who lead the organization and provide its stability and continuity
2. The contractual fringe: key external resources, individuals, and organizations that relate to the organization on a contractual or outsourcing basis
3. The flexible labor force: a project-based employee pool, people loosely connected to the organization on a job-by-job basis

It is reasonable to imagine older workers in groups two and three.

This article focuses on the use of federal retirees to respond to some of the current human capital challenges facing the federal government today, including the need to bridge the knowledge and skills gaps and to create a more flexible workforce. Recommendations will be made for enlisting federal retirees as an important part of the human capital solution.

Figure 1: Components of the "New" Organization
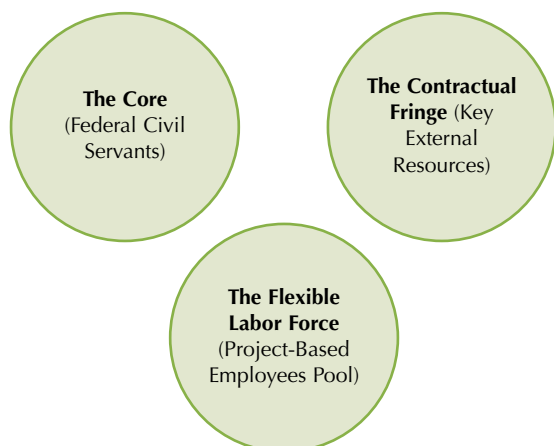
Source: Charles Handy, The Age of Unreason

First, we examine various ways federal retirees could be tapped to address the knowledge and skills gaps in the government by using retirees as either employees or a resource.

Action 1: Tapping Federal Retirees as Employees
Option 1: As Reemployed Annuitants

The government, like industry, needs to have a variety of human resource tools to reduce skills gaps and avoid a human capital crisis. Federal agencies can use reemployed annuitants to fill the gaps. According to estimates, between 40 and 60 percent of the Defense Department's total civilian workforce will be eligible to retire in the next three to five years. To help offset the coming retirement wave, the FY04 Defense Authorization Act allows Department of Defense civilian retirees to return without sacrificing pay. The Pentagon has overhauled the Defense civil service workforce to allow retirees who become employed in the department to collect a paycheck and their pension (currently, civil service retirees who go back to work in the government face a deduction in pay equal to the amount of their annuity). This legislation provides greater flexibility to bring back civil service annuitants into the workforce. Already, military retirees can collect their pensions and work as federal employees with no major penalty, and the new Department of Defense bill will encourage more civilian retirees to work with Defense.

In the aftermath of September 11, OPM Director James reminded agencies that they can bring back retired federal employees and former federal employees who left the government under buyout programs to deal with emergency personnel needs. Agencies can waive the dual compensation penalty if they are having extreme problems filling critical positions or if faced with an emergency. OPM oversees such waivers, and retired law enforcement officers are already being brought back as reemployed annuitants to help train air marshals. Additionally, intelligence and language specialists have returned to the Department of Defense, a few hundred retirees from the Central Intelligence Agency have been called back to jobs, and the Immigration and Naturalization Service is using retirees for border patrol agents.

Option 2: As Part-Time Employees through Reemployed Part-Time and Phased Retirement Programs

Another option is the use of retirees as part-time employees, either through part-time or phased retirement programs. According to the Retiree Resources Work Group Report, commissioned by the New York State Department of Civil Service, 40 New York State agencies reemploy retirees for various purposes, ranging from seasonal jobs to special projects to subject experts (New York State Department of Civil Service, 2002). Most retirees are hired on a part-time basis and work until the monetary cap is reached.

Other state governments are passing legislation to help their retirees in terms of returning to work. The New York State Senate passed a bill that increases the earnings limit retired state workers can make before losing their pension benefits, raising it from $25,000 to $30,000 per year. In 2002, the State of Washington enacted a new law allowing government retirees to return to their jobs and collect both a paycheck and pension. The law was created primarily as a way to help schools fill teacher shortages by bringing back skilled retirees. A new bill modifying the retire-rehire law will limit the time a person may be rehired to about five full years. The State of Washington has also recently assembled a retiree database that links retirees to knowledge areas.

Phased retirement seems to be an increasingly favored approach when discussing the role of retirees in the workplace. According to one definition, phased retirement is simply scaling back gradually on a worker's hours and responsibilities until he or she does in fact retire. Others believe that phased retirement is bringing back a retiree on a part-time basis. In a 1998 survey by the Society for Human Resource Management and AARP, more than 60 percent of the respondents said they are hiring retirees as consultants and temporary workers. A Watson Wyatt study in 2000 found that 16 percent of the 586 employers surveyed offer formal phased retirement programs, with 28 percent strongly interested in adopting similar programs over the next two to three years. The academic sector has been far ahead of the private sector in phased retirement, with about 80 percent of the nation's colleges and universities offering early or phased retirement programs. For example, the State of Florida allows faculty to "retire" and then be reemployed as part-time, temporary employees.

The General Accounting Office is exploring the use of a phased retirement program to address knowledge loss in their organization. Under this program, a plan would allow the hiring back of selected individuals on a part-time basis for one year with the potential for renewal. Already, the Comptroller General of the United States—the head of

GAO—has approved the rehiring of some retirees, on a case-by-case basis, while waiving the annuity offset.

