



IBM Center for
The Business of Government

Special Report Series

Six Trends Driving Change in Government



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Executive Summary



Today, government is in the midst of significant changes that have both near-term consequences and lasting impact. Such changes become more complex in nature and more uncertain in effect. At the same time, the demands on government continue to grow while the collective resources available to meet such demands are increasingly constrained. Government leaders, managers, and stakeholders face major challenges, including:

- **Fiscal austerity:** Significant current fiscal constraints are predicted to grow over time, given continued deficit projections over the long term.
- **Citizen expectations:** Growing capacity to connect people and information at any time, anywhere, has led to a citizenry that demands online, real-time service, and improved performance—increasing the need for a responsive, timely, coordinated, transparent, and accountable government.
- **Pace of technology and innovation:** Technology has made it easier to collect, connect, aggregate, and display data and computing power, making it available to a massively expanding range of users from across the globe. Mobile innovations are leading to disruptive change in how citizens communicate and do business with each other, private companies, and government agencies. This increasing pace of technology stands in contrast to the relatively deliberate pace of government.
- **A new role for governance:** The nature of governance is changing as lines between public, private, and nonprofit organizations shift in responding to the factors noted above, while the 24-hour information cycle can turn small issues into large ones in seconds—highlighting the need for effective and timely coordination across sectors.

These challenges influence how government executives lead today, and, more importantly, how they can prepare for the future. To understand how government executives can move forward most effectively, the IBM Center for The Business of Government has looked across our interactions with government leaders and stakeholders, as well as the considerable work and thinking of the many outstanding authors of Center reports in recent years, and has identified a set of trends that correspond to these challenges and drive change in government. These trends—both separately and in combination—paint a path forward in responding to the ever-increasing complexity that government faces today and into the future.

Six Trends Driving Change in Government

The Center has identified six trends driving change in government. These trends each bring their own dynamic, but they also impact one another. Successful leaders will

leverage progress and effective practice in the context of these trends, to improve how government serves citizens within and across agencies.

Trend One: Performance (pp. 9–14). The federal government’s efforts to improve the performance and results of its programs have evolved over the last two decades. In the beginning, the focus was on agencies developing a supply of performance information to create annual performance reports, but today the focus is on achieving a handful of strategic goals through the effective use of data to inform real-time decision-making.

New laws, policies, technologies, and techniques have made this shift in focus possible, but more can be done to drive change through government performance management. Government executives are finding ways to more effectively integrate performance management into the decision-making processes and culture of government, within—and increasingly across—agencies and programs.

Trend Two: Risk (pp. 15–19). Given fiscal austerity and the complex challenges facing government executives, managing risk in the public sector has taken on new significance. Risks take on many forms, including national security risks from cyberattacks, economic risks from natural disasters, budget and program risks, and privacy risks. However, government leaders lack an accepted culture and framework within which to properly manage, incorporate, and communicate risk as part of program operations.

Assessing the inherent risks facing the public sector, and acting accordingly, is a key trend that can drive change in government and promote successful management of government programs and missions.

Trend Three: Innovation (pp. 20–24). Innovation can be viewed as new ideas, or as current thinking applied in fundamentally different ways, resulting in significant change in operating models, business processes, or products and services. In order to capitalize on innovation as a powerful driver—moving beyond immediate invention and toward lasting transformation—government executives can articulate the value of innovation (both for internal operations and service delivery), embed a culture of innovation and experimentation within their agencies, align innovation efforts to agencies’ missions, tap into innovators beyond government, and monitor the outcomes of innovation.

Trend Four: Mission (pp. 25–30). Agency missions cannot be delivered without support functions such as human resources, acquisition, information technology, and financial management. Over the past 25 years, these mission support functions have been professionalized and frequently centralized, with their leaders often referred to as chiefs or the C-Suite. They typically wear three hats: policy implementation, service delivery, and strategic advice.

Rather than seeing chiefs as process-oriented, with a function separate from agency mission achievement, effective program leaders can leverage the investment and infrastructure of the various mission support functions to deliver results and improve program efficiencies. Conversely, effective practices pursued by chiefs in the public interest can foster improved mission performance.

Trend Five: Efficiency (pp. 31–35). As fiscal austerity will be an enduring challenge for public managers for the foreseeable future, agencies have greater incentives to rethink traditional approaches to mission support and service delivery. Public managers can

harness major technological shifts and adapt proven, public-sector and commercial best practices to make their agencies both more efficient and productive, and to provide services with greater speed and quality.

Efficiency may hold the most immediate near-term benefit of transformation in government. However, its visible results will best be fostered through transparency in current costs, an understanding of the savings that can result from efficiency initiatives, and the ability of agencies to document and retain those savings to continue improvements in mission achievement.

Trend Six: Leadership (pp. 36–41). Government executives today face serious, sometimes seemingly intractable public management issues that go to the core of effective governance and leadership. These issues test the very form, structure, and capacity of agencies to meet problems head-on. As a result, successful government leaders must go beyond established parameters and institutional strictures, working across organizational boundaries in pursuit of multilayered, networked approaches tailored to a specific challenge.

Since complex challenges confront people with the unknown and unpredictable, they also demand a different style of leadership—one that shapes vision and fosters alignment and commitment through collaborative action. Within this environment, incentivizing the right kind of “shared” leadership approach and style can drive change in government.

Going Forward

Focusing on these six trends has the potential to change the way government does business. The Center will fund research into each, exploring in-depth their transformative potential. By sharing knowledge and expertise gained from this research, we hope to spark the imagination of government executives beyond their day-to-day urgencies and toward solutions to the serious problems and critical challenges that government faces now and into the future.

In addition, in July 2013 President Obama announced his plan to develop an “aggressive management agenda.” This second-term management agenda will harness the power of technology, and will be guided by core principles that include generating significant, tangible, and positive differences in the lives of the American people; producing measurable results; and driving lasting change in how government works to continuously improve results.

The president designated the Office of Management and Budget (OMB) to lead agencies in developing a plan that will address management in initiatives across four areas:

- Advance the goals of effectiveness (i.e., government that works better)
- Increase efficiency (i.e., government that costs less)
- Foster economic growth (i.e., government that supports a stronger economy)
- Support federal employees in developing a new culture to improve government

The president encouraged his Cabinet to implement actions in each of these four areas by building on the best of existing initiatives and accelerating their execution, while also launching new initiatives.

Each of the six trends outlined in this report can help government executives understand the art of the possible when developing approaches that address the administration's management agenda. Moreover, the insights described in each trend can also help government executives respond more effectively to their mission and management challenges, while enabling them to formulate a path forward in light of broad economic, technological, and societal factors that will continue to impact the public sector. Focusing on these six trends for driving change in government can help executives meet such challenges successfully.

Trend One: Performance

Moving from Measurement to Action

The federal government's efforts to improve the performance and results of its programs have evolved over the last two decades. In the beginning, the focus was on agencies developing a supply of performance information to create annual performance reports, but today the focus is on achieving a handful of strategic goals through the effective use of data to inform real-time decision-making.

