

COMPTROLLER GENERAL'S

FORUM



HIGH-PERFORMING ORGANIZATIONS

Metrics, Means,
and Mechanisms
for Achieving High
Performance in the
21st Century Public
Management
Environment

February 2004



Highlights of [GAO-04-343SP](#).

Why GAO Convened This Forum

As we face the challenges of the 21st century, the federal government must strive to build high-performing organizations. Nothing less than a fundamental transformation in the people, processes, technology, and environment used by federal agencies to address public goals will be necessary to address public needs. In high-performing organizations, management controls, processes, practices, and systems are adopted that are consistent with prevailing best practices and contribute to concrete organizational results. Ultimately, however, the federal government needs to change its culture to become more results-oriented, client- and customer-focused, and collaborative in nature.

On November 6, 2003, GAO hosted a forum to discuss what it means for a federal agency to be high-performing in an environment where results and outcomes are increasingly accomplished through partnerships that cut across different levels of government and different sectors of the economy. The forum included discussions of the metrics, means, and mechanisms that a federal agency should use to optimize its influence and contribution to nationally important results and outcomes. The forum included representatives of the public, not-for-profit, and for-profit sectors as well as academia who are knowledgeable of what it takes for organizations to become high-performing.

www.gao.gov/cgi-bin/getrpt?GAO-04-343SP.

To view the full product click on the link above. For more information, contact J. Christopher Mihm, Managing Director, Strategic Issues on (202) 512-6806 or mihmj@gao.gov.

HIGHLIGHTS OF A GAO FORUM

High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment

What Participants Said

There was broad agreement among participants at the forum on the key characteristics and capabilities of high-performing organizations, which comprise four themes as follows:

- **A clear, well-articulated, and compelling mission.** High-performing organizations have a clear, well-articulated, and compelling mission, the strategic goals to achieve it, and a performance management system that aligns with these goals to show employees how their performance can contribute to overall organizational results.
- **Strategic use of partnerships.** Since the federal government is increasingly reliant on partners to achieve its outcomes, becoming a high-performing organization requires that federal agencies effectively manage relationships with other organizations outside of their direct control.
- **Focus on needs of clients and customers.** Serving the needs of clients and customers involves identifying their needs, striving to meet them, measuring performance, and publicly reporting on progress to help assure appropriate transparency and accountability.
- **Strategic management of people.** Most high-performing organizations have strong, charismatic, visionary, and sustained leadership, the capability to identify what skills and competencies the employees and the organization need, and other key characteristics including effective recruiting, comprehensive training and development, retention of high-performing employees, and a streamlined hiring process.

During the forum, the Comptroller General offered several options that the Congress, the executive branch, and others could pursue to facilitate transformation and to achieve high performance in the federal government. Several of the participants provided their views and experiences with these options. These options included:

- establishing a governmentwide transformation fund where federal agencies could apply for funds to make short-term targeted investments, based on a well-developed business case;
- employing the Chief Operating Officer concept or establishing a related senior management position, such as a Principal Under Secretary for Management and/or Chief Administrative Officer, to provide long-term attention and focus on management issues and transformational change at selected federal agencies; and
- examining certain federal budget reforms, such as a biennial budget process, which could encourage the Congress and federal agencies to focus on long-range issues and possibly provide more time for oversight of existing government programs, policies, functions, and activities.



United States General Accounting Office
Washington, D.C. 20548

February 13, 2004

Subject: *Highlights of a GAO Forum on High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment*

The federal government faces a range of new challenges in the 21st century that it must confront to enhance performance, ensure accountability, and position the nation for the future. These include long-term fiscal challenges posed by the nation's large and growing long-term fiscal imbalance—the federal government's most pressing challenge—and several major trends including: evolving national and homeland security threats, increasing global interdependence, the global shift to market-oriented knowledge-based economies, an aging and more diverse population, rapid advances in science and technology, various quality of life challenges, and diverse governance structures and tools. Given these challenges, the federal government needs to engage in a comprehensive review, reassessment, reprioritization, and as appropriate, reengineering of what the federal government does, how it does business, and in some cases, who does its business. To enhance the nation's capacity to both respond to the fiscal challenges and to make government more relevant for the 21st century, this process should involve examining the base of existing government programs, policies, functions, and activities so that emerging needs can be addressed while outdated and unsustainable programs can be either reformed or eliminated.

As we face the mounting challenges of the 21st century, the federal government must strive to build high-performing organizations. Nothing less than a fundamental transformation in the people, processes, technology, and environment used by federal agencies to address public goals will be necessary to address the public needs facing the nation in a time of rapid change. In high-performing organizations, management controls, processes, practices, and systems are adopted in areas such as financial management, information technology, acquisition management, and human capital that are consistent with prevailing best practices and that contribute to concrete organizational results. Ultimately, however, to successfully transform, the federal government needs to change its culture to become more results-oriented, client- and customer-focused, and collaborative in nature. This will require that the federal government create a culture that moves from

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- outputs to results,
 - stovepipes to matrixes,
 - hierarchical to flatter and more horizontal structures,
 - an inward to an external focus on clients, customers, partners, and other stakeholders,
 - micro-management to employee empowerment,
 - reactive behavior to proactive approaches,
 - avoiding new technologies to embracing and leveraging them,
 - hoarding knowledge to sharing knowledge,
 - avoiding risk to managing risk,
 - protecting “turf” to forming partnerships, and
 - adversarial to constructive labor/management relations.