One possible constraint in bringing back retirees into the federal workforce is the impact of unions. More than half of the federal government is covered by union bargaining units, which allow unions to negotiate various conditions of employment, although generally not compensation or other matters deemed to be the sole prerogative of management. One retiree interviewed indicated that his former union looked unfavorably on rehiring retirees for fear of taking jobs away from current employees.

In Canada, "casual employment" is a favorite technique for hiring for a continuous period of not more than 90 calendar days, and for a total of no more than 125 working days a year. Casual employment provides flexibility and allows managers to bring in people to respond to various situations quickly (i.e., to be adaptable and responsive to new business orientation). Casual employment appears to be a good option when managers want to obtain specialized skills or bring back expertise for a limited amount of time. Retirees are also being hired through part-time work, under the Exclusion Approval Order allowing individuals to work less than a third of the normal number of hours of work, to help the organization retain its corporate memory. Participants from Agriculture Canada recommend using part-time employment as a transition to retirement.

Option 3: As Limited-Term Appointments

Besides using federal retirees as reemployed annuitants or part-time employees, another option is the use of a limited-term appointment arrangement. Limited-term appointments are typically one- to four-year appointments, with attractive salaries and full benefits as a full-time civil servant. The individual in the limited-term appointment works full-time during the length of the appointment. Such limited-term appointments are often used to attract key individuals to areas of critical need to the organization. For example, the National Aeronautics and Space Administration (NASA) Goddard Space Flight Center used a four-year limited-term appointment to attract a knowledge management officer.

Action 2: Tapping Federal Retirees as a Resource

A second set of potential actions includes recognizing federal retirees as a valuable resource for an organization's institutional memory.

Option 1: As Mentors

Mentoring is a beneficial approach for engaging federal retirees to help transfer their knowledge to younger employees to fill knowledge and skills gaps. Mentoring could be used as part

Command and control for Hubble is done at the Space Telescope Operations Control Center at NASA's Goddard Space Flight Center in Greenbelt, Md.

of succession planning for the organization. In this way, mentoring could be utilized while senior employees are still at work, having them share their lessons learned with junior employees. Additionally, mentoring could involve bringing back retirees to serve in a mentoring relationship with current employees. Older workers can be phased into transitional jobs as they near retirement age; more-junior employees can move up into those positions and be mentored by their more-experienced senior colleagues. In Prince George's County, Maryland, and Fairfax County, Virginia, schools are tapping retirees as mentors and substitute teachers.

Ray Blunt's two studies for the IBM Center for The Business of Government, recently republished in a single volume, "Growing Leaders for Public Service," recommends forming a volunteer cadre of retired members of the Senior Executive Service to consult on a part-time basis to government organizations as coaches, teachers, and mentors of successor generations (Blunt, 2003).

Option 2: As Emeriti
Retirees could also be used through an emeritus program to allow them to continue to contribute their knowledge and experience toward reducing skills gaps in organizations. A typical emeritus program allows retirees to keep an office in the organization and to come in on a periodic basis to work and share their knowledge with the organization.

The emeritus program at the NASA Goddard Space Flight Center allows retired employees to continue as valued contributors to Goddard's activities and typically volunteer their services. The provisions of the program include the following:

- Requires a mutual agreement between Goddard and the employee prior to retirement.
- Is limited to three years, with the possibility of renewal.

- Authorizes services as documented in written tasks by the Goddard official serving as the point of contact under the agreement.
- Provides the participant office/lab space, access to computer facilities, telephones, e-mail, and phone listings.
- Does not prohibit participants from conducting activities outside of the agreement, such as submitting proposals for funding.

The recently retired chief information officer at Goddard was involved in the emeritus program. This individual had a wealth of knowledge and, through this program, was able to share his experiences and insights with others.

Option 3: As Participants in Knowledge Sharing Forums and Knowledge Capture Activities
Another viable option is to involve retirees in knowledge sharing and knowledge capture activities. For example, Transport Canada created a knowledge management initiative to capture and share knowledge before it was lost. Both current employees, as well as retirees, participated in this knowledge capture and transfer effort.

NASA, through its Academy of Program and Project Leadership's (APPL) Knowledge Sharing Initiative, has been successfully conducting knowledge sharing workshops, master project managers forums, and other workshops to capture, share, and transfer project management knowledge from experienced project managers (both senior level and retiree) to up-and-coming project leaders. Storytelling is the typical medium that is used in these knowledge sharing forums and workshops. For example, a one-day "transfer wisdom" workshop is hosted by individual NASA centers in which project management and team members engage in small-group discussions of stories written by top NASA project managers (current and retired agency leaders), facilitated by APPL team members. The goal is to transform the project managers into reflective practitioners through the sharing of experiences and stories by current senior and retired NASA managers. The APPL Initiative uses retired NASA project managers to help mentor rising project leaders. Their "Leaders as Teachers and Mentors" program has an expert database of current and retired practitioners who make themselves available for consultation in their areas of expertise.