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New Law Serves As Catalyst for Action

The GPRA Modernization Act of 2010 (GPRAMA) reinvigorates a 20-year-old law—the Government Performance and Results Act of 1993 (GPRA)—requiring agencies to develop strategic plans, measures, and annual reports. The new law formalizes a performance leadership and governance structure that had evolved over the previous two decades. It also requires the development of targeted agency and cross-agency priority goals, regular reviews by senior leaders of progress toward those goals, and government-wide reporting of performance via a single web portal.

In his 2013 report for the IBM Center, *The New Federal Performance System: Implementing the GPRA Modernization Act*, public management professor Donald Moynihan describes the key challenge that GPRAMA's implementers will face: the need to ensure that the law's many procedural requirements do not overwhelm federal agencies to the extent that agency leaders focus on compliance rather than on improving performance.

In response to this challenge and related research, Dr. Moynihan sees the new law as a catalyst for creating a culture that thrives on outstanding performance. The systems, processes, and procedures that commonly accompany any performance management system are intended to help frame it. They do not produce performance, however. So what does? Dr. Moynihan says that an “appeal to the motivation that public servants have to help others through their work” is the secret to effective performance in government.

Administration Policies Open the Gates to Accountability

In addition to making GPRAMA law, the Obama administration has placed a great deal of emphasis on ensuring greater transparency and more open access to government data.



New laws, policies, technologies, and techniques have made this shift in focus possible, but more can be done to drive change through government performance management.

New Requirements, New Roles, and New Processes

New Requirements

- Agencies must develop a four-year strategic plan that aligns the strategic planning calendar with the presidential term. This adjusts the previous requirement for agencies to update a strategic plan with a five-year timeline every three years. These new plans would be submitted with the first full presidential budget proposal.
- Agencies must develop an annual performance plan, including agency priority goals. While agencies were previously required to provide performance goals annually, there is now an expectation that they be more closely linked with their strategic plan.
- The Act requires agencies to designate a small number (roughly two to eight) of agency priority goals. These are targets that the agency leader commits to seeking improvement on within a two-year time frame, and must be updated quarterly.
- OMB must produce a federal government performance plan featuring cross-agency priority (CAP) goals and targets for improved government performance, reported and reviewed on a quarterly basis.
- Performance data must be reported via a central website, [Performance.gov](https://www.performance.gov).

New Roles

- Each agency must have a chief operating officer (COO, who is deputy secretary or equivalent of a department) and a performance improvement officer (PIO) to oversee an agency's performance improvement efforts.
- The executive branch must identify specific individuals with primary responsibility for achieving agency priority goals and the cross-cutting CAP goals.
- The Act codifies a government-wide performance improvement council (PIC), made up of the OMB deputy director for management and agency PIOs. The council is expected to share lessons and offer operational advice in implementing performance management practices.

New Processes

- Agencies must hold a quarterly progress review on agency priority and other goals. The COO is required to lead these reviews.
- The cross-agency priority goals must be reviewed quarterly by the OMB deputy director with support from the PIC.
- OMB is expected to annually identify goals agencies failed to achieve, and to require remedial action. OMB will put in place a strategic objective annual review (SOAR) process to fulfill this requirement. SOAR will center on an estimated 300 strategic objectives (assuming 10–20 per agency) that are a subset of agency strategic goals, and is intended to focus on outcomes.

Source: The New Federal Performance System: Implementing the GPRA Modernization Act

Agencies have responded with a range of initiatives. Government-wide, the administration has also created a one-stop website, Data.gov, for agency data sets, and has set forth a series of policies and initiatives to foster greater transparency and openness. Congress has supported performance management through legislation, encouraging, for example, greater transparency in government spending data via the provisions of the Recovery Act.

In an IBM Center report, *Recovery Act Transparency: Learning from States' Experiences*, Dr. Francisca Rojas examines the implications of greater transparency in states implementing the Recovery Act's provisions. She finds that the most active users of newly available spending data tend to be other government agencies, not necessarily the public, media, or advocacy groups. These government users find the data useful in improving cross-agency understanding, collaboration, and, in some cases, performance. For example, with a better understanding of where individual state agencies in Maryland are making investments, government users are better able to collectively coordinate land use planning, housing, agricultural, and transportation initiatives.

Congress is currently considering a new law that would extend the transparency and reporting provisions in the Recovery Act to all government spending. This could make a much wider array of spending data available, and create new opportunities for comparative analyses to improve performance.

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Three Innovative Approaches to Accountability. This new openness has also engendered several new forms of accountability, according to professors Dorothea Greiling and Arie Halachmi (2013). "Traditional accountability arrangements are mostly vertically oriented and so follow hierarchical lines of control," explain Greiling and Halachmi. They go on to observe that "innovative forms of accountability break with this pattern," and are more horizontal and bottom-up in nature. They describe three new forms of accountability that reflect the new interplay between open data, social media technologies, and the increasing availability of real-time data:

- **Interactive accountability** encourages "management by inquiry," reflected in mechanisms such as Baltimore's CitiStat and the British government's use of an analytic "delivery unit" to promote improved performance and accountability in a continuous series of leader-led forums.
- **Dynamic accountability** allows stakeholders to use open data to hold government accountable. This is reflected in "open checkbook" websites, where states and cities post spending transactions publicly. At the federal level, the Recovery.gov website posted the spending details of \$840 billion in Recovery Act funds. Dynamic accountability is also reflected in social media sites such as SeeClickFix, which allows citizens to report municipal problems such as broken street lights and potholes.
- **Citizen-initiated accountability** reflects citizen-initiated approaches that can use crowdsourcing and open-source technology. For example, the website Ushahidi.com is used to report on issues such as vote tampering, food shortages, floods in Pakistan, and the earthquakes in Japan and Haiti. In these instances, observe Greiling and Halachmi: "Citizens not only hold government to account, they also play a major role in dealing with social problems."

Making Real-Time Analytics Possible

In parallel with the catalyzing push of the new GPRA law and the greater availability of government data, a series of new technological advances offer sense-making techniques

and access to previously unavailable sources of large amounts of structured and unstructured data. For example, IBM Center author Sukumar Ganapati describes the use of dashboards as one approach to help busy decision-makers synthesize and understand a wide array of data. The Obama administration, for example, has created dashboards on the progress of its information technology investments and its efforts to reduce the government's real property holdings.

Another IBM Center report on the use of data visualization, by Genie Stowers, quotes Kerri-Ann Jones, assistant secretary at the State Department: "Data visualization is being used effectively in so many arenas already. It is being used in disaster response and coordination—strengthening the ability of communities to respond. It is helping information become more transparent and accessible to society in general. It is allowing donors to see how their money is being used in projects ranging from disaster relief to climate change. Data visualization shows progress being made, bumps along the road, and pledges being fulfilled."

Linking Data to Decision-Making

Data and evidence are increasingly being used in agency decision-making, in part because of greater leadership interest, but also because there are new techniques and capacities available. For example, GPRAMA requires agencies to hold regular data-driven decision meetings; this new forum has created a demand for useful information.