Delivering high performance and achieving important national goals require the federal government to establish partnerships or networks with a broad range of federal, state, and local governmental agencies as well as not-for-profit and for-profit organizations, both domestically and internationally. Promoting effective partnerships with third parties in the formulation and design of complex national initiatives will prove increasingly vital to achieving successful policy outcomes in the years ahead. Protecting the nation from the threat of terrorism, for instance, has called for a concerted effort by all three levels of government as well as key private sector leaders responsible for critical infrastructure and resources. This growing interdependence means that the performance and fiscal capacity of the public sector as a whole will become more relevant in determining how successful the nation will be in addressing important national policy goals. Successful partnerships will entail refocusing current metrics and accountability mechanisms to capture a more integrated perspective on the efforts and accomplishments realized across conventional government or private sector boundaries.

A central question for the federal government is, if results and outcomes are increasingly accomplished through partnerships that cut across levels of government and different sectors of the economy, what does it mean for a federal agency to be high-performing in this environment? More directly, what are the metrics, means, and mechanisms that a federal agency should use to optimize its influence and contribution to nationally important results and outcomes? On November 6, 2003, GAO hosted a forum to discuss these questions. The forum brought together representatives from the public, not-for-profit, and for-profit sectors, as well as academia. These parties are knowledgeable about what it takes for organizations to become high-performing, as well as the challenges facing federal agencies in becoming high-performing organizations in the 21st century.

Prior to the forum, GAO staff met with a number of these representatives and other experts who helped us develop the themes that we explored in our discussion. As agreed with the participants, the purpose of the forum discussion was not to reach a consensus, but rather to engage in an open dialogue without attribution. Appendix I of this report summarizes the collective discussion of the forum participants as well as subsequent comments we received from the participants on a draft of this report, and it does not necessarily represent the views of any individual participant. It also includes additional information based on prior GAO work that provides context for the discussion. In summary, there was broad agreement among the forum participants on the key characteristics and capabilities of high-performing organizations, which comprise four themes as follows:

- **A clear, well-articulated, and compelling mission.** High-performing organizations have a clear, well-articulated, and compelling mission, the strategic goals to achieve it, and a performance management system that aligns with these goals to show employees how their performance can contribute to overall organizational results. With these in place, regularly communicating a clear and consistent message about the importance of fulfilling the mission helps engage employees, clients, customers, partners, and other stakeholders in achieving higher performance.
- **Strategic use of partnerships.** Since the federal government is increasingly reliant on partners to achieve its outcomes, becoming a high-performing organization requires that federal agencies effectively manage relationships with other organizations outside of their direct control.

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- **Focus on needs of clients and customers.** Serving the needs of clients and customers involves identifying their needs, striving to meet them, measuring performance, and publicly reporting on progress to help assure appropriate transparency and accountability.
 - **Strategic management of people.** Most high-performing organizations have strong, charismatic, visionary, and sustained leadership, the capability to identify what skills and competencies employees and the organization need, and other key characteristics including effective recruiting, comprehensive training and development, retention of high-performing employees, and a streamlined hiring process.

During the forum, I also raised several options that could be adopted to facilitate transformation and to achieve high performance in the federal government that the Congress, the executive branch such as the Office of Management and Budget, the Office of Personnel Management, and other federal agencies, as well as public, for-profit, and not-for-profit organizations could pursue. Several of the participants provided their views on these options and their experiences with them. These options included:

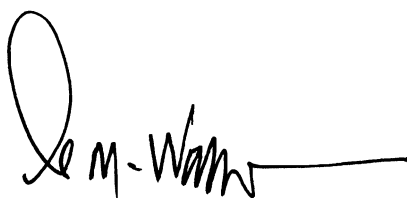
- establishing a governmentwide transformation fund where federal agencies could apply for funds to make short-term targeted investments, based on a well-developed business case;
- employing the Chief Operating Officer concept or establishing a related senior management position, such as a Principal Under Secretary for Management and/or Chief Administrative Officer, to provide long-term attention and focus on management issues and transformational change at selected federal agencies; and
- examining certain federal budget reforms, such as a biennial budget process, which could encourage the Congress and federal agencies to focus on long-range issues and possibly provide more time for oversight of existing government programs, policies, functions, and activities.

Moving forward, GAO will continue to play a professional, objective, fact-based, non-partisan, non-ideological, and constructive role in assisting the Congress and the executive branch as federal agencies strive for higher performance. For example, federal agencies face challenges to improving their ability to manage partnerships, such as finding the balance between

preserving partners' operational flexibility with the need to maintain the accountability of all partners. Other challenges for partnerships include identifying the metrics to measure the performance of a partnership and expanding the use of an appropriate targeting and risk management approach to focus limited resources to achieve desired outcomes. Addressing these challenges is vitally important to foster the development of high-performing organizations within the federal government.

Appendix I summarizes the collective discussion of the forum participants as well as subsequent comments we received from the participants on a draft of this report. It also includes additional information based on prior GAO work that provides context for the discussion. Appendix II provides a list of the participants. Appendix III lists related GAO products on organizational transformation and the 21st century public management environment. Appendix IV contains a selected bibliography on high-performing organizations and networked government or partnerships. Appendix V summarizes planned and past Comptroller General forums and roundtables. This report will be posted on our Web site at www.gao.gov. For additional information on our work on federal agency transformation efforts and strategic human capital management, please contact J. Christopher Mihm, Managing Director, Strategic Issues on (202) 512-6806 or at mihmj@gao.gov. Key contributors to this report include Sarah Veale, Eric Mader, Ellen Grady, and Peter Del Toro.

I wish to thank all of the participants in the forum for taking the time to share their knowledge and to provide their insights and perspectives on the important matters this document discusses. I look forward to working with them and others on this and other important issues of mutual interest and concern in the future.