The Environmental Protection Agency and the Electric Power Research Institute have also been involved in projects to capture undocumented knowledge and facilitate its transfer from older employees to their successors before it's lost due to retirements. For example, the Tennessee Valley Authority estimates that up to 40 percent of its workforce will retire within the next five years. In areas of "at-risk" knowledge loss, spe-

cific plans are created to retain the knowledge/skill in that area. Such plans might include assigning a new employee to shadow the prospective retiree, cross-training someone who is currently in a different job, documenting a procedure or process, or setting up a brown bag lunch twice a week where systems engineers can problem-solve and discuss their work.

Federal Retiree Attitudes Toward Selected Retiree Programs

To better understand the viewpoint of federal retirees, a survey was circulated to members of the NASA Goddard

Programs for Using Federal Retirees

Phased Retirement: retirement-age employees continue in their old jobs but with scaled back hours, typically 20 to 29 hours per week

Retiree Job Bank: retirees work up to a certain number of hours each year without adversely affecting their pensions

Emeritus Program: retirees keep an office and e-mail address at their organization and come in periodically

Part-Time Retired Annuitant/Project Team Consultant: retirees are part of a project team on a limited basis to share expertise with the team in solving a specific problem

Mentoring Program: retirees serve as a mentor in a formal mentoring program in their organization

Knowledge Sharing Forums: retirees meet in a small group, once a month, with up-and-coming individuals to share stories, lessons learned, and insights

Rehearsal Retirement/Boomerang Job: after employees retire for a few months or a year, they then bounce back to their organization and work limited hours

Job Sharing: two or more retirees share a job

Facilitator of an Online Community of Practice: retirees act as moderators of an online community in their area of expertise

Knowledge Capture/Retention Program: retirees are interviewed via video, with their interviews accessible over the web in their organization

Retirees and Alumni Association and to members of the National Institute of Standards and Technology (NIST) Retirees and Alumni Association. The survey asked retirees their opinion about various retiree programs, which are listed in the box at left below.

From the survey responses, 91 percent agree that they would be interested in working part-time with their former employer. Sixty-three percent indicated that they would work in some limited capacity for their former organization, even for altruistic reasons. Fifty-six percent of the respondents were interested in mentoring. In terms of knowledge capture activities by video or audio taping, 35 percent were interested in being involved.

The survey respondents favored, in order, the phased retirement program, the retiree job bank, the emeritus program, part-time retired annuitant/project team consultant, and mentoring program. The respondents were less interested in knowledge sharing forums, rehearsal retirement/boomerang job, job sharing, facilitator of an online community of practice, and a knowledge capture/retention program.

In terms of the top five programs most favored by the respondents for their participation as a retiree, the only programs now being offered in government are the emeritus program and the part-time retired annuitant/project team consultant opportunity. The other top retiree-favored programs—phased retirement, retiree job bank, and the mentoring program—are generally not yet available.

In terms of the major benefits for hiring back retirees on a part-time basis, former federal retirees who responded to the survey cited experience, savvy, depth and breadth of knowledge, historical perspective/lessons learned, available expertise, training replacements, institutional memory, flexibility to hire expertise for short-term jobs (to overcome personnel ceilings), and willingness to ask the hard questions without being intimidated.

Recommendations

Based on best practices identified during research for this article, several key recommendations are offered in relation to the use of federal retirees.

Recommendation 1: Congress should pass legislation, similar to the recent Department of Defense bill, giving all agencies the authority to reemploy annuitants and should develop formal phased retirement programs for federal workers.
In studying the industry best practices for bringing retirees back into the workforce, phased retirement programs are

the preferred method. For federal government agencies and departments, legislation needs to be written to create similar types of phased retirement programs for federal retirees to address knowledge and skills gaps. A phased retirement program is preferred by those federal retirees who responded to the survey presented in this article. The practice of allowing Department of Defense civilian retirees to reenter the workforce without being penalized through their pension benefits will probably set a new standard for other federal government agencies and departments to follow.

Recommendation 2: Federal retirees should be brought back into the workforce for knowledge sharing and knowledge management roles, such as mentoring, knowledge retention, and application of key knowledge to critical problems.

Knowledge management should be one of the key pillars of an organization's human capital strategy (Liebowitz). In order to create a results-oriented, citizen-centered, market-driven government, a knowledge sharing culture within and between government agencies needs to be built and nurtured. Functional silos need to be dismantled, and barriers that prevent knowledge sharing need to be overcome. The recognition and reward system in the government should be restructured to encourage learning and knowledge sharing proficiencies, and knowledge management processes should be seamlessly interwoven within the daily working activities of the employees so as not to overburden anyone. Additionally, federal retirees should be brought back into the workforce in various roles to help achieve some of the knowledge management functions and to better leverage knowledge internally and externally. These roles include increasing the use of federal retirees as a knowledge resource. For example, most government mentoring programs are limited to current employees. Agencies and departments should broaden mentoring programs to allow federal retirees to serve as mentors and assist in knowledge capture, retention, and sharing activities.

Recommendation 3: Each federal agency and department should have an association of retirees and alumni to allow quick access to a talented knowledge base for filling skills and knowledge gaps.

