

# **The Challenges of Management Reform for the Next Administration**

Statement

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## Summary

The next administration faces large challenges in managing the government. It must meet them if government is to meet the expectations of the people and the inescapable realities of the 21<sup>st</sup> century. That, in turn, requires a new management reform strategy that builds on the following points.

1. ***There is no obvious next step in reforming the federal government.*** For the first time since the Eisenhower administration, the next step in management reform is not clear. We know that there is much in government that needs to be changed, but there is no clear road map to guide us.
2. ***We have run the natural course of current management reforms.*** We face a daunting collection of next-generation problems that will require next-generation management reforms. Doing nothing—or doing more of the same—is simply unacceptable.
3. ***The costs for failing to develop the next generation of management reforms will be large and punishing.*** We face a growing array of wicked problems that are large, arise unexpectedly, provide little time to react, and that, if left unsolved, impose enormous costs in human lives, damage to the economy, and injury to public trust in government.
4. ***Simply continuing the reform efforts of the last two administrations will prove inadequate.*** We found first with September 11 and then with Hurricane Katrina that our existing strategies for running the federal government are not up to the challenges of a 21<sup>st</sup> century world.
5. ***We now need a new reform effort that focuses squarely on promoting collaboration among agencies instead of pursuing more strategies that reinforce existing stovepipes.*** We've found that the most effective efforts to solve big problems, such as the Coast Guard's yeoman service in the terrible days after Hurricane Katrina struck, require a collaborative government focused on results: defining the problem we need to solve; discovering the resources needed to solve it; identifying the agencies that possess the resources; securing their collaboration and focusing it on solving the problem; and judging success by assessing results.
6. ***We already know how to do this.*** Some of government's best managers are already charting the way—and they are proving that collaborative governance works. However, too often, they have to do it the hard way instead of the easy way. That means they have to work far harder to get the job done and some government managers, sizing up the challenge, shy away from the aggressive leadership our problems require. We need to smooth their path if we are to produce the reliable, high-quality government taxpayers demand and citizens deserve.

7. ***The next president should advance this strategy.*** The steps: focusing the Office of Management and Budget on outcomes; driving a robust Office of Personnel Management to create leaders; and establishing a White House performance czar to ensure constant top-level attention to management issues.
8. ***Congress should reinforce this effort.*** The steps: use the Government Performance and Results Act to require agency leaders, every time they testify before a congressional committee, to explain what goals they are seeking for citizens and how effectively there are achieving them; and reinforce sensible risk taking by federal managers by recognizing managers especially successful in achieving national objectives.

We know what the government needs to work better. And we know what steps we need to take. An increasingly complex world and increasingly way citizens will surely punish a government that fails to rise to the challenges of the 21<sup>st</sup> century with a governance system that works: one that mobilizes government in the public interest and ensures collaboration to achieve results that matter for people

## **The Management Imperative**

Put simply, government management matters. Citizens rightly expect that government's managers will deliver outstanding service in exchange for the tax dollars they pay. Elected officials rightly expect that government managers will execute the policies they create in an accountable, predictable, high-performing way.

As the new administration sizes up these challenges, it can count on three basic problems. First, there won't be any money. The costs of the wars in Iraq and Afghanistan, coupled with the impending retirement of the baby boomers, will make it essential for the government to wring extra productivity out of every nickel of scarce taxpayer dollars. Second, there will be some large Katrina-style crisis that will require the very best of the government's management capacity. Third, the government will need to tackle a vast range of less sensational but no less important management issues, ranging from the conduct of the 2010 census and the management of defense contracts to environmental cleanup and food safety.

We will need the very best management we can get. However, government is too often ill-prepared for the big crises, sometimes struggling to deal with routine issues, and far too often doing the right thing the hard way. We are moving past the days of doing more with less to an era of even higher expectations, tougher problems, fewer resources, and tighter scrutiny.

The good news is that we have already figured out how to do the hard things we know we must do. The challenge is finding a way to do them more reliably with less wasted money and effort—to find an easier way to do the right thing.

Here's a roadmap to that course.