In addition, the U.S. Office of Management and Budget (OMB) is supporting a series of initiatives to build an evidence- and evaluation-based decision-making capacity in agencies. OMB has issued several directives to agencies encouraging their adoption of evaluation and analytic approaches, and is encouraging the development of such capacities as well.

More evidence and program evaluation information is becoming more available. For example, the U.S. Department of Labor has created a chief evaluation officer who serves as an advocate for the use of evaluation results within senior leadership meetings. And the Washington State Institute for Public Policy has been chartered by the state legislature to conduct systematic reviews of existing evaluation research in order to inform legislators on which practices and strategies will result in the greatest return on investment.

In addition, a number of federal agencies have created "what works" websites that serve as one-stops for evidence and evaluation of specific policy techniques. For example, the U.S. Department of Education's What Works Clearinghouse reviews the research on various policies, programs, and practices in order to provide educators with the best information available so they can make evidence-based decisions.

Opportunities for Driving Change in Government Performance

The availability of new laws, policies, technologies, and techniques offers government managers new opportunities to focus on performance and results in their programs. Following are several examples of potential challenges and opportunities government leaders could act upon in coming months and years.

Creating a Performance Culture. A June 2013 report by the U.S. Government Accountability Office (GAO) on agencies' progress toward a performance-and-results culture highlights both challenges and promise. The most encouraging piece of data comes from its survey of federal managers. That survey suggests that GPRAMA's approach—requiring agencies to identify priority goals, designate individuals as goal leaders, and conduct regular progress reviews with top-level leaders—is making a positive difference in agency performance. The next step could be to cascade this approach from the department level to the bureaus and the field, across the government.

Creating Incentives to Act. GAO (2000) has long observed that government leaders need to put in place more effective incentives to encourage action on performance information, both organizationally and individually. This is beginning to happen. For example, the mental health block grant program at the U.S. Department of Health and Human Services plans to require states to target at least five percent of the funding they receive to “the most effective evidence-based prevention and treatment approaches,” according to OMB. Approaches like this could incentivize the use of such information to improve performance.

Using Evidence-Based Approaches. In the face of budget austerity, government leaders are increasingly pioneering new policy tools based on evidence of what works. For example, under one approach called pay for success, sometimes called social impact bonds, philanthropic and other private investors provide upfront funding for services. The government funder does not pay unless and until there are demonstrated results as measured by a third party. This approach is being used in New York City and the Obama administration is piloting it in about a dozen different policy arenas, such as the reduction of recidivism among people released from prison and in programs to improve job placement and retention.

Over the past two decades, the goal of those in the performance movement has been to make the culture of agencies more results-oriented and performance-focused in both work and decision-making.

Conclusion

Over the past two decades, the goal of those in the performance movement has been to make the culture of agencies more results-oriented and performance-focused in both work and decision-making.

Studies show some progress among mid-level managers, but recent statutory changes and technological advances have led more senior government leaders to increasingly integrate performance information into their decision-making processes. This has contributed to better choices rooted in facts and evidence. For example, the U.S. Department of Housing and Urban Development set a goal of increasing the number of families housed rather than focusing on reducing the number of vacant public housing units. This required collecting new data, but the inclusion of this new performance information led to a significant increase in families in public housing, without significant new funding or expansions in the number of public housing units.

However, increasing evidence-based decision-making among senior leaders will likely not be enough to change agency cultures. Agency leaders will need to create and embed both individual and organizational incentives to be more results-oriented and performance-focused. Employees on the front line need to see how what they do on a day-to-day basis makes a difference for their agency's mission, and according to GAO, only about one-third see connection between their job and their agency's performance.

Increasing their access to real-time performance information may be one approach. When this has been done in some pioneering agencies, it has allowed data-driven problem-solving to occur on the front line, in the field. Finding these kinds of levers for culture change—which will likely vary from agency to agency—will be a challenge to both policy makers and agency leaders, but when done well, it can have a lasting effect.

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Trend Two: Risk

Managing and Communicating Risk

Today, given budget austerity and the complex challenges facing government executives, managing risk in the public sector has taken on new significance. Risks take many forms, including national security risks via cyberattacks, economic risks from natural disasters, budget and program risks, or privacy risks. However, government leaders lack an accepted culture and framework in which to properly manage, incorporate, and communicate risk. This tends to constrain creativity and innovation within government.

Understanding the spectrum of risks, developing strategies and tools to mitigate them, and developing strategies for communicating risks to appropriate target populations will be growing challenges for government executives in years to come. More importantly, assessing the inherent risks facing the public sector, and acting accordingly, is a key trend that can drive change in government and promote successful management of government programs and missions.

Accepting Risk as a Condition of Action

Risk is inherent in every facet of life—risks to health from bad food, risk of injury or damage from driving a car or living in a zone where extreme weather events occur, risk of financial or identity theft due to online banking fraud. David Schanzer notes in a 2010 IBM Center report:

We are constantly assessing risks that we face and responding. We purchase insurance to shift certain risks to others. We take steps like fixing an old roof or getting more exercise to mitigate risks to our property or personal health. Certain risks we choose to accept—like the risk of driving to work or allowing an old tall tree to remain right next to our home. The range of choices we make in our lives is, in a sense, a form of strategic risk management.

Human beings understand that such risks are inherent, and generally support action to reduce the impact of risks—standards for food inspections, safety standards for cars and homes, and banking fees to defray the cost of online fraud.

In the commercial sector, successful enterprises assess the risks that they face, and develop responses to manage those risks. These range from paying insurance in advance so that they can recover losses, to moving to less risky methods of production (e.g., reducing the costs that are a consequence of an unsafe workplace), to informing the public in advance of potential risks and liabilities faced in the event of losses (e.g., credit card companies tell individuals in advance that if their online accounts are compromised, they will only lose up to a certain dollar amount, which increases trust in the use of cards online).



Assessing the inherent risks facing the public sector, and acting accordingly, is a key trend that can drive change in government and promote successful management of government programs and missions.

Risk is Inherent in Achieving Government Missions

In government, risks have been primarily seen as constraints to minimize or avoid. With the exception of agencies such as FEMA, which has a risk management mission, most federal agencies tend to focus on risk *avoidance* rather than risk *management*. As a result, when something goes wrong, agencies, their constituents, and their overseers tend to overreact to the immediate problem, rather than understanding in advance how to develop strategies that anticipate the inherent risks associated with the missions these agencies perform. Every agency faces financial management, worker skillset, and now cybersecurity risks; few think in advance about how to understand what may happen in these and other domains, how to communicate that in advance to their employees and stakeholders, and how to be resilient in the face of disruption.

Complicating the government picture further, a different kind of risk calculus faces the national security community every day. Managing risk in this arena is especially complex when the forms and patterns of security threats are changing in so many ways and at a faster pace than ever before. The capabilities required to threaten a nation, region, or even global stability are available to both rich and impoverished nation-states, as well as small networks of people who can and do operate independently of any nation-state. Long-range, stealthy, precision attacks—once the exclusive domain of America’s military—are now available via cyberattack to a wide range of people and groups, well outside the bounds of nation-state controls.