One of the preferred techniques in industry best practices, as was cited in the survey responses, is the use of a retiree job bank. Currently, very few federal agencies have an association of retirees and alumni that could easily serve as a "retiree job bank" from which they could draw. The Goddard Space Flight Center, Social Security Administration, and the National Institute of Standards and Technology are examples of agencies with retiree and alumni associations. These associations can serve as a ready source of talent, perhaps as

part-time retired annuitants, for locating and matching retirees to specific needs in the government organization.

Recommendation 4: The federal government must have a more flexible workforce to meet expected human capital concerns, and the federal retirees should be an integral part of this flexible workforce.

As noted earlier, Charles Handy argues that the workforce of the "new corporation" consists of the core group of managers and skilled workers who lead the organization, the contractual fringe, and the flexible labor force. In many ways, this model can easily be applied to the "new government," and government already appears to moving in this direction. Bringing back federal retirees into the organization could help contribute to the talent in these groups, primarily providing key external resources and a project-based employee pool. From the various studies reviewed for this article, it's clear that many retirees want to stay connected and still contribute to their former organizations, albeit in reduced and more creative ways. The federal retirees have been a relatively untapped pool of knowledge. Ironically, this talent pool could be a "fountain of youth" for federal agencies seeking new ways of achieving a government agency's human capital strategy. ∎

References

Blunt, Ray (2003). "Growing Leaders for Public Service," Washington, D.C.: IBM Center for The Business of Government, Human Capital Management Series, November.

Handy, Charles (1990). *The Age of Unreason,* Boston: Harvard Business School Press.

Johnson, Lee Ann (2001). "What Retirement? Seniors are at Work," May 1, http://www.iog.wayne.edu/transitions/articles/agenews/agenews5.1.01.10.55AM.html.

Liebowitz, Jay (2004). Addressing the Human Capital Crisis in the Federal Government: A Knowledge Management Perspective, Boston: Butterworth-Heinemann/Elsevier.

Montenegro, Xenia, Linda Fisher, and Shereen Remez (2002). "Staying Ahead of the Curve: The AARP Work and Career Study (A National Survey Conducted for AARP by RoperASW), Washington, D.C., September.

National Association of Convenience Stores (2003). "Companies Prepare for Aging Workforce," www.nacsonline.com/NACS/News/Daily_News_Archives/June2003/nd0624035.htm, June 24.

New York State Department of Civil Service (2002). Report of the Retiree Resources Work Group, Albany, New York, September.

Office of Personnel Management (2002). "What Do Federal Employees Say: Results from the 2002 Federal Human Capital Survey," Washington, D.C.

# New from the Center: Recently Published Reports

E-Government Series
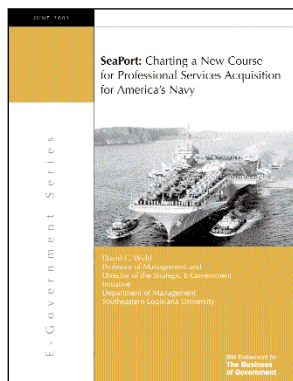
SeaPort: Charting a New Course for Professional Services Acquisition for America's Navy

David C. Wyld

This report examines how the Naval Sea Systems Command (NAVSEA) created SeaPort to serve as an innovative electronic procurement portal for the acquisition of professional support services. Professor Wyld describes how the creation of SeaPort represents innovation in two important areas: procurement and e-commerce. The report demonstrates that SeaPort has indeed reinvented the way NAVSEA procures over half a billion dollars of professional support services annually.
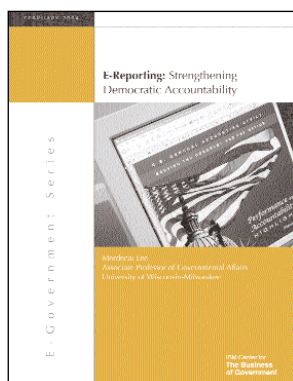
E-Reporting: Strengthening Democratic Accountability

Mordecai Lee

Because trust in government is an essential element of functional democracy, public managers have an obligation to "inform citizenry of their stewardship of public funds, record of accomplishment, and future goals and challenges," observes Professor Lee. In this report, he defines criteria for assessing how well federal, state, and local agencies report their performance to the public as well as provides examples of best practices to inspire government agencies at all levels to move toward e-reporting. His findings and recommendations serve as a quick guide for public managers to assess their own reporting and emulate the best.
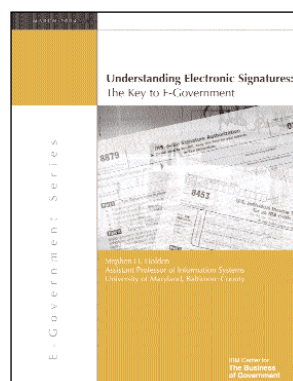
Understanding Electronic Signatures: The Key to E-Government