A handwritten signature in black ink, appearing to read "D. M. Walker", with a long horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

High-Performing Organizations: Highlights of Forum Discussion

Appendix I summarizes the collective discussion of the forum participants as well as subsequent comments we received from the participants on a draft of this report. It also includes additional information based on prior GAO work that provides context for the discussion. Overall, the forum discussion provides guidance and options for consideration in developing high-performing organizations in the federal government. Although federal agencies have the primary responsibility for moving the federal government towards high performance, the Congress has a key role through its legislative, appropriations, and oversight capacities in establishing, monitoring, and maintaining both governmentwide and agency-specific management reform initiatives.

Key Characteristics and Capabilities of High-Performing Organizations

High-performing organizations have a focus on achieving results and outcomes and a results-oriented organizational culture is fostered to reinforce this focus. The forum participants identified key characteristics and capabilities of high-performing organizations that support this results-oriented focus, which include having a clear, well-articulated, and compelling mission, strategically using partnerships, focusing on the needs of clients and customers, and strategically managing people. High-performing organizations have a coherent mission, the strategic goals for achieving it, and a performance management system that aligns with these goals to show employees how their performance can contribute to overall organizational results. Since the federal government is increasingly reliant on organizations outside of its direct control to achieve outcomes, becoming a high-performing organization requires that federal agencies effectively manage these partnerships. Serving the needs of clients and customers involves identifying their needs, striving to meet them, measuring performance, and publicly reporting on progress to help assure appropriate transparency and accountability. To manage people strategically, most high-performing organizations have strong, charismatic, visionary, and sustained leadership, the capability to identify what skills and competencies employees and the organization need, and other key characteristics including effective recruiting, comprehensive training and development, retention of high-performing employees, and a streamlined hiring process.

High-Performing Organizations Focus on Achieving Results and Outcomes

High-performing organizations have a focus on achieving results and outcomes and a results-oriented organizational culture is fostered to reinforce this focus. By definition outcomes are achieved outside of an organization. Thus, results-oriented organizations focus on the often complex interplay of internal and external relationships, initiatives, actions, and trends that contribute to achieving desired outcomes. High-performing organizations in this context seek to develop data-driven understandings of how their efforts contribute to overall results.

Participants generally agreed that to sustain a focus on results, high-performing organizations continuously assess and benchmark performance and efforts to improve performance. For example, one participant noted that pilots and demonstration projects help to identify innovative ways to improve performance. Such pilots and demonstration projects allow for experiences to be rigorously evaluated, shared systematically with others, and new procedures adjusted as appropriate, before they receive wider application. One of the participants noted, however, that there is a paucity of comparative metrics for benchmarking whether an organization has or is becoming high-performing. Several participants also stated that high-performing organizations manage risks to improve performance, but maintain accountability by continually assessing the impact of these risks.

As part of the discussion of what it means to be a high-performing organization, several participants discussed the unique aspects of pursuing high performance in the federal government and in the public management environment as compared to the private sector. Nevertheless, participants generally agreed that the following key characteristics and capabilities drive high performance across both the public and private sectors.

A Clear, Well-Articulated, and Compelling Mission

There was general agreement among participants about the importance of strategic planning, particularly about the importance of having a mission that employees, clients, customers, partners, and other stakeholders understand and find compelling. Further, participants emphasized the importance of setting goals to achieve the mission, and aligning the organization's activities, core processes, and resources with those goals. We have reported that establishing a coherent mission and integrated strategic goals guides organizational transformation. Together, they define the culture and serve as the vehicle for employees to unite and rally

around.¹ This alignment is particularly important in the current environment where results are achieved by working with and through others and resources are severely constrained, as noted by several participants. Several participants also identified the importance of aligning an organization's performance management system with achieving goals to create a "line of sight" that shows employees how their performance can contribute to overall organizational results. One participant explained the importance of using performance management systems to help strengthen accountability. We have found that performance management systems reinforce accountability for change management and other goals. In particular, high-performing organizations strengthen accountability for achieving crosscutting goals by placing greater emphasis on collaboration, interaction, and teamwork both within and across organizational boundaries to achieve results that often transcend specific organizational boundaries.²

To help sharpen a focus on agencies' missions, one participant suggested that federal agencies ask themselves hypothetically what they would do if their budgets were 50 percent smaller. This exercise is intended to not only help federal agencies identify their core purpose or mission, but to help them assess which core activities are necessary to fulfill it. We have found that high-performing organizations develop fact-based understandings of how their activities contribute to accomplishing their mission and broader results. These organizations evaluate and adjust their efforts to optimize their contributions to results.³ Several participants said that policy-makers need to re-examine the base of federal activities, identify programs that have outlived their relevance, and make difficult choices about wants, needs, and affordability.

Several participants stated that regularly communicating a clear and consistent message about the importance of fulfilling the organization's mission helps engage employees, clients, customers, partners, and other

¹See U.S. General Accounting Office, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2003).

²See U.S. General Accounting Office, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, [GAO-03-488](#) (Washington, D.C.: March 2003).

³See U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: March 2002).

stakeholders in achieving higher performance. An effective, on-going communications strategy is essential to implementing a transformation. One participant noted that most federal agencies do a poor job of effectively communicating with employees.

Strategic Use of Partnerships

To be a high-performing organization, federal agencies must effectively manage and influence relationships with organizations outside of their direct control. For many federal agencies, these partnerships can range from direct contractual relationships for products and services, to intergovernmental grants and regulatory relationships, to coordination across federal agencies. The challenge for federal agencies is to make effective use of these partnerships to optimize the federal contribution to achieving outcomes. For example, according to one participant, the Superintendent of the Golden Gate National Park has recently turned to the use of partnerships to provide programs and services in a tight fiscal environment. We have found that innovative partnerships at the National Park Service go well beyond basic partnerships, such as contracting for services, and can entail complex public/private business arrangements.⁴ A focus on the effective use of partnerships is a key to achieving results and has important implications across a range of management functions and activities. Topics for consideration to effectively use partnerships include:

- Accountability for results becomes shared among the various federal and non-federal partners, rather than residing with a sole partner. One participant said that holding partners accountable is one of the challenges of managing partnerships.
- Establishing knowledge-sharing networks. For example, one participant noted that federal agencies often lack sufficient collaboration to share their experiences and best practices.

