

Governance Capacity to Meet Challenges in the 21st Century

The federal government must address and adapt to a range of major trends and challenges in the nation and the world—a long-term, structural fiscal imbalance; a transformation from an industrially based to a knowledge-based economy; revolutionary changes in technology that have altered how we communicate and do business globally; greater reliance on market forces and competition; and changing national security threats. To respond to these trends and challenges, government must have the institutional capacity to plan more strategically, identify and react more expediently, and focus on achieving results.

There are signs of transformation as the Congress has established agencies that can meet evolving challenges. For example, recognizing growing security threats, the Congress created the Department of Homeland Security to fundamentally transform how the government is structured to respond to these threats and has recently restructured the intelligence community to ensure the nation has the critical information it needs to defeat these threats. Likewise, agencies including the Federal Bureau of Investigation (FBI), GAO, National Aeronautics and Space Administration (NASA), the Department of Defense (DOD), and the U.S. Postal Service are undertaking major efforts to transform their operations. Furthermore, the government is partnering with the private sector to devise a comprehensive set of key national indicators to provide the nation with quality data that the public, media, policymakers, and both government and nongovernment institutions can use to assess the nation's progress in addressing key challenges.

Yet, in many cases, the government is still trying to do business in ways that are based on conditions, priorities, and approaches that existed decades ago and are not well suited to addressing 21st century challenges. For example, some agencies do not yet have all the necessary abilities, more flexible legal authorities, and leadership and management capabilities to transform their cultures and operations. Consequently, to successfully navigate transformations across the government, it must fundamentally reexamine not only its business processes, but also its outmoded organizational structures, management approaches, and in some cases, outdated missions.

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The following challenges and illustrative questions provide a framework for thinking about these issues in the future.

To be a leading democracy in the information age may very well mean producing unique public sources of objective, independent, scientifically grounded, and widely shared quality information so that we know where the United States stands now and what the trends are on both an absolute and relative bases—including comparisons with other nations. By ensuring that the best facts are made more accessible and usable by the many different members of our society, we increase the probability of well-framed problems, good decisions, and effective solutions. The stakes are high, including considerations regarding allocating scarce public resources, strengthening the economy, creating jobs, stimulating future industries, enhancing security, promoting safety, strengthening our competitive edge, and sustaining the environment.

▶ *Is the federal government effectively informed by a key national indicator system about the position and progress of the nation as a whole—both on an absolute and relative bases compared to other nations—as a guide to helping set agency and program goals and priorities?*

▶ *Is the federal statistical system adapting effectively to the nation's needs for information? Is it effective at all levels and sectors of society to meet evolving information requirements? Are the large amounts of data that it collects being effectively disseminated to the widest possible audiences, with due consideration to privacy and confidentiality issues?*

Most major outcomes of federal activities are supported by multiple programs and tools that, in turn, are often sponsored by many different federal agencies. Although these individual programs address common or similar performance goals, they result in an overly fragmented delivery network and at times work at cross purposes. For example, federal food safety programs are carried out by 12 agencies with differing enforcement criteria and inspection practices. The fragmentation of federal programs reflects a policymaking process that is overly stovepiped by agency and program, with insufficient focus on how individual programs

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contribute to overarching, crosscutting goals and missions. As a result, the capacity to periodically reexamine the alignment and relevance of policy portfolios in a changing society is limited. The Government Performance and Results Act (GPRA) provided for a governmentwide performance plan to address these issues, but this plan has not yet been developed by the executive branch. Furthermore, the federal government lacks a governmentwide strategic plan to provide a framework for addressing crosscutting goals.

▶ *How can the executive branch and the Congress have a more strategic, crosscutting focus on policy and budget decisions to address goals that cut across conventional agency and program boundaries? Can the governmentwide performance plan required by GPRA be implemented to provide the necessary crosscutting focus?*

▶ *How can agencies partner or integrate their activities in new ways, especially with each other, on crosscutting issues, share accountability for crosscutting outcomes, and evaluate their individual and organizational contributions to these outcomes? How can agencies more strategically manage their portfolio of tools and adopt more innovative methods to contribute to the achievement of national outcomes? For example, how can the myriad federal food safety programs managed across several federal agencies be consolidated to better promote safety and the integrity of the nation's food supply?*

Increasingly, the government relies on new networks and partnerships to achieve critical results and develop public policy, often including multiple federal agencies, domestic and international non- or quasi-government organizations, for-profit and not-for-profit contractors, and state and local governments. The federal government uses an array of different tools and program designs to work in this environment, such as direct service delivery, loans and loan guarantees, tax preferences, insurance programs, grants, and regulations. Ranging from education to homeland security, a complex network of governmental and nongovernmental entities shape the actual outcomes achieved, whether it be through formal partnerships in grant programs or through independent actions of each acting locally to address common problems. Notwithstanding the increased linkages in our system, each level of government often

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makes decisions on these interrelated programs independently, with little interaction or intergovernmental dialogue. While the magnitude of the nation's challenges calls for a concerted effort across sectors, there are insufficient opportunities for leaders of those sectors to come together to reach consensus about the kinds of mutual commitments that are necessary.

► *How can greater coordination and dialogue be achieved across all levels of government to ensure a concerted effort by the public sector as a whole in addressing key national challenges and problems? For example, what mechanisms might usefully bring together leaders across governments to address joint problems, perhaps through establishing commissions or other vehicles for promoting dialogue?*

More specifically, government has also begun to fundamentally change who does its business—recognizing that it could better partner with the private sector in new, more cost-effective ways. Agencies are assessing what functions and transactions the private sector could perform and asking their employees to compete with private entities for this business to improve quality and reduce costs. But the government does not yet know how this trend is affecting its workforce and its ability to refocus more on strategic needs or the extent to which it has delivered real cost savings. Collecting and evaluating data to ensure such transformations are implemented effectively and deliver the desired results will be critical.