Stephen H. Holden

This report describes the Internal Revenue Service's (IRS) use of electronic signatures for its electronic filing program for individual tax returns. The case study describes how the IRS pioneered the use of e-signatures in its tax-filing activities. The increase in the use of e-filing has been a key factor in enabling the IRS to reallocate resources from processing paper to enforcement activities. Professor Holden's report describes how other agencies can use the e-signature solution developed by IRS. He recommends that federal managers who want to adopt similar solutions should match the tool—such as the government-issued PIN, the self-select PIN, the knowledge-based authentication, or Public Key Infrastructure and digital certificates—to the task presented by the stakeholders.
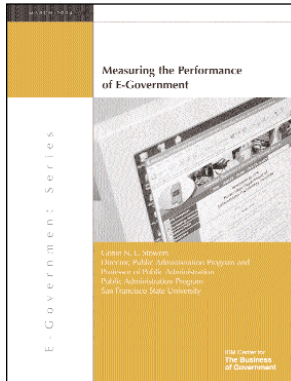
Measuring the Performance of E-Government

Genie N. L. Stowers

Professor Stowers addresses an important question that many federal agencies have failed to pay sufficient attention to: the measurement of e-government performance. She selects Mississippi and Virginia—from among the 17 states that have developed e-government performance measures—to identify best practices. She also documents how federal agencies, as well as the states of Texas and Minnesota, are developing performance measurement data, including customer satisfaction measures. Professor Stowers sets forth a series of recommendations for how federal agencies can begin to measure the impact of their e-government activities.

Financial Management Series
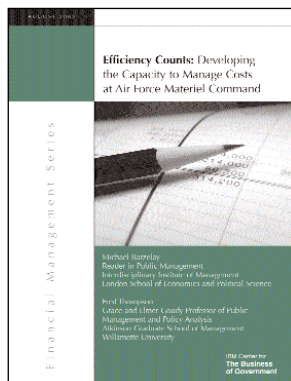
Efficiency Counts: Developing the Capacity to Manage Costs at Air Force Materiel Command

Michael Barzelay and Fred Thompson

This study of executive leadership focuses on the two broad types of intellectual performance needed to provide leadership for organizations: (1) diagnosing situations, and (2) designing and improvising organizational interventions. The experience studied in this report is an effort by General George Babbitt to increase the capacity of the Air Force Materiel Command to perform in a more efficient manner. The analysis of this case is relevant to executives attempting to craft an appropriate and effective response in a variety of situations.

Human Capital Management Series
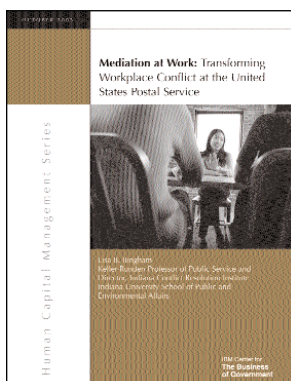
Mediation at Work: Transforming Workplace Conflict at the United States Postal Service

Lisa B. Bingham

This report describes the United States Postal Service's (USPS) innovative approach to the handling of Equal Employment Opportunity disputes arising out of employee claims of discrimination under federal law. Known as REDRESS (Resolve Employment Disputes, Reach Equitable Solutions Swiftly), the process is a form of alternative dispute resolution. Feedback from participants indicates that the great majority of employees, supervisors, and their representatives involved in REDRESS are satisfied with the mediation process. Professor Bingham's report provides valuable lessons learned from the USPS experience, which can serve as a model for other federal agencies.
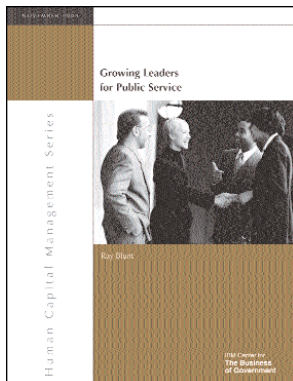
Growing Leaders for Public Service

Ray Blunt

This report includes two previously published Center reports ("Leaders Growing Leaders: Preparing the Next Generation of Public Service Executives" and "Organizations Growing Leaders: Best Practices and Principles in the Public Service") in one volume. In the first report, Blunt examines four ways—as exemplars, mentors, coaches, and teachers—that individual senior executives can grow leaders within their organization. In the second report, he examines five federal agencies—the Pension Benefit Guaranty Corporation, the U.S. Coast Guard, the Western Area Power Administration, the Veterans Benefits Administration, and the Social Security Administration—that have created exemplary development programs for their future leaders.

Innovation Series
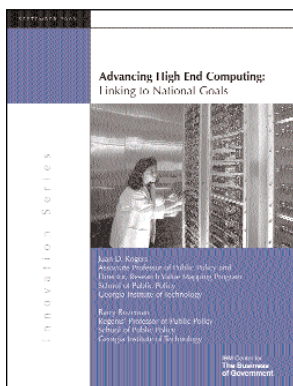
Advancing High End Computing: Linking to National Goals

Juan D. Rogers and Barry Bozeman

This report addresses the critical importance of High End Computing (HEC) to science, engineering, and the overall research and development system of the nation. It also addresses the role of policy makers in ensuring HEC's continued advancement. Professors Rogers and Bozeman discuss the importance of high end computing as a tool for achieving national goals and the application needs of the scientific, research, and business communities. This report recommends strong partnerships between the government, universities, and the business community to ensure long-term, significant, and thoughtful advancement in high end computing.