Given the rapid pace of change that government faces, it is imperative that agencies turn from a culture of risk avoidance to one of risk management.

Turning from Risk Avoidance to Risk Management

Given the rapid pace of change that government faces, it is imperative that agencies turn from a culture of risk avoidance to one of risk management. A thought-provoking approach to how this change can occur appears in a *Harvard Business Review* article, “Managing Risks: A New Framework,” by Robert Kaplan and Anette Mikes. Kaplan and Mikes note that “risk management is too often treated as a compliance issue that can be solved by drawing up lots of rules and making sure that all employees follow them.” In addition, many organizations compartmentalize their risk management functions along business lines (credit risk, operational risk, financial risk) and this “inhibits discussion of how different risks interact.” Such categorizations can miss many kinds of risks that organizations face.

Three Categories of Risk. Kaplan and Mikes developed a framework “that allows executives to tell which risks can be managed through a rules-based model and which require alternative approaches.” Their research identifies three categories of risk.

- **Preventable.** “These are internal risks, arising from within the organization, that are controllable and ought to be eliminated or avoided.” These include illegal, unethical, or inappropriate actions, as well as breakdowns in operational processes. In the federal government, these are typically covered by internal control schemes. The authors say these kinds of risks are “best controlled through active prevention: monitoring operational processes and guiding people’s behaviors and decisions toward desired norms.” This can be done via rule-based compliance approaches.
- **Strategic.** These differ from preventable risks because they are not necessarily undesirable. For example, developing a satellite-based air traffic control system may be seen as taking a strategic risk over the proven, ground-based radar-controlled air traffic control system. The authors say, “Strategy risks cannot be managed through a rules-based control model. Instead, you need a risk-management system designed

Emerging Discipline of Enterprise Risk Management (ERM)

Increasingly, agencies are looking to the emerging discipline of enterprise risk management (ERM) as a way to make sense of this complexity, and integrate risk strategies into their daily operations and longer-term mission priorities. As Karen Hardy notes in her report for the IBM Center, *Managing Risk in Government: An Introduction to Enterprise Risk Management*, ERM spans all aspects of an organization's activities and is:

- A process, ongoing and flowing through an entity
- Affected by people at every level of an organization
- Applied in a strategy setting
- Applied across the enterprise, at every level and unit, and includes taking an entity-level portfolio view of risk
- Designed to identify potential events that, if they occur, will affect the entity, and to manage risk within its risk appetite
- Able to provide reasonable assurance to an entity's management and board of directors
- Geared to achievement of objectives in one or more separate but overlapping categories

to reduce the probability that the assumed risks actually materialize and to improve the company's ability to manage or contain the risk events should they occur.”

- **External risks.** Organizations cannot prevent external risks from happening. So managers need to forecast what these risks might be and develop ways to lessen their impact. They cannot be avoided, only managed. The model for addressing external risks is the use of “open and explicit risk discussions,” the authors say. The format might be war gaming (for near-term issues) or scenario analyses (for longer-term issues).

Kaplan and Mikes observe that “each approach requires quite different structures and roles for a risk-management function.” One way to implement this integrative approach is to anchor risk discussions in strategic planning functions; this function already serves as integrative in most large organizations and points to positive action rather than constraints. It is about turning the conversation from risk management that “focuses on the negative” to a risk strategy that aligns with “the ‘can do’ culture most leadership teams try to foster when implementing strategy.” Significantly, this approach aligns with the Government Accountability Office (GAO) “Risk Management Cycle.” As Figure 1 indicates, the first step is to identify strategic goals, including through public engagement; then move to a more formal process of risk assessment, consideration and selection of alternative ways to address those risks, and, finally, to execution and evaluation of the chosen alternatives to inform new strategies.

Four Strategies for Responding to Risks. Another approach to risk management grows out of the long-standing risk review discipline related to financial controls. This risk management framework, described by James Bailey in his IBM Center report, *Strengthening Control and Integrity: A Checklist for Government Managers*, focuses on four different strategies for responding to risks.

- **Acceptance**—live with the risk and accept the consequences. Can be useful for small risks

Figure 1: GAO Risk Management Cycle



- Elimination—stop doing the activity that creates the risk; this can be useful for low-value activities.
- Transfer—Outsource activities to entities that can better perform, such as shared services for back office activities.
- Reduction—Use controls to reduce potential impacts, as done in many traditional risk and compliance programs, as well as technology and acquisition programs, by moving to modular approaches that limit risk in each program incrementally.

Tony Bovaird and Barry Quirk, in “Reducing Public Risk and Improving Public Resilience: An Agenda for Risk Enablement Strategies,” as posted on INLOGOV Blog, outline a novel approach to helping government assess and manage risks as part of their strategy. This paper introduces a new concept of “risk enablement” as a means of moving toward a positive and forward-looking agenda that focuses on risks to citizens and businesses who receive government services, rather than a traditional view of risk to internal organizations. Risk enablement can help “decision-makers in the service system to choose activities with appropriate levels of risk, rather than assuming that risk minimization is always right.” Related to this is the concept of building resilience into federal programs and activities, so that as risks manifest, the agency is better equipped to address them.

Getting the Word Out About Risk

A key element of addressing risks facing federal agencies involves effective risk communication. In other words, understand what risks might affect an agency’s constituents, and then proactively get the word out about those risks. FEMA, for example, already exercises this strategy, advising individuals living in hurricane zones about potential outcomes, so that the public and the agency are better prepared if and when a storm arrives. If other agencies were to identify the potential risks being faced and similarly communicate them in advance, this would bring numerous benefits:

- Agencies would seek to understand risks to their constituents more completely.
- The public would have advance word on what might occur, helping to increase preparedness in the general population.
- If the risks become realities, the acceptance and public discourse is framed as one that builds around a sound response to a problem that has been forecast, rather than focusing on the reactions to an unanticipated event, which can quickly magnify the problem.

Pursuing New Areas of Research

The emergence of “big data” and a proliferation of high-performance computing open up potential new areas of research on how best to address and manage risk. The sheer power of modern technology allows an agency to understand, predict, and respond to uncertainty with far more effectiveness and at a far lower cost. Part of the future of risk enablement can be driven by analytics that can help organizations forecast, plan for, and respond to risks.

Looking forward, several important questions merit further investigation. These cover all aspects of risk management, from assessment to enablement, and include:

- Understanding various types of risk
- Being agile in the face of unanticipated risks
- New forms of risk management products and means
- New organizational forms that link public, private, and nonprofit organizations together around risk planning and response
- Training that helps prepare government leaders to think more strategically about risk as part of strategy development and implementation

Conclusion

As government operates in a world of increasing speed and complexity, and as citizens, who both empower and are served by government, expect better, faster, and more cost-effective results, addressing risk that can interfere with normal operations becomes ever more critical. The risk frameworks and strategies highlighted here can help leaders manage and respond to risks, fostering success within and across programs. In the future, such frameworks can be made real for government through partnerships with industry, nonprofits, researchers, and citizens. Tackling risk is a trend driving change in government, but challenges remain. Government executives must choose between two distinctly different paths: gain visibility of risks in advance, communicate their impacts, and be resilient in response in a way that enables positive outcomes; or be pressed into a more and more reactive mode because risks are not well-managed.