**1. There is no obvious next step in reforming the federal government.** For the first time since the beginning of the Eisenhower administration, the next step in management reform is not clear. Consider the strategies of the last generation of presidents: Eisenhower came into office on the heels of the Hoover Commission.<sup>1</sup> Kennedy brought in his “whiz kids” from the private sector.<sup>2</sup> Johnson advanced the Planning Programming Budgeting System for financial reform.<sup>3</sup> Nixon upped Johnson’s ante with Management by Objectives.<sup>4</sup> Carter used Zero-Base Budgeting in Georgia and brought it to Washington.<sup>5</sup> Reagan pledged to vastly expand privatization,<sup>6</sup> and George H.W. Bush continued that effort. Clinton was an advocate of Osborne and Gaebler’s *Reinventing Government*.<sup>7</sup> George W. Bush gave a campaign speech in Philadelphia on June 9, 2000, which charted his Presidential Management Agenda.<sup>8</sup>

**2. We have run the natural course of current management reforms—we now need a next-generation approach for next-generation problems.** As we look forward into the new administration, two things *are* clear: the current management reforms have exhausted their natural life, and there is no natural successor in the wings. There is no bestseller, no ideological prescription, no buzzword. This is historic. For the first time in 60 years, there is no obvious “big idea” to chart the new administration’s course.

Over the last 125 years, since the Progressive era, there has been a regular cycle to federal government reforms. When old ideas lost their steam, new ones have arisen to take their place.

The new presidential administration in 2009 is precisely at one of the periodic points of change. The existing reforms have run their course. When that has occurred over the last 125 years, new ideas have surfaced in a regular cycle of big challenges, reform, implementation, new challenges, and new reforms. Consider the history, which now puts us at the end of one cycle and at the launch of the next.

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<sup>1</sup> Commission on Organization of the Executive Branch of the Government [Hoover Commission], Report (New York: McGraw-Hill, 1949). Records of the commission (1947-49) are available at <http://www.archives.gov/research/guide-fed-records/groups/264.html> . A second commission followed in 1955.

<sup>2</sup> David Halberstam, *The Best and the Brightest* (New York : Random House, 1992, 20<sup>th</sup> anniversary edition).

<sup>3</sup> Bureau of the Budget, Bulletin No. 68-69 (April 12, 1968).

<sup>4</sup> Nixon introduced MBO through two memos from the Office of Management and Budget to federal agencies on April 18 and 19, 1970. For a history, see Chester A. Newland, “Policy/Program Objectives and Federal Management: The Search for Government Effectiveness,” *Public Administration Review* (January/February 1976), pp. 20-27.

<sup>5</sup> Peter A. Pyrrh introduced the system at Texas Instruments and helped Carter install it in Georgia. See his *Zero-Base Budgeting: A Practical Tool for Evaluating Expenses* (New York: Wiley, 1973).

<sup>6</sup> President’s Private Sector Survey on Cost Control (Grace Commission), *A Report to the President* (Washington, D.C.: Government Printing Office, 1984

<sup>7</sup> David Osborne and Ted Gaebler, *Reinventing Government* (Reading, Mass.: Addison-Wesley, 1992).

<sup>8</sup> Alison Mitchell, “Bush Criticized Gore Record on Trimming Bureaucracy,” *New York Times* (June 10, 2000).

- *Reform 1.0 (1881-1913: Garfield, Arthur, Cleveland, Harrison, Cleveland, McKinley, Roosevelt, Taft)*. Arthur came into office following Garfield’s assassination by Charles Guiteau, who was furious at the president for spurning his demands for a federal job. Arthur championed civil service reform, a centerpiece of the Progressives’ reform strategy. The 1883 civil service act, in turn, became the foundation for modern government reforms. Based on the Progressives’ ideas, the focus of Reform 1.0 was empowering the government to tackle the challenges of the industrial age without creating government administrators so powerful that they could threaten individual liberty. What flowed from these reforms was a series of new government structures (that both created and constrained power) and new procedures (to make government more efficient and more transparent).
  - *Reform 1.5 (1913-1933: Wilson, Harding, Coolidge)*. A burst of reform occurred half way through the Progressive period. Congress and the president joined to create new cabinet departments, establish the Federal Reserve, and design the federal government’s first executive budget in 1921. This stage of Reform 1.0 was marked by more aggressive procedural change and the creation of new-era government agencies focused on administrative efficiency.
  