## Market-Based Government Series
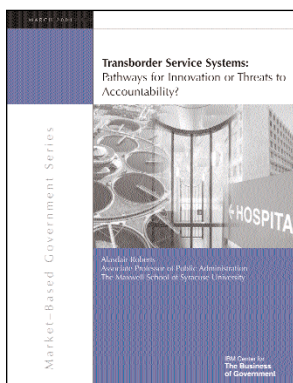
Transborder Service Systems: Pathways for Innovation or Threats to Accountability?

Alasdair Roberts

In this report, Professor Roberts offers a new organizing perspective for how government gets its work done. He asks the reader to look at the existing network of government services not from the traditional place-based or program-based perspective in which government is the central provider of services to citizens, but rather from a new perspective in which government is a subscriber of services. Services are now being provided by boundary-spanning for-profit or nonprofit organizations in such areas as correctional systems, water systems, and healthcare systems. Professor Roberts describes the opportunities and obstacles for innovation diffusion and learning across government jurisdictions by the provision of transborder services.

Managing for Performance and Results Series
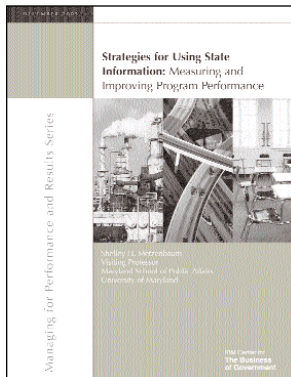
Strategies for Using State Information: Measuring and Improving Program Performance
*Shelley H. Metzenbaum*

This report by Professor Metzenbaum examines the approach and strategies taken by several federal agencies in three classic intergovernmental arenas—the environment, transportation, and education. It is intended to help federal managers understand how, given the inevitable tensions of intergovernmental relations, they can best use performance goals and measures in working with state and local governments to deliver improved results to the public. This study also seeks to identify constructive roles that individual states, Congress, and non-governmental organizations (NGOs) can play to advance the use of state performance information to enhance social outcomes.
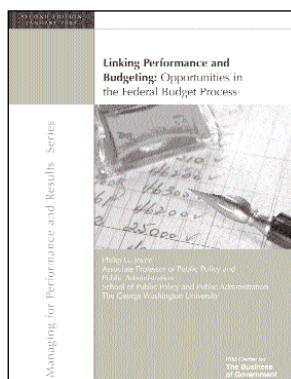
Linking Performance and Budgeting: Opportunities in the Federal Budget Process
Philip G. Joyce

Professor Joyce presents a comprehensive view of how performance information can be used at the various stages of the budget process: preparation, approval, execution, and audit and evaluation. The challenge of linking budget to performance information is a key component of the President's Management Agenda and is the next step in the implementation of the Government Performance and Results Act. Pursuing the systematic and integrated use of performance, budget, and financial information is essential to achieving a more results-oriented and accountable government. This report provides a conceptual framework to approach this challenge and offers an overview and history of performance budgeting in the federal government.
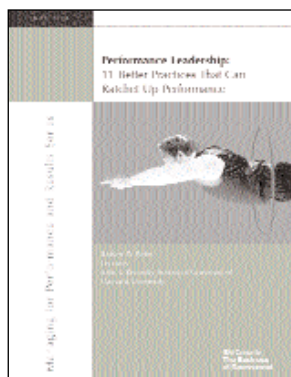
Performance Leadership: 11 Better Practices That Can Ratchet Up Performance
Robert D. Behn

This report by Robert Behn moves away from the conventional tenet of public administration to "make the managers manage." Instead, this report offers an approach to performance leadership that encompasses 11 "better practices" that Behn has observed in use by successful public managers over the years. He offers a simple, direct bottom line: Good performance cannot be compelled, commanded, or coerced. The approach focuses not on individual attributes and virtues, but rather on leadership activities or practices that can spur improvements in program performance.

Collaboration: Partnerships and Networks Series
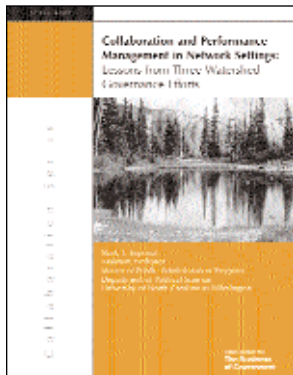
Collaboration and Performance Management in Network Settings: Lessons from Three Watershed Governance Efforts

Mark T. Imperial

This report summarizes insights from three case studies in an area noted for complexity and its intergovernmental nature: the management of the nation's watersheds. Successful public managers are frequently finding that to deliver results means having to work in a collaborative setting where they may have influence, but not necessarily control, over an outcome. In such an environment, managers are increasingly forming networks and partnerships to achieve objectives that no single organization or entity can achieve alone. Professor Imperial's report provides a practical primer for all government managers on how to get started.
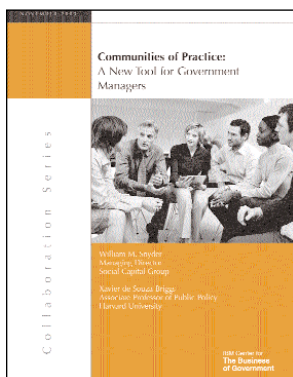
Communities of Practice: A New Tool for Government Managers

William M. Snyder and Xavier de Souza Briggs

This report presents four case examples of the federal government's experience with "communities of practice," an emerging management approach for government leaders to use in a fast-paced, fluid environment where they need to reach beyond traditional organizational boundaries to solve problems, share ideas, and develop peer stakeholder relationships. The case examples are Boost4Kids, SafeCities, 21st Century Skills, and the Federal Highway Administration's Rumble-Strip Initiative. This report is a practical "how to" guide for public managers desiring to develop communities of practice to solve problems beyond their span of responsibility.