The first step is to identify strategic goals, including through public engagement; then move to a more formal process of risk assessment, consideration and selection of alternative ways to address those risks, and, finally, to execution and evaluation of the chosen alternatives to inform new strategies.

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Trend Three: Innovation

Leveraging Innovation to Drive Transformation

Innovation touches every facet of our lives—from transportation to communication, from personnel management to office automation. In the public sector, this is especially evident in how agencies provide services and meet their missions. Technology has enabled much of this innovation, but innovation also requires effective leaders to apply these technologies and drive change within their agencies.

Weaving Innovation into the Fabric of Government Agencies

Many government leaders have found a way to weave innovation into the fabric of their agencies. At the federal level, the U.S. Department of Health and Human Services (HHS) has hired an “entrepreneur-in-chief,” while the U.S. Department of State has an Office of Innovation that reports directly to the secretary. At the state level, Maryland has a chief innovation officer, who reports directly to the governor, ensuring the state government keeps pace with technology and citizens’ emerging needs while using innovative tools to manage government programs and services effectively.

The single constant within these examples is that senior government executives are leveraging innovation to drive change within government, and leading the charge to incorporate innovation within government.

They are doing so by articulating the value of innovation, fostering a culture of innovation, aligning it to mission, defining and measuring success, and harnessing the benefits of innovation. Moreover, whether at HHS, State, or in Maryland, these efforts are following a pattern of innovation often used in the private sector. In fact, many of the current government leaders leading the charge on innovation come from the private sector.

Articulating the Value of Innovation. The old saying goes, “If you do what you’ve always done, you’ll get what you’ve always gotten.” For a different outcome, change the methods. The first step is for leaders to explain the value of adopting new methods and new tools.

As survey findings and poll results indicate, citizens expect a government that works differently—a government that encourages citizen participation, shares its information more easily, and delivers services more effectively and efficiently than in the past. Significantly, given such expectations, citizens aren’t interested in paying more for a more responsive government. In fact, most want to pay less. To accomplish this kind of government involves changing some of the fundamental assumptions and methods of government operation through innovation. The first task for government executives is to articulate how pursuing innovation can form a government that meets the demands and expectations of the 21st century.

The present day differs from the past in two critical ways. First, powerful mobile computing allows individual citizens to create, access, and analyze data at any time, and to tap into their social networks for advice or guidance wherever they find themselves. Citizens want the ability to request and use government services at any time and from any place, and governments need to meet that need.

Access to social networks enables a culture of participation for interested citizens. For instance, social applications that run on phones, tablets, and wearable technology illustrate the value of participation with every shared picture, request for online petition signatures, and every opportunity to fund a new prospective product or service before it hits the market. Governments must make their services and operations open to participation at any time and place.

Government leaders must harness citizens' desire to participate in open government while also demonstrating how that participation can help deliver better services at lower cost. This is currently happening at many levels of government: by involving citizens in co-creation, co-production, and co-delivery of services, and by tapping into the knowledge of crowds through programs like the Securing Americans Value and Efficiency (SAVE) awards.

Fostering a Culture of Innovation

To realize the promise of innovation, government leaders need to go beyond simply fostering a culture of innovation to actively encouraging it. Government leaders can do this in a number of ways.

Appeal Both to Internal and External Stakeholders for Innovation. Many mechanisms have been set up at the federal level for public sector employees to offer their suggestions for innovation. All federal employees, for example, may contribute to the ideation platform called the SAVE award, which asks for suggestions on how to save money across the federal government.

On an agency-wide level, numerous platforms have been established to tap the ingenuity of employees for ways to improve agency operations, including the U.S. Department of State's Sounding Board, and HHS' HHSInnovates. Both programs were established by agency leadership to gather input from rank-and-file employees on how best to improve their agency performance in meeting their missions. Many municipalities have also been looking to the private sector to help them innovate through app contests, while the federal government is currently in the second round of bringing in outside innovators through the Presidential Innovation Fellows program.

Offer Incentives for Trying, and Even More for Succeeding. By encouraging innovation among employees, leaders can provide the conditions that make employees go beyond their job description. Though monetary incentives may be an obvious tool to foster employee innovation, the fiscal realities of today require government executives to use other means to motivate staff. Often, simply acknowledging the importance of experimentation and encouraging it is enough to instill the spirit of innovation agency-wide. One effective way to accomplish this would be to include innovation as a routine part of employees' annual review. Recognizing successful projects goes even further in demonstrating that leadership values the time and talents required to successfully innovate.

The HHSInnovates program was created as part of HHS's Open Government efforts to spur employees' innovation. The program is aimed at building a culture of innovation at HHS through facilitating the exchange of innovative ideas throughout the department. The program is a contest that seeks not only to recognize and reward good ideas but also to help promote them across the department.

Twice a year, HHS employees are invited to submit innovations via an internal intranet site. The top innovations are posted for secure, online voting and commenting by the internal HHS community, which selects the finalists. From the finalists, winning innovations are selected by the Secretary. In the spirit of open government, HHS posts summaries of the winning innovations and asks the public to cast their vote to help select "The People's Choice."

The HHSInnovates program has undergone six rounds to date, seeing nearly 500 staff-driven innovations, and collecting more than 60,000 votes.

Allow People to Fail. Government executives must provide cover for those who pursue innovations that fail. Providing such cover is the necessary corollary to encouraging people to try new approaches. The catchphrase in the tech industry is "fail fast." Ideally, people learn from failures, use what they learn to enhance their next attempt, and share the lessons with others, so that each successive attempt at innovation is more likely to succeed. Punishing failure will inhibit innovation.

Create Mechanisms for Innovation. Many federal agencies have initiated one-off innovation programs, both for internal and external stakeholders. Programs like HHSInnovates could be replicated across government and then incorporated into each agency's standard operations. Innovation programs will vary from agency to agency and each program should be expected to evolve within an agency. Employees are more likely to participate fully if they believe that their agency has an enduring interest in innovation.

Institutionalize Successful Innovations. Finally, after employees have been encouraged to innovate, given permission to fail, and rewarded for success, and when they believe that there are opportunities to innovate and avenues through which they can, government leaders should weave meaningful innovations into the fabric of their agencies. E-mail is a cogent example of an innovation woven into the fabric of an agency to become integral to its operations. A tool that few had heard of at the beginning of the Clinton administration became indispensable by its end.