- *Reform 2.0 (1933-1953: Roosevelt, Truman)*. Reform 1.0 ended when the Progressives’ government proved unable to deal with the Great Depression. To tackle the economic crisis and then to fight World War II, Roosevelt substantially increased the power of the president and the executive office. The Brownlow Committee famously concluded in that “the president needs help,” and Roosevelt followed their advice in strengthening the White House staff.<sup>9</sup>
  
- *Reform 3.0 (1953-1981: Eisenhower, Kennedy, Johnson, Nixon, Ford, Carter)*. Reform 2.0 ended when Congress and Truman worried about the government’s capacity to transform wartime government to a peacetime establishment. The Hoover Commission, chaired by former president Herbert Hoover, prescribed a series of steps—restructuring of government agencies and improved management processes—to enhance government’s efficiency. The efficiency theme continued through the Eisenhower administration, when a second Hoover Commission met; the Kennedy years, with a focus on bringing the best private sector management techniques into government; and then through the Johnson, Nixon, Ford, and Carter administrations with a series of analytical strategies to improve and strengthen the federal budget process. Reform 3.0 was an echo of Reform 1.0: a search to reinvent the Progressives’ focus on structure (like combining the armed services into the Department of Defense, which occurred in the midst of the Hoover Commission’s work) and process (including the progressive budget reforms of the Johnson, Nixon, and Carter administrations, all of which sought greater efficiency in government spending).

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<sup>9</sup> The President’s Committee on Administrative Management, *Report of the Committee*, 74th Cong., 2d sess. (Washington, D.C.: U.S. Government Printing Office, 1937).

- *Reform 4.0 (1981-2009: Reagan, G.H.W. Bush, Clinton, G.W. Bush)*. Reform 3.0 ended when it was clear that further budget reforms would produce little additional impact. Reagan successfully focused a political and managerial strategy on rethinking what government ought to do and on privatizing many existing government operations. The first president Bush continued the effort. Clinton shifted gears with his “reinventing government” effort, focused on making government “work better and cost less,” which proved a twin-edged strategy to motivate government workers toward a more citizen-centered service system and to cut the number of government employees. Bush picked up the themes and applied the works better/costs less strategy more directly to his President’s Management Agenda, with a mandate for all government agencies to assess the effectiveness of their programs and to tie those assessments to budget decisions. Advocates of each approach would no doubt bristle at being grouped in the same era, but Reagan, Clinton, and Bush led reforms fundamentally of the same piece: new analytical processes to produce greater reforms in government’s operation while, at the same time, trying to make government smaller.
- *Reform 5.0 (2009-?)*. Reform 4.0 ended with the twin blows of the September 11 terrorist attacks and Hurricane Katrina. Privatization strategies did not help government do what only government could do. Fewer government employees, motivated more toward citizen-centered service, and a management system designed to measure performance failed to ensure the coordination that government needed. Congress and the president joined after the September 11 terrorist attacks to restructure the government, especially in creating the new Department of Homeland Security. That restructuring utterly failed its first test, with Hurricane Katrina, and underlined the conclusion that structure-based reforms (born of Reform 3.0) and privatization/citizen service/performance management reforms (driven through Reform 4.0) could not, on their own, provide the solution to the large and inescapable programs facing the nation. In fact, the creation of DHS proved a 1950-era strategy for 21<sup>st</sup> century problems, and it was little wonder it fell short. What government most needed was the next-generation Reform 5.0. (I will shortly return to describe what Reform 5.0 needs to look like.)

For the last 125 years, the federal has moved through regular cycles, in which new policy challenges pushed aside old practices and forced new reforms.<sup>10</sup> Consider the time period of each era:

Reform 1.0	32 years
Reform 1.5	20 years
Reform 2.0	20 years
Reform 3.0	28 years
Reform 4.0	28 years

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<sup>10</sup> Paul C. Light has charted the periodic nature of government reforms in *The Tides of Reform: Making Government Work, 1945-1995* (New Haven: Yale University Press, 1997).