Focus on Needs of Clients and Customers

Participants generally agreed that high-performing organizations focus on the needs of their clients and customers. This entails at a minimum, undertaking concerted efforts to understand and respond to client and customer needs, measuring progress toward meeting these needs, and publicly reporting on that progress and improvement opportunities—to help assure appropriate accountability and transparency. One participant suggested that federal agencies need to engage citizens more directly and

⁴See U.S. General Accounting Office, *Public-Private Partnerships: Key Elements of Federal Building and Facility Partnerships*, GAO/GGD-99-23 (Washington, D.C.: February 1999).

involve them in the process of agency transformation to learn how to better respond to public needs.

One participant emphasized that it is difficult to successfully transform into a high-performing organization unless both policymakers and the American people support the effort to make changes. In that regard, federal agencies need to build a business case for transformation so that needed changes can be made before crises develop. Prudent risk-management must be a key part of change management efforts.

Strategic Management of People

People are the primary resource of high-performing organizations and they need to be engaged for the organization to achieve its mission and strategic goals and to successfully transform. As GAO has repeatedly noted, people are at the center of any serious change management or transformation initiative. Several participants noted that strong, charismatic, and visionary leaders who empower their employees to achieve results and manage risks for the benefit of clients and customers are important elements of high-performing organizations. Sustained leadership also drives high-performing organizations to achieve results. High turnover among politically appointed leaders can make it difficult to follow through with organizational transformation. Some of the participants said that because of this turnover, it is particularly important for appointees and senior career civil servants to develop good working relationships from the beginning.

Several participants also said that high-performing organizations develop the capability to identify what skills and competences employees and the organization need to be successful, both now and in the future. We have found that workforce planning efforts linked to strategic goals and objectives enable an agency to address its current and future human capital needs, such as determining the skills and competencies needed for an agency to pursue its mission.⁵ Further, as part of workforce planning efforts, we have found that leading organizations use succession planning to identify, develop, and select human capital to ensure that successors are the right people, with the right skills, available at the right time for leadership and other key positions.⁶

⁵See U.S. General Accounting Office, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: December 2003).

⁶See U.S. General Accounting Office, *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, GAO-03-914 (Washington, D.C.: September 2003).

In that regard, there was general agreement that to achieve high performance, federal agencies must provide more comprehensive training and development opportunities to foster the development of top leaders and employees in general. Several participants stated that federal agencies should invest more in leadership training and development. For example, lessons could be learned from the leadership training programs in the Department of Defense and the U.S. military, according to some of the participants. Several participants also identified the need for training in strategic planning and performance evaluation. We recently reported that effective training and development programs are an integral part of enhancing the federal government's ability to attract and retain employees with the skills and competencies needed to achieve results and meet transformation challenges.⁷ A few participants expressed support for initiatives to strengthen recruiting of university students and partnering with the academic community to influence curriculum to better prepare students for working in the federal government.

Several participants also discussed the importance of retaining high-performing employees, a practice of high-performing organizations. One invitee, who submitted comments prior to the forum because he could not attend, noted that high turnover in top managerial posts in general means newer supervisors and managers are spending less time in positions before moving up the chain of command. This individual stated that retaining top managers beyond retirement would alleviate such situations.

Finally, some of the participants stated that the federal government's hiring process poses an impediment to achieving higher performance because it is too slow and too complex, which undermines the federal government's ability to hire individuals with the right skills and experience. Specifically, participants discussed the difficulty of identifying job applicants that are starting their professional federal careers. One participant noted that more aggressive internship programs might help because it would enable federal agencies to offer permanent jobs to interns who perform well. The invitee, who submitted comments prior to the forum, proposed that agencies looking to fill critical jobs might be more successful if the federal government maintained a database of qualified individuals. This database could be used to send notifications of vacancies or be accessed by agencies

⁷See U.S. General Accounting Office, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-03-893G](#) (Washington, D.C.: July 2003).

searching for qualified candidates. We have reported that high-performing organizations need a results-oriented workforce to accomplish their missions, but that the current federal hiring process often falls short of meeting the needs of agencies, managers, and applicants.⁸

Next Steps to Foster Development of High- Performing Organizations

The Comptroller General also offered several options that could be adopted to facilitate transformation and to achieve high performance in the federal government that the Congress, the executive branch such as the Office of Management and Budget, the Office of Personnel Management, and other federal agencies, as well as public, for-profit, and not-for-profit organizations could pursue. Several of the participants provided their views on these options and their experiences with them. These options included (1) establishing a governmentwide transformation fund where federal agencies could apply for funds to make short-term targeted investments, based on a well-developed business case, (2) employing the Chief Operating Officer concept or establishing a related senior management position, such as a Principal Under Secretary for Management and/or Chief Administrative Officer, to provide long-term attention and focus on management issues and transformational change at selected federal agencies, and (3) examining certain federal budget reforms, such as a biennial budget process, which could encourage the Congress and federal agencies to focus on long-range issues and possibly provide more time for oversight of existing government programs, policies, functions, and activities.