Transformation of Organizations Series
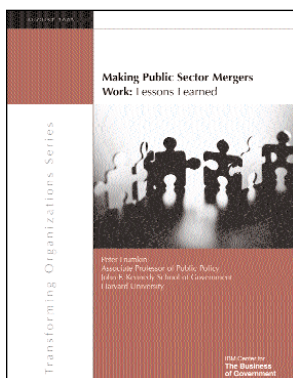
Making Public Sector Mergers Work: Lessons Learned

Peter Frumkin

This study looks at recent mergers of public sector agencies and draws lessons for managers. Making public sector mergers work requires strong leadership and good execution throughout the process of creating a new organization. When successful, public managers can use mergers as a tool for achieving not just increased cost efficiency, but also greater levels of program effectiveness. In the report, Professor Frumkin outlines five critical areas for managers to focus on that can improve the likelihood of success in carrying out the merger of government agencies.
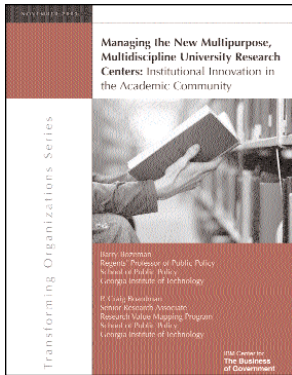
Managing the New Multipurpose, Multidiscipline University Research Centers:
Institutional Innovation in the Academic Community

Barry Bozeman and P. Craig Boardman

This report provides public managers with key insights on managing publicly funded multidisciplinary scientific research centers to harness their power for solving scientific, technical, and social problems. The authors contrast the new Multipurpose, Multidiscipline University Research Centers (MMURCs) with the traditional university research center and academic departments, which tend to be more disciplinary and single-problem focused. The authors provide recommendations on how to overcome challenges related to the management of MMURCs, such as dealing with university culture issues, working with busy faculty researchers, and coordinating across disciplines and institutions.

Special Report Series
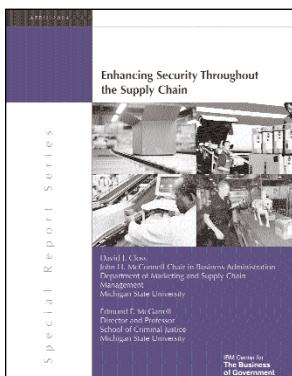
Enhancing Security Throughout the Supply Chain

David J. Closs and Edmund F. McGarrell

This report by Professors Closs and McGarrell describes supply chain security challenges that exist today around the world. Their report asserts that companies and governments must implement comprehensive and integrated end-to-end security that extends beyond asset protection and prevents the introduction of unauthorized contraband, people, or weapons of mass destruction into the supply chain. By increasing supply chain security, companies will have new opportunities for cost savings, greater visibility for better planning, and the ability to forge closer relationships with trading partners—all of which can provide them with a significant advantage over competitors.

For a Full List of Center Publications:
   See *Publications* brochure

To Obtain the *Publications* Brochure or a Specific Report:
   - In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
   - By e-mailing the Center at businessofgovernment@us.ibm.com
   - By calling the Center at (202) 515-4504
   - By faxing the Center at (202) 515-4375

How to Order

Center publications can also be obtained in Acrobat format from the Center's website: www.businessofgovernment.org.

To obtain written copies, please specify the number of copies needed and return this form to the Center either:

BY MAIL   IBM Center for The Business of Government
1301 K Street, NW
Fourth Floor, West Tower
Washington, DC 20005

BY FAX   (202) 515-4375

Order requests can also be **e-mailed** to the Center at: businessofgovernment@us.ibm.com

Name   _____

Title   _____

Organization   _____

Address _____

City _____ State _____ Zip _____

Telephone _____

E-mail _____

REPORT TITLE	QUANTITY
Seaport: Charting a New Course for Professional Services Acquisition for America's Navy	
E-Reporting: Strengthening Democratic Accountability	
Understanding Electronic Signatures: The Key to E-Government	
Measuring the Performance of E-Government	
Efficiency Counts: Developing the Capacity to Manage Costs at Air Force Materiel Command	
Mediation at Work: Transforming Workplace Conflict at the United States Postal Service	
Growing Leaders for Public Service	
Advancing High End Computing: Linking to National Goals	
Transborder Service Systems: Pathways for Innovation or Threats to Accountability?	
Strategies for Using State Information: Measuring and Improving Program Performance	
Linking Performance and Budgeting: Opportunities in the Federal Budget Process	
Performance Leadership: 11 Better Practices That Can Ratchet Up Performance	
Collaboration and Performance Management in Network Settings	
Communities of Practice: A New Tool for Government Managers	
Making Public Sector Mergers Work: Lessons Learned	
Managing the New Multipurpose, Multidiscipline University Research Centers	
Enhancing Security Throughout the Supply Chain	