Aligning Innovation to Mission

Though it is important to encourage out-of-the-box thinking, it is equally important to ensure that innovations do not distract from an agency's day-to-day mission. With new digital tools coming into existence every day, the allure of shiny, new engagement channels never dims. It is incumbent upon government leaders to act as filters, applying "tests for relevance" on proposed innovations before even piloting them.

The U.S. Department of Agriculture (USDA) offers a good example of this type of "test for relevance" discipline in the way it adopts new social media channels. In its "New Media Request Form," the USDA requires offices to specify why they want to establish a new media account/channel, what the office wants to accomplish, why the technology

is the best tool for achieving stated goals, who the intended audience would be for the new channel, the content and information to be shared and events covered, and the evaluation and success factors associated with launching this new channel.

A hallmark for agencies with a deliberate innovation policy—again HHSInnovates serves as a prime example—is a five-step process that can be summarized as: “Create, Activate, Evaluate, Iterate, and Incorporate.” While no model for innovation can guarantee success—see “allow people to fail”—this process increases the likelihood that innovation can lead to transformation, changing the way that an agency operates while improving the way that it delivers services or conducts its back-office operations.

Five-Step Model for Innovation

1. *Create*—identify opportunities to innovate, either in service delivery or mission support (human resources, for example).
2. *Activate*—launch a pilot program that tests the value of the innovation.
3. *Evaluate*—Conduct a thorough and rigorous assessment of the program against pre-determined metrics.
4. *Iterate*—If the program shows promise, or succeeds in meeting its goals, repeat the program at the scale most appropriate to the agency. At the same time, share the program across bureaucratic boundaries. For example, a reform that streamlines an HR process can be shared not only within an agency, but in other federal departments.
5. *Incorporate*—Once a program has proven itself successful, it should cease to be an innovation, and become a routine process. This is the ultimate goal: to transform operations so completely that what seemed innovative is now standard.

Importantly, federal agencies are subject to strictures that do not apply to the private sector. As but one example, these agencies must abide by the Federal Records Act, which applies to social media activities as well as written correspondence. Thus, leaders in federal agencies must ensure that when they adopt new tools—especially as pertains to citizen engagement—they follow regular guidelines.

Defining and Measuring Success

The final piece—and in some ways, the most important—is to define and then measure success. As in the private sector, the public sector should include financial metrics to determine the success of its innovation programs, but unlike the private sector, simply driving down costs should not, in itself, determine success or failure. Even if costs rise slightly, a program could be successful if it advances other measurable goals. Examples of non-financial goals may include:

- Reaching identified audiences
- Enhancing transparency
- Enabling deeper or broader participation
- Augmenting existing programs to meet citizens’ developing needs

- Developing new programs to address emerging mission components
- Including innovation requirements in contracts with vendors both for service delivery and mission support

For each of these goals, agencies will have to identify specific metrics at the beginning of any innovation programs. Metrics may include web analytics, volume and relevance of online participation, or metrics that pertain specifically to the agency's mission: the health of specific populations, for example, or compliance with new regulations—either for external or internal activities.

Conclusion

Though some agencies are appointing chief innovation officers, and many more are adding an innovation component to the portfolio of existing CXOs, ideally the mantle of innovation should be taken up by as many people within the organization as possible. Innovation must be championed by leaders, but it is most often effective when it is embraced by employees at all levels.

Paradoxically, for government leaders to harness the power of innovation, they will ultimately unleash the creativity and expertise of the employees in their charge, moving the responsibility for innovation to every employee within an agency. In this way, they can drive innovation into the fabric of the agency's culture and operations, furthering innovations that make an impact and are sustainable.

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Trend Four: Mission

Aligning Mission Support with Mission Delivery



Agency and program leaders depend on a range of mission support functions, such as finance, technology, acquisition, or workforce management, to get their jobs done. A 2009 study of the U.S. Department of Energy by the National Academy of Public Administration puts it succinctly: “The mission support organizations provide the grease that makes the department run. Without mission support, work in the program offices would grind to a halt.” With the increased complexity imposed by cost-cutting initiatives and increased oversight of agency operations, the ability to align mission support functions with mission delivery is a key trend driving change in government.

Creating the C-Suite in Government to Support Mission Delivery

Twenty-five years ago, federal agencies typically did not have key executives leading mission support functions. These functions were largely seen as administrative transaction services. However, ineffective mission support operations can be quite costly. For example, in 2010, the Postal Service had \$641 million in grievance settlements because of poor management training and inadequate labor-management relations. In another example, a study found that poorly trained contract officers in Iraq and Afghanistan contributed to at least \$30 billion in contract fraud and abuse. And, as widely reported in 2006, the lack of appropriate data security at the U.S. Department of Veterans Affairs led to the exposure of private information for more than 26 million veterans.

As a consequence of such persistent failures and a lack of clear leadership in mission support functions, Congress has intervened over the past two decades by raising the profile, formalizing leadership roles, and defining more authority for many of these functions. Formalizing these roles mirrored similar trends in the private sector to create chief financial officers, chief information officers, chief acquisition officers, and chief human capital officers. Most recently, Congress formalized the role of chief operating officers and performance improvement officers as well.

These various “chiefs” reflect different disciplines that have their own professional communities and ways of defining success. The distinctiveness of these communities is reinforced through a series of cross-agency “chief” councils, such as the Chief Financial Officers Council and the Chief Information Officers Council. These councils often spearhead government-wide initiatives. For instance, the CIO Council developed an inventory of all federal data centers and committed to cutting the number in half in the name of increased efficiency. Along with pursuing government-wide initiatives, these councils also share best practices across agencies.

With the increased complexity imposed by cost-cutting initiatives and increased oversight of agency operations, the ability to align mission support functions with mission delivery is a key trend driving change in government.

Core Functions of Agency Mission Support Leaders. Generally, most of these “chiefs” report to the heads of their agencies and have at least three core functions.

- Providing *services* to internal agency customers (such as hiring or installing computers or providing office space)
- Ensuring *compliance* with government-wide requirements (such as merit principles or capital investment guidelines)
- Providing *strategic advice* to agency leaders (such as strategic workforce planning or financial risk management)

Depending on the function, federal mission support leaders may have different customers or stakeholders. For example, when providing services, a chief’s customers may be line managers and employees. When a chief focuses on a compliance issue, the customers may be the government-wide Office of Management and Budget (OMB) or the Office of Personnel Management (OPM). If a chief acts as a strategic advisor, their customer may be the agency head. These functions are not mutually exclusive. In fact, one of the challenges for federal government chiefs is balancing these distinct functions.

Developing a Stronger Mission Focus

Over time, the institutional roles of various mission support chiefs have become clearer within and more organized across agencies. In fact, today there is a common support office for many of the cross-agency mission support councils; it sometimes serves as a convener across the different councils around specific issues.

However, the increased prominence of internally focused mission support functions has raised concerns among externally focused, mission oriented line managers in agencies. Mission managers deliver services to the public, such as air traffic control, environmental cleanup, export assistance, disability benefits, or immigration enforcement at the border. These mission managers rely on, but more importantly, can capitalize on, centrally directed mission support functions, which is a trend found in the business sector. Having common services provided centrally is not only less expensive but often results in higher quality. However, one former mission manager recently noted that in his experience, “the [C-Suite] community is the biggest obstacle to success.”