Governmentwide Transformation Fund

Several participants discussed the idea of a governmentwide transformation fund as one proposal for helping federal agencies transition into higher performance. In prior testimony, we have proposed establishing a governmentwide fund where agencies, based on a well-developed business case, could apply for funds to modernize their performance management systems and ensure that those systems have adequate safeguards to prevent abuse.⁹ The basic idea of the fund would be to provide short-term targeted investments needed to prepare agencies to use

⁸See U.S. General Accounting Office, *Human Capital: Opportunities to Improve Executive Agencies' Hiring Processes*, [GAO-03-450](#) (Washington, D.C.: May 2003).

⁹U.S. General Accounting Office, *Human Capital: Building on DOD's Reform Effort to Foster Governmentwide Improvements*, [GAO-03-851T](#) (Washington, D.C.: June 4, 2003).

their performance management systems as strategic tools to achieve organizational results and drive cultural change. If successful, this approach to targeted investments could be expanded to foster and support agencies' related transformation efforts, including other aspects of the high-performing organization concept recommended by the Commercial Activities Panel.¹⁰ To illustrate how such a funding approach could work, the Congress recently authorized the Secretary of Defense to implement a pilot program whereby selected Department of Defense organizations are provided incentives to re-engineer their operations in order to become high-performing organizations.¹¹

Some of the participants offered possible approaches for a governmentwide transformation fund. For example, one participant described a special funding program in the United Kingdom intended to assist government agencies in implementing reforms, but the agencies had to reimburse the government. Another participant explained how "performance partnerships" work for agencies in one state government. Agencies received funding to implement a new information technology system only after they had collaborated with other members of the partnership and met other requirements of the performance partnership. One participant proposed that the federal government have governmentwide standards to guide these transformation initiatives. Another participant said the Congress should take part in creating these standards and they should resemble the kinds of performance standards described in the *President's Management Agenda*.¹²

On the other hand, some participants expressed concern that federal agencies would only implement transformation initiatives if they received funding through a governmentwide transformation fund. Further, some of the participants stated that federal agencies would have less commitment

¹⁰The Commercial Activities Panel was mandated by section 832 of the National Defense Authorization Act for Fiscal Year 2001, which required the Comptroller General to convene a panel of experts to study the process used by the federal government to make sourcing decisions. After a yearlong study, the panel published its report on April 30, 2002. See Commercial Activities Panel, *Improving the Sourcing Decisions of the Government: Final Report* (Washington, D.C.: April 30, 2002). The report can be found on GAO's Web site at www.gao.gov under the Commercial Activities Panel heading.

¹¹National Defense Authorization Act for Fiscal Year 2004, Section 337, Public Law 108-136, Nov. 24, 2003.

¹²Office of Management and Budget, *The President's Management Agenda, Fiscal Year 2002* (Washington, D.C.: August 2001).

to the success of transformation initiatives if the agencies did not fund the initiatives themselves. One participant proposed setting aside a portion of the specific agency's budget as an incentive to fund and implement transformation initiatives.

Chief Operating Officer

The possibility of employing the Chief Operating Officer concept or establishing a related senior management position, such as a Principal Under Secretary for Management and/or Chief Administrative Officer, to provide long-term attention and focus on management issues and transformational change at selected federal agencies was raised during discussions about the importance of continuity of leadership for federal agencies. On September 9, 2002, the Comptroller General convened a roundtable of executive branch leaders and management experts to discuss the Chief Operating Officer concept and how it might apply within selected federal departments and agencies as one leadership strategy to address certain systemic federal governance challenges.¹³ There was general agreement at the 2002 roundtable on a number of overall themes concerning the need for agencies to do the following:

- Elevate attention on management issues and transformational change at selected federal agencies. The nature and scope of the changes needed in many agencies require the sustained and inspired commitment of the top political and career leadership.
- Integrate various key management and transformation efforts. While officials with management responsibilities often have successfully worked together, there needs to be a single point within agencies with the perspective and responsibility—as well as authority—to ensure the successful implementation of functional management and, if appropriate, transformational change efforts.
- Institutionalize accountability for addressing management issues and leading transformational change. The management weaknesses in some agencies are deeply entrenched and long standing and will take years of sustained attention and continuity to resolve. In addition, making fundamental changes in agencies' cultures will require a long-term

¹³U.S. General Accounting Office, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington, D.C.: October 2002).

effort. In the federal government, the frequent turnover of the political leadership has often made it difficult to obtain the sustained and inspired attention required to make needed changes.

As discussed earlier, participants generally agreed that high-performing organizations have strong and sustained leadership. On the Chief Operating Officer concept, some of the participants discussed ways to ensure long-term attention and focus on management issues at federal agencies. The Comptroller General noted that in Canada, the United Kingdom, and Australia, government agencies are managed by a minister who is a political official and a deputy minister who is a career civil servant. Another participant stated that federal agencies need two types of top leaders—one dedicated to internal operations and one who is more externally focused.

Federal Budget Reforms

The Comptroller General asked participants to consider whether certain federal budget reforms, such as a biennial budget, would encourage the Congress and federal agencies to focus on long-range issues and possibly provide more time for oversight of existing government programs, policies, functions, and activities. In July 2001, we testified on considerations for updating the Budget Enforcement Act.¹⁴ We stated that those who have suggested that changing the appropriations cycle from annual to biennial believe it could (1) provide more focused time for congressional oversight of programs, (2) shift the allocation of agency officials' time from the preparation of budgets to improved financial management and analysis of program effectiveness, and (3) enhance agencies' abilities to manage their operations by providing more certainty in funding over two years. However, while we have said biennial budgeting would change the nature of congressional oversight, we have also said it would bring neither the end of congressional control nor the guarantee of improved oversight. It would require a change in the nature of that control. If the Congress decides to proceed with a change to a biennial budget cycle—including a biennial appropriations cycle—careful thought is necessary on implementation issues.