Reform 4.0 has now run its course. We have completed another movement, we have reached yet another milestone, and we have no clear map for where to go.

Hurricane Katrina is the touchstone for this point. The government's response to the hurricane ranks as the biggest management failure in the nation's history. The tragedy was all the greater because the Department of Homeland Security was created and FEMA reorganized after September 11 precisely to improve the government's ability to respond to a major event. The reason it failed was because we used the very best of Reform 3.0 and 4.0 technologies to create DHS. Katrina was stark evidence that we had run the course of previous reforms and needed a fresh approach to government's most important problems.

**3. The costs for failing to create Reform 5.0 are increasingly punishing.** As I note in my forthcoming book, *The Next Government of the United States*,<sup>11</sup> the nation is increasingly encountering *wicked problems*. Failing to attack them effectively imposes enormous costs, because we face:

1. *Big issues*, from food safety (tomatoes and spinach) and product safety (Barbie dolls and airplane wiring) to homeland security (September 11), hurricanes (like Katrina), and the mortgage meltdown (including bank failures), which
2. *Arise unexpectedly*, often with minimal notice or in ways that do not match the routine, which provide
3. *Little time to react*, with the need for an immediate response, without which there is a
4. *High cost of failure*, in human lives, damage to the economy, and injury to public trust in government.

Such problems are occurring at a rapid pace because of a host of factors: the expansion of governmental responsibility, the complexity of our social systems, the rise of global interconnections, and the 24-hour news cycle that can make any problem anywhere a crisis everywhere.

**4. Reform 4.0 has run its course because its strategies are increasingly a poor match for the problems we are trying to solve.** Reform 4.0, with its structural efforts to solve new homeland security problems (connect the dots by creating a new department) and procedural changes to enhance efficiency (focus federal agencies on measuring their activities) is a poor match for these wicked problems. Reform 4.0 builds on 125 years of the reform tradition: using structure both to empower and constrain government, and using process both to pursue efficiency and to control government officials.

We continue to have many routine government programs and agencies that must focus on efficiency and routines. We do not want two citizens in similar circumstances getting

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<sup>11</sup> Donald F. Kettl, *The Next Government of the United States: Why Our Institutions Fail Us and How to Fix Them* (New York: Norton, forthcoming November 2008).

different answers on Social Security disability questions depending on which office they visit. Two taxpayers in similar circumstances should not receive different treatment in the IRS audit process.

But we also have a large and growing class of public problems, especially the wicked problems, that fail to fit existing agencies and procedures. As the creation of the Department of Homeland Security shows, we cannot solve these problems simply by creating new structures and new procedures, because these wicked problems will constantly outflank such solutions.

Consider the track record of the reforms introduced in the Clinton and George W. Bush administrations, which produced significant accomplishments but which also left important problems unsolved.

The *Clinton National Performance Review* introduced significant improvements to the contracting process. In particular, the reforms gave contract managers more flexibility in managing contracts and in using new technologies, including purchasing cards, to reduce government's costs. The administration's National Performance Review expanded customer service initiatives throughout government, to make government more responsive. The Clinton administration also used buyouts to significantly shrink the federal workforce. The Clinton NPR was largely a bottom-up approach, aimed at giving managers more discretion and challenging them to create a government that "works better and costs less."

The signature accomplishment of the NPR—the downsizing of the government—was also its biggest weakness. The goal was to shrink the federal workforce, as much for symbolic as for operational purposes. The tactic was to use buyouts to encourage workers to leave federal service, but there was no workforce plan to accompany the process. If the conclusion was that the federal government was too big, there was no analysis of what the right size ought to be. Neither was there an analysis of which workers the federal government most needed to keep and which ones it safely could lose. The buyout did indeed produce the targeted reduction, but it also left the government short of the skilled managers it needed. Since then, the Government Accountability Office has named workforce management as one of the government's high-risk areas, the issues that most expose the government to waste and mismanagement. The federal government faces a significantly larger challenge of replacing retiring baby boomers because the federal workforce, on the whole, is older than the private workforce. The Clinton reinvention effort thus has a mixed legacy: a fresh focus on empowering workers to produce results, but a mismatch between the workers and the problems they are trying to solve.<sup>12</sup>