For example, a 2009 study by the National Academy of Public Administration (NAPA) of several mission support functions at the U.S. Department of Energy (DOE), *Managing at the Speed of Light: Improving Mission-Support Performance*, observes that these centralized functions in the department are seen as dysfunctional by line managers, largely because the various functions do not coordinate with each other. The lack of coordination within and among these functions results in “an inwardly focused, regulation-based, transactional organization.”

The NAPA study concludes that “DOE needs to better integrate and manage the mission support offices’ efforts in order to develop a coordinated approach to providing essential support services.” In addition, it found the mission support offices needed to develop a stronger mission focus: “DOE does not have formal systems to assess how well the mission support offices are meeting the needs of the department and to hold them accountable for doing so.” Anecdotal evidence suggests similar perceptions by mission leaders in other federal departments as well.

Many of these mission support leaders have the resources to help mission leaders get things done. They have staff with specialized expertise; they have access to contractors; and often they have budget and legislative authority. The chiefs can begin to dispel the negative perceptions of mission leaders by proactively using these resources to help deliver agency program results.

Creating Governance Structures that Support Mission Leaders

In addition to encouraging mission support chiefs to focus greater attention on mission delivery, the NAPA study also recommended that the U.S. Department of Energy, for example, create a cross-bureau governance structure. This new structure would better coordinate mission support activities by integrating them more effectively into mission delivery priorities. These include creating:

- An undersecretary for management
- An operations management council
- A mission support council

Moreover, Congress recently established another chief—the chief operating officer (or undersecretary for management). Having been enshrined in law and possessing statutory authority, the COO serves as a nexus between policy and management. Depending on the agency, this role may be held by the deputy secretary or filled by an undersecretary for management.

These recommended structures and new roles alone will not change tendencies found in mission support areas to act independently. Chiefs have to connect with one another through formal and informal means, and balance their three functional roles. The proposed councils referenced above and recommended by NAPA make these connections. The operations management council can serve as a way of addressing cross-functional business system issues. For example, the Defense Business Council is chaired by the U.S. Department of Defense's deputy secretary and is composed of the 19 key mission delivery and mission support leaders from across the department. They collectively develop the strategies for moving forward on the design and investment in key business systems for the department in ways that maximize the effectiveness of mission delivery in the field. At some points during the year, they meet as often as two to three times a week.

Likewise, a mission support council can be a way of focusing attention on the needs of key mission initiatives by serving as a bridge between mission support functions and mission delivery functions within an agency. For example, the mission support executives at the U.S. Department of Veterans Affairs have formed a mission support council, holding weekly meetings to address strategic questions—“Do we have the right skill sets?” and “Will this training lead to improvements in mission performance?”—on common intra-departmental initiatives.

Mission Leaders and Mission Support Chiefs Working More Effectively Together

Some senior mission leaders perceive mission support chiefs as hurdles to achieving mission and program results. For them, the mission support executives' priority should be, first and foremost, helping department leaders achieve their mission. The mission

results, such as air traffic control, export assistance, or disability benefits, must be the overriding objective for mission support chiefs. Some mission leaders think the success of support offices should solely be measured by how well the chiefs work with the rest of the organization to achieve a department's mission.

To assist in achieving programmatic results, some former mission leaders recommend mission support offices have a stronger mission orientation and better integration and coordination among the mission support offices. Other former and current mission leaders recognize that several cross-agency mission support communities have matured over the last two decades, providing efficient and effective support functions within and across agencies. In doing this, the mission support chiefs balanced their government-wide stewardship function and day-to-day compliance role with the broader goal of achieving their agency's mission.

Both mission support and mission delivery executives say there are opportunities to improve results if they work together more effectively as a team, both within and across agencies.

The responsibility for improving and integrating mission support services with mission delivery responsibilities does not lie just with mission support chiefs. Effective mission leaders proactively leverage the resources and infrastructure of their agency's mission support functions to meet mission goals. For example, the U.S. Department of Education's Office of Federal Student Aid (FSA) provides loans and grants to millions of students and families to attend college, and the FSA chief financial officer may have expertise in controlling funds that are disbursed across a large population. In this example, mission performance could be enhanced by the mission leader leveraging the mission support expertise. Encouraging better integration among mission leaders and mission support chiefs involves evaluating their formal performance by how well these groups work together.

Both mission support and mission delivery executives say there are opportunities to improve results if they work together more effectively as a team, both within and across agencies. One way to do this is to have agency executives serve in both mission support and mission delivery roles as a part of their career development, much as the commercial sector does. Government executives can develop a better understanding of enterprise-wide priorities that goes beyond just mission level priorities. The U.S. Department of Veterans Affairs is doing just this within its executive development program, which focuses on creating executives with an enterprise-wide perspective. To do this, its professional development program is proactively developing executive talent through career experiences and expectations that leaders will serve in a range of management functions during the course of their careers. And finally, there is the increased use of cross-departmental councils that regularly convene to tackle issues of integration—examples are the USDA's Operations Council as well as the PerformanceStat meetings at the U.S. Department of the Treasury and at the U.S. Department of Housing and Urban Development.

Promising Practices for Aligning Mission Support with Mission Delivery

Aligning mission support with mission delivery can drive change in government, and there are promising practices across federal agencies that improve this integration. The following are some of the promising practices that can work to better align mission support chiefs with mission delivery leaders:

- **Departmental chief operating officers serve as mission champions.** Given the roles nexus between policy and management coupled with its statutory authority, the

departmental COO can make a difference by being a mission champion. The chief operating officers have the ability to proactively coordinate the mission support chiefs on behalf of agency mission and program executives, serving as their champions. COOs could continue to focus on initiatives to gain greater efficiencies in mission support services, but ideally not at the expense of strong support for mission managers.

- **Mission support chiefs collaborate more effectively with mission delivery executives.** The operations management council approach employed by the U.S. Department of Veterans Affairs presents a model for this type of collaboration. The U.S. Department of Housing and Urban Development's HUDStat approach can also be adopted across agencies to foster mission support and mission delivery collaboration on meeting critical department priorities.
- **Mission support chiefs use resources to help mission delivery executives.** Chiefs have the discretion to shift resources from compliance-enforcement functions to help integrate the delivery of mission support services. Some agencies have devolved resources to the field, while others have centralized resources into integrated one-stop shared services centers.
- **Encourage greater transparency to the chiefs' various stakeholders.** The chief operating officer at the Office of Personnel Management, Chuck Grimes, says his agency created a dashboard of key mission support measures, such as "time to hire" or "veterans hiring," and made the data widely available. He says this helps program managers make better decisions because they have immediate access to useful data. This approach could be adopted more widely by other agencies.
- **Engage the chiefs' stakeholders in defining what constitutes value to mission.** U.S. Department of Transportation Chief Human Capital Officer Brodi Fontenot says his agency now sponsors an ideation platform to engage employees in joint problem-solving, much like the Transportation Security Administration's IdeaFactory. At the U.S. Department of Housing and Urban Development, former Chief Information Officer Jerry Williams says the leadership team convenes regular meetings of top executives to jointly address mission challenges, such as reducing homelessness.