¹⁴See U.S. General Accounting Office, *Budget Process: Considerations for Updating the Budget Enforcement Act*, [GAO-01-991T](#) (Washington, D.C.: July 19, 2001).

Appendix I
High-Performing Organizations: Highlights of
Forum Discussion

One participant stated that it would be useful to learn more from those states or countries that have biennial budgets to determine best practices.¹⁵ Another participant stated that the biennial budget was attractive theoretically, but that it would be difficult to convince the Congress of the benefits of a biennial budget and difficult to implement. One participant noted that the Department of Defense develops a biennial budget, but that it still must proceed through the annual appropriations process along with other federal agencies.

¹⁵See U.S. General Accounting Office, *Biennial Budgeting: Three States' Experiences*, [GAO-01-132](#) (Washington, D.C.: October, 2000).

Forum Participants

Facilitator

David M. Walker

Comptroller General of the United States
U.S. General Accounting Office

Participants

Lawrence F. Alwin, CPA

State Auditor, Texas State Auditor's
Office

Jonathan Breul

Associate Partner of IBM Business
Consulting Services and Senior Fellow at
the IBM Center for The Business of
Government

Colin Campbell

Canada Research Chair in U.S.
Government and Politics, University of
British Columbia

Jeff Chambers

Vice President of Human Resources, SAS

Gene L. Dodaro

Chief Operating Officer, U.S. General
Accounting Office

William Eggers

Global Director, Public Sector, Deloitte
Research

Janet Hale

Under Secretary for Management,
Department of Homeland Security

Mary Hamilton

Executive Director, American Society for
Public Administration

Sallyanne Harper

Chief Mission Support Officer and Chief
Financial Officer, U.S. General
Accounting Office

Ted Hoff

Vice President Learning, IBM
Corporation

Appendix II
Forum Participants

Dr. Shirley Ann Jackson	President, Rensselaer Polytechnic Institute
John Kamensky	Associate Partner of IBM Business Consulting Services and Senior Fellow at the IBM Center for The Business of Government
Colleen Kelley	National President, National Treasury Employees Union
Gail McGinn	Deputy Under Secretary of Defense for Plans, Department of Defense
Patricia McGinnis	President and Chief Executive Officer, Council for Excellence in Government
Frank A. Partlow, Jr.	Chief of Staff, Government Printing Office
Marta Brito Perez	Associate Director, Human Capital Leadership and Merit System Accountability, Office of Personnel Management
John Potter	Postmaster General and Chief Executive Officer, U.S. Postal Service
Jacqueline Simon	Public Policy Director, American Federation of Government Employees
A.W. Pete Smith, Jr.	President and Chief Executive Officer, Private Sector Council
Max Stier	President and Chief Executive Officer, Partnership for Public Service
Robert Tobias	Director, Institute for the Study of Public Policy Implementation, American University

Related GAO Products

U.S. Postal Service: Bold Action Needed to Continue Progress on Postal Transformation. [GAO-04-108T](#). Washington, D.C.: November 5, 2003.

Discusses the need for fundamental reform at the U.S. Postal Service and identifies various steps that the Service can take to modernize and improve its effectiveness and efficiency. While the Service has begun to implement a transformation plan, cut costs, and become more efficient, it continues to face a number of challenges.

Results-Oriented Government: Shaping the Government to Meet 21st Century Challenges. [GAO-03-1168T](#). Washington, D.C.: September 17, 2003.

Describes significant performance and management problems facing the federal government and the importance of periodic reexamination and reevaluation of agencies' activities. Suggests a range of options that the Congress could use to eliminate redundancy and improve federal operations.

Truth And Transparency: The Federal Government's Financial Condition And Fiscal Outlook, delivered by The Honorable David M. Walker, Comptroller General of the United States, at the National Press Club, Washington, D.C.: September 17, 2003.

Provides a candid description of the federal government's current financial condition and fiscal outlook for the coming years, and presents several suggestions for the consideration of the Congress, the Administration, and others on how to address current and future financial challenges.

GAO: Transformation, Challenges, and Opportunities. [GAO-03-1167T](#). Washington, D.C.: September 16, 2003.

Discusses GAO's major transformation effort over the past four years to effectively position the agency for the future including various initiatives that have helped GAO become more strategic, results-oriented, partnerial, and responsive. Identifies challenges and opportunities that still remain.

Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations. [GAO-03-669](#). Washington, D.C.: July 2, 2003.

Building on the nine key practices for successful mergers and transformations identified at GAO's September 2002 forum on the issue, this report identifies specific implementation steps for each practice illustrated by private and public sector examples.

FBI Reorganization: Progress Made in Efforts to Transform, but Major Challenges Continue. [GAO-03-759T](#). Washington, D.C.: June 18, 2003.

Reviews the FBI's efforts to reorganize and transform and finds that the agency has made progress in some areas over the past year, but a number of major challenges remain.

Human Capital: Building on DOD's Reform Effort to Foster Governmentwide Improvements. [GAO-03-851T](#). Washington, D.C.: June 4, 2003.

Provides GAO's observations on recent DOD human capital reform proposals accompanying that agency's broader transformation effort. Identifies the need for governmentwide reform so that federal agencies can strategically manage their human capital.

Major Management Challenges and Program Risks: A Governmentwide Perspective. [GAO-03-95](#). Washington, D.C.: January 2003.

Outlines an array of challenges and opportunities for federal agencies to enhance performance, ensure accountability, and position the nation for the future. Describes transformation efforts underway at several agencies to make their cultures more results-oriented, customer-focused, and collaborative in nature.

Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies. [GAO-03-293SP](#). Washington, D.C.: November 14, 2002.