*The Bush President's Management Agenda* was a logical extension of the Clinton NPR. It sought to give management reform genuine teeth by harnessing it to the budget process. The Government Performance and Results Act of 1993 required executive branch agencies to report on their results, but the reports that agency analysts produced generally

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<sup>12</sup> For an analysis of the impact of the reinventing government movement, see Donald F. Kettl, *Reinventing Government: A Fifth-Year Report Card* (Washington, DC: Brookings Institution, 1998).



have received little attention and they had relatively little impact on agency operations. The President's Management Agenda, in contrast, forced agencies to report on their objectives and to measure their results through the Performance Assessment Rating Tool (PART). OMB, in turn, used the PART in assessing agencies' performance in preparation for the budget reviews. OMB assigned each agency according to a color code: red (the program has serious problems), yellow (the agency has met some but not all of a program's standards), or green (the agency has met all the standards for success). "Getting to green" became the watchword, and an industry of consultants sprang up to help agencies hit the target. Everyone wanted a green score; no one wanted to be shamed by a red. For the first time in the nation's history, the process of measuring results spread to every major federal program and budget makers considered those measures in making budget decisions. No one pretends that the PART process is the last word in performance measurement, but it is hard to dispute it is an important first word.

The PART process, however, has struggled with several important issues. First, analytical measures have been combined with ideological objectives. One of the elements of the President's Management Agenda is the expansion of contracting out. In other nations that have pursued management reform, the goal has been to discover the management tool that produces the best results at the lowest cost, whether the work is done by private contractors or government officials. The PART, however, sets contracting out as a goal in itself and assesses how well agencies have expanded their use of contracting out. It thus combines a *process* with the *results* that the process is designed to achieve. This confusion of process and result has weakened the PART, both because of the internal inconsistency it introduces and because the ideological focus, which does not enjoy broad support, undermines the more straightforward effort to analyze results, which has widespread support.

Second, the PART analytics focus primarily on activity measures. That is, PART tends to assess internal agency processes, such as the number of applications processed or the number of individuals placed following experience in a federal training program. This is perfectly understandable, of course, because this is a fledgling effort and it is easiest to focus on the data at hand and because agency managers would prefer to be held accountable for the processes they can best control. However, the internal measures of agency activity tend to discourage agency officials from looking more broadly at their success in achieving broader outcomes.

For example, the FAA's air traffic control system is an intricate minuet of collaboration between its controllers, the weather service (in the Department of Commerce), pilots for private airlines, telecommunications connections provided by private suppliers, and a large web of private contractors who make the gear on which everyone relies. The success of the air traffic control system depends on how well these individual components interconnect. In the future, as air traffic expands past the capacity of the frequency space allotted to the air traffic control system, on-board air traffic control connected electronically to the broader system will become even more important.

Third, the PART process is very valuable but it is also very hard for agencies to do well. OMB's PART mandate has laid bare the limited analytical capacity in many federal agencies. The process has sometimes produced a "just get it done" approach. There is precious little evidence on how agency officials have used the PART to improve their own operations, but it is clear that in many agencies the PART analysis has often been a paperwork compliance exercise that has not penetrated down to the agency's front-line operations.

Fourth, for the OMB examiners who must assess the analyses, PART has become one more chore added on top of their already stressful workload. Moreover, although the goal from the beginning was to integrate PART into the annual budget process, it was never clear how this should work. Did a low PART score suggest an agency in need of more resources or an agency on whom additional resources would be wasted? The mingling of analytical and ideological PART elements, moreover, made it even harder for OMB's examiners to assess what PART ought to mean for the budget. Some critics have suggested that PART sometimes has been used selectively, singling out programs for spending cuts while ignoring other programs where evidence might be mixed or more positive. The PART process thus has triggered a typical dilemma of performance measurement: give the measures teeth, with big consequences and managers will do everything possible to escape the target painted on their backs; make the measures more supportive and benign and top officials will pay little attention to them.