► *Has the government's approach to competitive sourcing—using the private sector to do more of the government's business—proven successful? Should it be modified to improve results and reduce costs in a timely, fair, and equitable manner? For example, should federal agencies be more consistent in determining what work is inherently governmental and, therefore should be performed by federal employees? For work that is not inherently governmental, should agencies be required to develop plans for competing this work in order to achieve measurable efficiencies and performance improvements?*

Performance, mission, cost, schedule, and other risks are inherent in major federal programs and investments such as weapons systems, homeland security, federal buildings and other infrastructure, transportation subsidies, environmental clean-up, and information

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technology systems. Despite these risks, federal agencies often lack comprehensive risk management strategies that are well integrated with program, budget, and investment decisions. As one example among many, homeland security investments are designed to reduce risks to the nation's communities and assets, but the availability of a common set of analytical tools and procedures on how agency management should use them can be improved to better align the allocation of homeland security resources with risk-related measures, such as relative risk and risk reduction per dollar invested. Governmentwide guidance generally does not fully integrate risk management into all aspects of decision-making such as policy making, program planning, implementation, and monitoring. More broadly, the Congress and the executive branch face a series of difficult and contentious trade-offs as they re-examine, re-prioritize, and restructure the base of federal programs in response to current budget demands and long-term fiscal challenges and the changing risk profiles faced by programs and agencies change. As was discussed in section 1, much of the base of the federal government was put in place in response to the wants, needs, and affordabilities of an earlier era. For example, some risks to farmers and to the aging population as discussed elsewhere in this section have changed over the decades, as have the tools for evaluating and communicating risk about costs and other outcomes. A more thorough and disciplined approach to identifying and managing risk across the federal government could help in structuring and informing the daunting decisions that need to be made.

► *How could the federal government consistently apply a comprehensive risk management framework to help guide federal programs and apply resources efficiently and to best effect? For example, can the Office of Management and Budget and the Department of Homeland Security develop guidance for Homeland Security to better align federal investments in preparedness with the potential risk and threat facing the nation's assets and communities? To what extent should federal agencies, such as DOD or NASA, consider and report on the uncertainty of cost estimates for major procurements in budget requests? To what extent can changing risks be monitored across federal programs and how can these changes be used to review the base of ongoing federal commitments?*

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A range of individual agencies need to successfully complete their specific transformation initiatives. For example, the U.S. Postal Service is under increasing financial pressure as the Internet, electronic bill payment, and growing competition from private delivery companies are changing the nation's communication and delivery sectors and adversely affecting mail volume. Yet the Postal Service's ability to address these challenges is hindered by an outmoded business model that relies on mail volume growth to cover rising costs. The service is working to cut costs, improve productivity, reduce its workforce, and make other needed changes, but it will need attention and support as it adapts a new and more competitive business model.

▶ *How should agencies, including the U.S. Postal Service, transform their services, infrastructure, legal framework, operations, and workforce to keep pace with rapid changes in technology as well as in the communications, labor, and other sectors of the economy?*

▶ *What are the specific leadership models that can be used to improve agency management and address transformation challenges? For example, should we create chief operating officer or chief management officer positions with term appointments within selected agencies to elevate, integrate, and institutionalize responsibility and authority for business management and transformation efforts?*

The government has not transformed, in many cases, how it motivates and compensates its employees to achieve maximum results within available resources and existing authorities. Even though people are critical to any agency's successful transformation, define its culture, develop its knowledge, and are its most important asset, a number of agencies still try to manage this asset with a "one-size-fits-all" approach. For example, employees are compensated through an outmoded system that (1) rewards length of service rather than individual performance and contributions, (2) automatically provides across-the-board annual pay increases, even to poor performers, and (3) compensates employees living in various localities without adequately considering the local labor market rates for these employees. To address these problems and provide the services the public expects, the federal civil service

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system must be reformed governmentwide, and this reform must be guided by a set of consistent principles, criteria, and practices.

▶ *How should the federal government update its compensation systems to be more market-based and performance-oriented? For example, should poor performers be guaranteed pay increases? How can these systems ensure pay comparability and provide reasonable annual pay adjustments while also competing for critical occupations or in higher cost locations? In addition, how can the government make an increasing percentage of federal compensation “at risk” or dependent on achieving individual and organizational results by, for example, providing more compensation as one-time bonuses rather than as permanent salary increases?*

More than 30 federal agencies control about \$328 billion in real property assets worldwide, and maintain a “brick and mortar” buildings and office presence in 11 regions across the nation. But this organization and infrastructure reflects a business model and the technological and transportation environment of the 1950s. Many of these assets are no longer needed; others are not effectively aligned with, or responsive to, agencies’ changing missions; and many others are in an alarming state of deterioration, potentially costing taxpayers tens of billions of dollars to restore and repair. The Congress and several agencies have recognized and begun to address this issue, but this financial liability still looms.

▶ *In a modern society with advanced telecommunications and electronic information capabilities, does the government still need 11 regions? Which agencies still need a physical presence in all major cities?*

▶ *What opportunities exist to more strategically manage the federal government’s real property assets, such as disposing of excess federal facilities or better leveraging surplus in the private sector to make the federal portfolio more relevant to current missions and less costly?*