Summarizes the findings of a GAO forum held in September 2002 to identify useful practices learned from major private and public sector organizational mergers and transformations that federal agencies,

including the new Department of Homeland Security, could implement to successfully transform their cultures.

Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges. [GAO-03-192SP](#). Washington, D.C.: October 4, 2002.

Summarizes the findings of a GAO roundtable held in September 2002 on the Chief Operating Officer concept and how it might be used in selected federal agencies as one strategy to address certain systemic governance and management challenges.

Selected Bibliography on High-Performing Organizations and Networked Government

This selected bibliography provides additional resources and information on how federal agencies work within networks and partnerships to achieve results and outcomes. Prior to our forum on high-performing organizations, we met with a number of representatives from the public, not-for-profit, and for-profit sectors, as well as academia, who helped us develop the themes that we explored during the forum. This selected bibliography was culled from materials cited by these representatives in our discussions with them as well as from our own review and knowledge of the literature on this topic.

Eggers, William D. and Stephen Goldsmith. *Government by Network: The New Public Management Imperative*. Deloitte Research and The Innovations Program at the John F. Kennedy School of Government at Harvard University, February 2004 (forthcoming).

Describes the emergence of networked government as a fundamentally different organizational model for the formulation and delivery of public services. Identifies different types of networks and provides illustrative case studies.

Atkinson, Robert D. *Network Government for the Digital Age*. Washington, D.C.: Progressive Policy Institute, May 2003.

Outlines a framework for thinking about government in the Information Age that emphasizes “network government” and promotes collective action to advance the public good. Provides steps for creating network government.

National Academy of Public Administration. *Powering the Future: High Performance Partnerships*. Washington, D.C.: April 2003.

Identifies the characteristics of a high-performing partnership based on the experiences of 10 cross-sector partnerships. Describes how the partnerships work and how they provide better outcomes.

Agranoff, Robert. *Leveraging Networks: A Guide for Public Managers Working Across Organizations*. Arlington, VA.: IBM Endowment for The Business of Government, March 2003.

Describes 12 networks of government organizations, intergovernmental entities, and nonprofits and outlines from managers’ perspectives the critical elements for successful collaboration.

Kamarck, Elaine C. *Applying 21st-Century Government to the Challenge of Homeland Security*. Arlington, VA.: The PricewaterhouseCoopers Endowment for The Business of Government, June 2002.

Describes reinvented government, government by network, and government by market as alternatives to the bureaucratic model. Applies these models to the problem of homeland security.

Commercial Activities Panel. *Commercial Activities Panel Final Report: Improving the Sourcing Decisions of the Government*. Washington, D.C.: April 2002.

Presents 10 principles for a strategic approach to sourcing in the federal government and then uses these principles to assess the federal government's current approach and develop recommendations for improvement.

Fosler, R. Scott. *Working Better Together: How Government, Business, and Nonprofit Organizations Can Achieve Public Purposes Through Cross-Sector Collaboration, Alliances, and Partnerships*. Washington, D.C.: Three Sector Initiative, 2002.

Identifies forces that have blurred the conventional lines between government, business, and nonprofit organizations and offers lessons learned for making cross-collaboration efforts more effective.

Kettl, Donald F. *The Transformation of Governance: Public Administration for Twenty-First Century America*. Baltimore: Johns Hopkins University Press, 2002.

Discusses government's increasing reliance on tools such as grants, contracts, and loans that operate mainly through partnerships with nongovernmental players. Analyzes this transformation of governance and highlights the need for greater capacity to work with nongovernmental partners.

Linden, Russell M. *Working Across Boundaries: Making Collaboration Work in Government and Nonprofit Organizations*. San Francisco: Jossey-Bass, 2002.

Provides a framework describing key elements of successful collaboration. Case studies demonstrate how organizations overcome obstacles to generate greater value by working together.

Salamon, Lester M. (ed.) *The Tools of Government: A Guide to the New Governance*. Oxford: Oxford University Press, 2002.

Contains 22 essays covering a wide range of topics concerning the different tools of public action and the role of third-party actors in delivering government services. Provides a systematic discussion of how these tools are being used to address public problems both in the United States and abroad.

Popovich, Mark G. (ed.) *Creating High-Performance Government Organizations*. Washington, D.C.: National Academy of Public Administration, 1998.

Provides guidance and tools intended to help managers and innovators at every level of government mold their organizations into results-oriented, mission-driven operations.

GAO Forums and Roundtables (Planned and Past)

GAO conducts periodic leadership forums and roundtables on topics affecting the federal government's role in meeting selected 21st century national challenges. Selected leaders and experts in various fields from the public, private and not-for-profit sectors are convened at these meetings to discuss certain key issues. The goal of each event is to produce dialogue that stimulates new partnerships and identifies actions designed to address the respective issues. A report summarizing the discussions without attribution and noting the participants who attended is published after each forum and roundtable.

Sessions that are planned and have been held are listed below, as well as detailed descriptions of each event.

Long-range Budget Challenges Forum

Fall 2004

One of our most difficult and contentious national issues involves allocation of limited resources to meet different needs over different generations. This forum will be designed to discuss current and projected budget challenges at different levels of government caused by changing national priorities, known demographic trends, rising health care costs and other factors. This forum will explore possible metrics and methods that could be used to place greater attention on budgetary choices and tradeoffs in the connection of stewardship issues and inter-generational challenges.

Human Capital and Civil Service Reform Forum

Spring 2004

Effective human capital strategies are key to maximizing the government's performance, assuring its accountability and facilitating successful government transformations. This forum will discuss pending human capital reform efforts, recent legislation, and possible future legislative and administrative reform efforts. Special attention will be provided to developing an initial set of operating principles for determining agency-specific vs. governmentwide human capital reforms and seeking agreement on a legislative and regulatory template for providing agencies with greater human capital authorities.