Fifth, the PART process did not generally lead agencies to connect their budget and evaluation process with their operational systems. In many state and local governments that have embraced performance systems, there has been a far more direct linkage between outcome measures and administrative activity. PART has often lived an isolated life, apart from the activities it was designed to measure.

In the end, no performance measure truly matters unless it helps improve the way government connects with citizens: unless it makes government more effective and efficient, more responsive and transparent, The performance process is not fundamentally one of measurement. Rather, *performance is about communication*—helping government officials talk about the things that matter most and acting on them in ways that make government work better.

With the PART process, Reform 4.0 has reached the natural end of its life. It is hard to push privatization any further and, in fact, there are strong signs that government needs to pull back management of some programs it had privatized. It is hard to downsize government further, because government needs at least a basic capacity to do its job. And it is hard to push the performance measurement process further along the current course. Government needs to improve collaboration across the boundaries of existing agencies, levels of government, and even international boundaries. More of the same efforts are likely to produce a diminishing return. We need a fresh reform. It is time for Reform 5.0.

***5. We now need Reform 5.0: a new initiative focused squarely on promoting horizontal collaboration across agencies instead of more changes that reinforce vertical stovepipes.*** New reforms focused on creating new structures and processes will inevitably fall short of solving the new generation of wicked problems, for two reasons. First, more effort under the flag of reforms through Reform 4.0—more restructuring and more process changes—will produce diminishing marginal returns. Quite simply, there is no important problem that any level of government, or that any agency within a government, or indeed that any nation-state can truly control and manage. New efforts to put boundaries around problems, whether through new structures or new procedures, will inevitably fall short. Drilling deeper in vertical shafts will only reinforce the silos that too often hamstring government.

On the other hand, the reforms most likely to prove most effective are those that promote *horizontal collaboration and cooperation across the boundaries*: of government agencies, between government and the private and nonprofit sectors, and between nations. No single agency can fully control any single result that matters. Improving government's efficiency, effectiveness, and responsiveness will increasingly depend on strengthening the collaboration among the partners responsible for how programs work. More of the same reforms will produce more of the same results. Better results will require a different approach.

The 125 years of reforms that have led to this point have been focused on government's structure and process: empowering government while limiting the power of government officials. The reason is clear. The United States of America remains, at its core, a country founded in revolution against a despotic king. Americans have never much liked government and have never wanted to create the conditions for a government so powerful it eroded liberty. As new problems developed, the problem has always been how to empower the government to solve them without endangering freedom in the process. The solution, through 125 years of reform, has been to increase government's power while constraining the power of its officials. In practice, of course, government administrators have accumulated vastly more power over the lives of ordinary Americans, but it's never been a happy accommodation—and each step has always been balanced by constraints that make it hard to execute that power.

Nowhere were the consequences of that strategy more clear than in the days after Katrina devastated New Orleans. Michael Brown proved unable to move FEMA fast enough to coordinate the relief effort. The problem, at its core, was that the problem spilled far past FEMA's boundaries, and that Brown could not make FEMA agile enough fast enough to coordinate the sources of help that the city needed.<sup>13</sup>

By contrast, when Coast Guard Adm. Thad Allen replaced Brown as the principal federal official, he set to work attacking the problem. As Adm. Allen described his strategy, "the operational genius of the Coast Guard is still that we give our field commanders a

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<sup>13</sup> See the hearing by the House Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina (September 27, 2005), with extensive testimony by Michael Brown.

mission, an area of responsibility, and their own resources and assets, such as cutters and aircraft, and then we leave it up to them.”<sup>14</sup> The key, he recognized, was:

- defining the *problem*
- discovering the *resources* needed to solve it
- identifying the *agencies* that possessed the resources
- securing necessary *collaboration* for *solving the problem*
- judging success by assessing *results*.

What the nation now needs is Reform 5.0, focused on precisely these steps: *a reform that builds collaboration based on securing results that matter to people*—tomatoes that are safe to eat, an air traffic control system that allows airlines to operate efficiently, defense contracts that produce high-quality goods and services at reasonable costs, and water that is drinkable and air that is breathable.