THE IBM CENTER FOR THE BUSINESS OF GOVERNMENT
IS PROUD TO ANNOUNCE FOUR NEW PUBLICATIONS
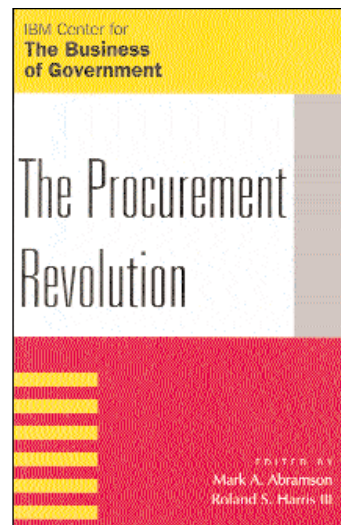IN THE BUSINESS OF GOVERNMENT BOOK SERIES

MARK A. ABRAMSON AND PAUL R. LAWRENCE, SERIES EDITORS
ROWMAN & LITTLEFIELD PUBLISHERS, INC.
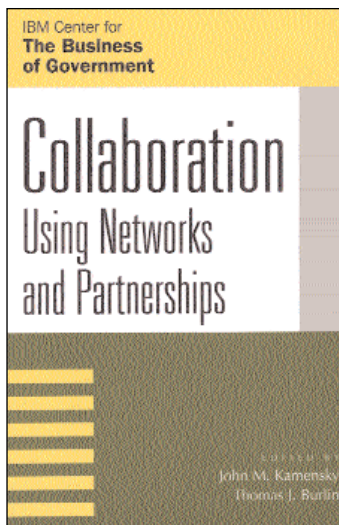
Collaboration

John M. Kamensky and
Thomas J. Burlin
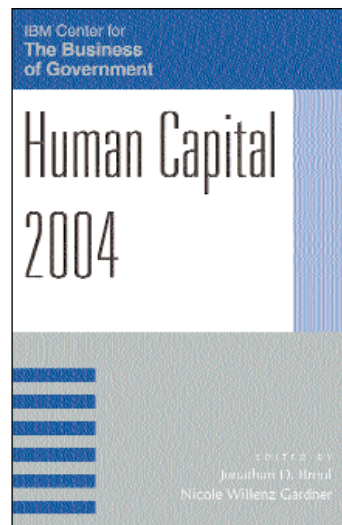
Human Capital 2004

Jonathan D. Breul and
Nicole Willenz Gardner

**The Procurement
Revolution**

Mark A. Abramson and
Roland S. Harris III

**Transforming Government
Supply Chain Management**

Jacques S. Gansler and
Robert E. Luby, Jr.

OTHER BOOKS IN THE SERIES

E-Government 2003, edited by Mark A. Abramson and Therese L. Morin
E-Government 2001, edited by Mark A. Abramson and Grady E. Means
Human Capital 2002, edited by Mark A. Abramson and Nicole Willenz Gardner
Innovation, edited by Mark A. Abramson and Ian D. Littman
Leaders, edited by Mark A. Abramson and Kevin M. Bacon
Managing for Results 2002, edited by Mark A. Abramson and John M. Kamensky
Memos to the President: Management Advice from the Nation's Top Public Administrators, edited by Mark A. Abramson
Transforming Organizations, edited by Mark A. Abramson and Paul R. Lawrence

All books can be obtained from online booksellers, including
www.rowmanlittlefield.com
or by
calling the publisher at (800) 462-6420

About the IBM Center for The Business of Government
Through research stipends and events, the IBM Center for The Business of Government stimulates research and facilitates discussion of new approaches to improving the effectiveness of government at the federal, state, local, and international levels.

The Center is one of the ways that IBM seeks to advance knowledge on how to improve public sector effectiveness. The IBM Center focuses on the future of the operation and management of the public sector.

About IBM Business Consulting Services
With consultants and professional staff in more than 160 countries globally, IBM Business Consulting Services is the world's largest consulting services organization. IBM Business Consulting Services provides clients with business process and industry expertise, a deep understanding of technology solutions that address specific industry issues, and the ability to design, build and run those solutions in a way that delivers bottom-line business value. For more information visit www.ibm.com/bcs.

For additional information, contact:
Mark A. Abramson
Executive Director
IBM Center for The Business of Government
1301 K Street, NW
Fourth Floor, West Tower
Washington, DC 20005

(202) 515-4504
fax: (202) 515-4375
e-mail: businessofgovernment@us.ibm.com
website: www.businessofgovernment.org

IBM Center for
**The Business
of Government**

1301 K Street, NW
Fourth Floor, West Tower
Washington, DC 20005

LISTEN TO THE

BUSINESS OF
GOVERNMENT
HOUR
weekly conversations
with government leaders

Every Saturday at 9:00 am

WJFK-FM (106.7)