Workforce Challenges and Opportunities in the 21st Century Forum

April 22, 2004

The U.S. may face significant worker and skills shortages in the 21st century as a result of long-term demographic and employment trends such

as the aging of the large baby boom population together with slower labor force growth. In addition, the share of the workforce holding college degrees is projected to grow significantly slower than in the past. However, opportunities may exist for addressing the potential shortages such as increasing the workforce participation of seasoned workers, low-income individuals, those with disabilities, and foreign labor. This forum will discuss the future demands on the workforce, options for meeting these demands and their trade-offs, and the role government might play in helping to address these issues.

Health Care Forum

January 13, 2004

The U.S. faces a huge and growing long-range fiscal imbalance due primarily to known demographic trends and rising health care costs. Concerned about these trends, the Comptroller General sponsored a forum to discuss with business leaders and health policy experts the current state of and the long-term challenges posed by the nation's health care system. In addition, the discussion focused on strategies for achieving an efficient, effective, reasonable, and sustainable health care financing and delivery system over the long term.

High-Performing Organizations Forum

November 6, 2003

To respond to the governance challenges of the 21st century, government agencies must transform what they do, the way they do business, and in some cases, who does the government's business. This transformation must create a government that is less hierarchical, process-oriented, stovepiped, and inwardly focused and make government more partnership-based, results-oriented, integrated, and externally focused. A goal of this transformation is to create high-performing organizations across the federal government. Government agencies will need to work better within networks—governmental and non-governmental organizations, and the private sector, both domestically and internationally—to achieve results. This forum identified the essential attributes of high-performing organizations within a networked public management environment and

possible next steps for creating high-performing organizations across the government.¹

Key National Indicators Forum

February 27, 2003

The U.S. faces profound challenges today and in the future such as the aging of the baby boomers, rising health care costs, and threats to our national security. The information needed to help the nation's leaders and concerned citizens address these challenges is not as available, comparable, or reliable as it could be for making public policy choices. The purpose of the forum was to discuss whether and how to develop a set of key national indicators that will provide better information to national decision makers for making public policy choices as well as to the public as a whole.² After the forum, several public and private sector institutions formed an informal national coordinating committee to begin organizing a national initiative as a temporary means of facilitating dialogue, work and funding to develop a more comprehensive national indicator system.

Governance and Accountability Forum

December 9, 2002

Recent events have highlighted just how critical our corporate governance system and the accountability profession are to our market economy and civil society. This forum was designed to discuss implementation of the Sarbanes/Oxley Act of 2002, as well as other steps that have been taken, and additional steps that could be taken, to help improve the public confidence in these two critical foundations. Special emphasis was placed on steps designed to enhance independence of the corporate governance

¹See U.S. General Accounting Office, *Highlights of a GAO Forum on High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment*, [GAO-04-343SP](#) (Washington, D.C.: Feb. 13, 2004).

²See U.S. General Accounting Office in Cooperation With The National Academies, *Forum on Key National Indicators: Assessing the Nation's Position and Progress*, [GAO-03-672SP](#) (Washington, D.C.: May 2003).

system, and the accounting/auditing and attest/assurance models for the 21st century.³

Mergers/Transformation Forum

September 24, 2002

The creation of the new Department of Homeland Security represents a major transformation challenge for the U.S. government. The Comptroller General facilitated a forum to identify and discuss useful practices learned from major private and public sector organizational mergers and transformations that federal agencies could implement to successfully transform their cultures. While there is no one right way to manage a successful merger or transformation, the participants' discussion identified key practices to ultimately create a new organization that is more than the "sum of its parts." GAO subsequently identified implementation steps for these practices to assist organizational mergers and transformations.⁴

Chief Operating Officer Roundtable

September 9, 2002

GAO has amply documented that agencies are suffering from a range of long-standing management problems that are undermining their abilities to accomplish their missions and achieve results. The Comptroller General facilitated this roundtable to discuss the Chief Operating Officer concept and how it might apply within selected federal departments and agencies as one strategy to address certain systemic federal governance and management challenges. There was general agreement that the following three themes provided a course of action for the Chief Operating Officer concept (1) elevate attention on management issues and transformational change, (2) integrate various key management and transformation efforts,

³See U.S. General Accounting Office, *GAO Forum on Governance and Accountability: Challenges to Restore Public Confidence in U.S. Corporate Governance and Accountability Systems*, [GAO-03-419SP](#) (Washington, D.C.: Jan. 24, 2003).

⁴See U.S. General Accounting Office, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: Nov. 14, 2002) and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

and (3) institutionalize accountability for addressing management issues and leading transformational change.⁵

**Governance, Transparency, and
Accountability Forum**

February 25, 2002

The unexpected bankruptcy of Enron and the financial difficulties experienced by several other large corporations resulted in substantial losses to employees and shareholders. The Comptroller General convened a forum that focused on corporate governance, transparency, and accountability issues to assist the Congress in identifying systemic issues and changes that could serve to reduce the possibility of other Enron-like situations in the future. Forum participants included individuals from federal and state government, the private sector, standards-setting and oversight bodies, and a variety of other interested parties. The results of this forum, along with other GAO analysis, testimony, and reports, helped inform the Congress as it drafted legislation to strengthen government oversight of and protect the public's interest in the nation's financial markets.⁶

⁵See U.S. General Accounting Office, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, [GAO-03-192SP](#) (Washington, D.C.: Oct. 4, 2002).

⁶ See U.S. General Accounting Office, *Highlights of GAO's Corporate, Governance, Transparency and Accountability Forum*, [GAO-02-494SP](#) (Washington, D.C.: March 5, 2002).

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Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
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