The central element of Reform 5.0 is a focus on results that occur where people live. We must find a way to manage government’s functions more effectively, especially the crucial functions of national defense and public safety where the federal government has prime responsibility.

In many domestic functions, however, ranging from health care to job training, the federal government must increasingly bring a place-based and person-drive focus to its traditionally functional approach. Reforms 1.0 through 4.0 have tended to organize the government by function, to secure the efficiencies that come through specialization. What we increasingly need is collaboration across these functional specialties to ensure effective services for citizens where they live: to reduce traffic congestion, improve education and public health, clean the environment, and promote job growth. Collaboration must produce results. Meaningful results depend on coordination across functional boundaries. Managers must look past the boundaries of their own agencies to identify colleagues in other agencies, other levels of government, other sectors, even other nations who can contribute the improvement of the lives of people.

This, in fact, is the great discovery of the performance-state processes developed in New York and Baltimore and spreading across the country: focusing on results that matter, tracking results in real time, mapping activity through a geographic system, and driving the system to improve results. Along with results-driven leadership, this is the critical foundation for effective collaboration in Results 5.0.<sup>15</sup>

**6. *We know how to do this.*** This reform strategy is neither abstract nor an ivory-tower plan. It’s a description of how the most effective managers in government today actually work. A close look around government reveals that managers everywhere are, on their

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<sup>14</sup> James Kitfield. “New Coast Guard Chief Discusses Lessons Learned from Katrina,” *Government Executive* (June 2, 2006), at [www.govexec.com/dailyfed/0606/060206nj2.htm](http://www.govexec.com/dailyfed/0606/060206nj2.htm).

<sup>15</sup> For an analysis of this process, see Robert D. Behn, *What All Mayors Would Like to Know About Baltimore’s CitiStat Performance Strategy* (IBM Center for the Business of Government, 2007), at <http://www.businessofgovernment.org/pdfs/BehnReportCiti.pdf>

own, discovering the importance of building collaboration around results that matter to people. They are, in short, moving down the same path that proved successful for Adm. Allen in the Gulf.

There are two problems afflicting these innovative managers. One is that there is no road map to guide their way; there is no intellectual capital to support their work. Most of them have simply asked what made the most sense and pressed ahead. What's developed is the equivalent of a brigade of Marines, all moving off the beach on parallel tracks but unable to see each other—or support each other—because of thick underbrush. That means most managers starting down this road have to work solo, so each step is far harder than it would be with a clear map and strong support.

The other is that this strategy is inherently risky. It asks managers to step out of the relatively comfort and political safety of the established routines to take risks—because they make sense. Risk-averse managers tend not to take the first step. Managers taking the risk run the danger of making mistakes in the effort to do the right thing or of taking incoming fire simply for daring to do things differently.

In fact, American government often has a fundamentally unbalanced approach to risk: hypercontrol on procedures and structures, in the hope that will bring accountability, along with a focus on headline-grabbing cases of fraud, waste, and abuse; but hypoattention, sometimes verging on neglect, of megaissues that, like Katrina, expose the nation to unacceptable risk of unimaginable costs.

So: we know how to do Reform 5.0 because we have seen managers do it successfully, and because they've already blazed the trail we know that it works. What they need—and what the country needs—is high-level support for the risks they need to take to make 21<sup>st</sup> century government work. Some agencies, especially the U.S. Coast Guard, have developed a robust strategy of training officials to recognize and take the right risks and to understand and avoid the wrong ones. Leadership is crucial. The federal government must learn the lessons of the private sector and of its own best performing agencies to build a human resources development program that works effectively.

Reforms 1.0 through 4.0 depended on creating new structures and procedures. Reform 5.0 must focus on achieving results that matter for people—a focus on outcomes—and on the ability of leaders to make their organizations nimble in producing those results. This is not to say that organizations, their structures, and their procedures do not matter. Organizations increasingly are the holding companies for government's capacity. What Reform 5.0 needs are leaders who can fashion those holding companies into flexible systems for delivering results.

**7. *What should the next president do to advance Reform 5.0?*** The previous generations of reforms produced changes of great value and should not be scrapped. Instead, what the next president should do is to build on those reforms, especially those advanced in the Reagan, Clinton, and Bush years, with:

- *A focus on outcomes.* Putting a focus on results that matter to people at the core of the executive branch's management. This builds on the Clinton administration's focus on results and advances the Bush administration's PART process by asking federal managers to look at the results they are trying to achieve and how crosscutting collaboration can help them accomplish them. This should be the focus of OMB's next analytical advance and of its relationship to executive branch agencies. *We need to put the pursuit of outcomes at the center of the government's work.*
- *A development of geographic-information-system-based performance measures.* State and local governments, especially in Baltimore and New York, have demonstrated the effectiveness of place-based performance-state systems. There are limits on the activities to which the federal government can apply the approach. It is hard to apply such systems to large-scale systems like defense contracting. However, it could work well in those areas, like air-traffic control, where the federal government conducts transactions; and in other areas, like environmental protection, where measurement of outcomes is relatively straightforward. Where GIS systems can bring performance-stat to the federal government, the immediacy of GIS systems coupled with its place-based focus can prove a powerful driver of the collaboration the government needs. *Wherever possible, we need to drive collaboration across functional boundaries to produce the results citizens expect.*
- *A robust Office of Personnel Management.* The government needs strong and effective leaders, and it needs a large-scale system to produce them—like the Coast Guard system that produced Adm. Allen and the other Coasties who made the critical difference in the Gulf after Katrina. Over the last generation, the government has systematically under-invested in his people. Government workers have often been seen as impediments to efficiency, as dead weights that clogged government's operations, or often simply as assets that did not matter. The central fact of Reform 5.0 is that continued tinkering with structures and processes can only produce small results, and that only skilled leaders can produce the collaboration needed for the improvements in productivity and problem solving that government needs. *We need to invest in the nation's managers to make them better results-drive leaders.*
- *A White House performance czar.* White House czars have a checkered history. But, as both September 11 and Katrina showed, there is no substitute for ongoing, top-level executive-branch attention to management issues. The president needs someone in his or her immediate office whose sole job is to focus the efforts of the executive branch on producing results. The president also needs someone who, in a crisis, can bring to the table the management instincts required to solve problems. There is little political payoff for government doing hard things well, but there is a large, growing, and inescapable political cost for management failures. Katrina is glaring evidence of this point. *We need—and the*

*president needs—a point person whose sole job is to make the pursuit of outcomes the federal government’s job one.*

**8. What should Congress do to advance Reform 5.0?** Congress’s fundamental challenge in improving the way government works is to recognize that, too often, its lawmaking and oversight tends to increase the tendency toward fragmented government at precisely the time that effective government requires more collaboration and interconnection. Citizens care about making government programs work. Congress must, through its own actions, reinforce the steps that federal managers need to take to get that done.

In particular, Congress should:

- *Take advantage of the Government Performance and Results Act.* Congress already has at its disposal a powerful tool, the Government Performance and Results Act of 1993. GPRA requires agencies to identify the outcomes they are seeking to achieve and to measure their success in doing so. Federal agencies are already producing GPRA reports, although there is little evidence that they take them very seriously because almost no one else does. In their oversight hearings, congressional committees ought on every occasion call on agency managers to summarize the outcomes they are seeking to achieve and to inform members of Congress of their success in achieving them. Budget hearings ought to begin with a careful look at the objectives of federal programs, agencies’ success in achieving outcomes, and what plans they have for improving their success in the future. *We need to make these simple questions the core of every congressional hearing.*
- *Reinforce sensible risks.* Reform 5.0 will be hard for federal managers because it requires them to take additional risks, because there are many incentives for avoiding those risks, and because the only reason for taking the risks is to make programs work better. Members of Congress need to recognize that hearings focusing on problems are important—but so, too, is the recognition of federal managers who take personal risks to advance the public interest. *We need to focus Congress on making sure we manage the right risks.*

We now know what the government needs to work better. And we know what steps we need to take. An increasingly complex world and increasingly wary citizens will surely punish a government that fails to rise to the challenges of the 21<sup>st</sup> century with a governance system that works: one that mobilizes government in the public interest and ensures collaboration to achieve results that matter for people.