Cross-Functional Collaboration

In addition to agency-specific initiatives, there are several cross-agency initiatives that could be undertaken by OMB or cross-agency councils. For example, OMB could reintroduce the Quad Council. In the late 1990s and early 2000s, leaders of the four councils of chiefs—finance, information technology, acquisition, and human capital—came together as the Quad Council, which worked with OMB to leverage cross-agency mission support activities that supported a number of e-government initiatives. This model provides an important lens through which to view the issue of collaboration across professional disciplines from a government-wide perspective. The existing cross-agency council support office would be a natural focal point for such an effort.

Mission support chiefs each undertake management improvement initiatives that could benefit from strategically working cross-functionally with their mission support peers. For example, efforts to reduce federal agencies' use of real estate has a human capital component via telework strategies, a technology component relative to connectivity of employees, and financial and acquisition components related to investments to pursue such a strategy.

This cross-functional mission support collaboration could also extend to cross-agency mission delivery initiatives. For example, agencies are now working across boundaries to solve major public challenges such as climate change and food safety. Mission support services for these initiatives have previously been ad hoc. The cross-agency mission support councils could support these initiatives in innovative ways that increase efficiency and accountability.

Conclusion

In the end, mission delivery focuses on what agencies do and how they do it while mission support enables mission delivery. Given the critical challenges facing government today, the ability of government executives to properly align mission support functions with mission delivery can help them respond more effectively to their mission and management challenges as well as drive change within their departments. Both mission support and mission delivery executives acknowledge there are opportunities to improve results, but that it requires them to work more effectively as a team, both within and across agencies.

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Trend Five: Efficiency

Pursuing Cost-Savings Strategies in a Resource-Constrained Era

Fiscal austerity will be an enduring challenge for public managers for the foreseeable future, but it can also create an environment and incentives to rethink traditional approaches to mission support and service delivery. Government executives can harness major technological shifts and adapt proven public-sector and commercial best practices to make their agencies both more efficient and more effective. Doing this enables them to also conduct operations and provide services with greater speed.

In this environment, identifying innovative ways to reduce costs across multiple categories of government spending (e.g., appropriations, user fees) while maintaining and improving performance will be a critical catalyst. Pursuing efficiency as a way to drive change in government identifies opportunities for savings across agency budgets. It also works to change operating models so federal agencies realize long-term efficiencies through the constant search for faster and better ways to deliver services.

Realizing Cost Savings While Improving Performance

In 2010, the IBM Center published a widely circulated report, *Strategies to Cut Costs and Improve Performance*, that outlines savings strategies in seven different areas:

- Consolidating IT infrastructure
- Streamlining government supply chains
- Reducing energy use
- Moving to shared services
- Applying advanced analytics to reduce improper payments
- Reducing field operations and moving to online self-service
- Monetizing government assets

Strategies to Cut Costs and Improve Performance identifies leading commercial practices that, if applied in the federal government, could contribute to up to \$1 trillion in reduced federal operations costs over a 10-year period. This is significant given that mission support cost in government for enterprise activities such as personnel, contracting, and supply chain management historically averages about 30 percent of total operating costs. In the private sector, these costs typically average about 15 percent. Regardless of these differences, employing commercial best practices where appropriate has the potential to improve government back-office operations, resulting in significant cost savings.



Fiscal austerity will be an enduring challenge for public managers for the foreseeable future, but it can also create an environment and incentives to rethink traditional approaches to mission support and service delivery.

Since the release of this report, the fiscal challenges facing government executives have become even more pressing, with an impetus to reduce costs and allocate savings to mission priorities. Constraints imposed by sequestration, continuing resolutions, and debt ceilings have made “doing more with less” and “operating smarter with less” an ongoing reality. Even if a larger agreement is reached regarding long-term spending, that agreement is likely to maintain a tight hold on current discretionary budgets for agencies. The opportunities that can emanate from these seven strategies and similar approaches can be leveraged to make the delivery of information and services more rapid and more effective.

New Strategies for Achieving Cost Savings

Across government, new strategies for achieving cost savings are in high demand. This goes beyond simple cost-cutting to helping the public sector redirect cost savings into investments in key priorities, including through gain sharing and other savings retention approaches. The imperative to do more with less has never been stronger; government executives can learn from each other as well as from the private sector how to survive and possibly thrive in this environment.

Emerging Opportunities to Save Costs. There are emerging opportunities to save costs through improvements in how agencies manage technology, process, organization, and data:

- **Technology.** When used appropriately, technology can streamline operations and allow employees to shift from transactional processes to strategic insight and customer service. For example, cloud computing allows agencies to move away from spending money on multiple, redundant physical data centers or re-creating applications. Infrastructure and applications that once needed to reside in a fixed location under the control of the organization can be quickly, easily, and securely accessed, generating savings both in upfront capital and ongoing operating costs. Cloud-based services allow agencies to optimize their existing IT assets simply by reducing their physical inventory. Finally, leveraging the cloud can allow agencies to focus internal resources on making mission and program operations more efficient and effective even in an environment where funding is tight.
- **Process.** There are great examples of the power of streamlining processes such as claims and payment processing, supply chain management, and emergency/disaster response. Best practices provide clear lessons in how to increase mission effectiveness at a lower price. For example, applying shared services to a broader range of government activities can allow agencies to reduce duplicative back-office operations across multiple bureaus; this allows for enterprise-wide management of finance, HR, acquisition, and other mission support functions. Forthcoming opportunities for shared services optimization are likely to move into front-office activities where agencies share common missions, such as education, environmental protection, or health care.
- **Organization.** The model of an effective organization is changing as technology and process enable new management approaches to drive effectiveness. Rather than following a hierarchical structure where collaboration across boundaries is difficult, government executives can capitalize on lessons from entrepreneurial firms and move more toward a collaborative, virtual team model of program management and service delivery. This allows colleagues to work together effectively regardless of their “home office” location, reducing bureaucratic overhead and fostering new

ideas. The Presidential Innovation Fellows projects are good examples of the benefits from this new, virtual cross-agency organizational structure.

- **Data.** Information can also be used strategically to analyze service patterns to identify wasteful processes that can be streamlined to reduce time and costs (e.g., grant application processes). Increasingly, agencies are using analytics to predict and prevent problems that drain time and resources, such as identifying improper payments in advance of rather than stopping them after the fact. Applying analytics to administrative data sets can also help to determine the cost-effectiveness of alternative interventions.

Generating Value and Driving Mission Effectiveness

An IBM Center report, *Fast Government: Accelerating Service Quality While Reducing Cost and Time*, brings fresh insights and illuminating examples on how government executives, by focusing on time and speed, can deliver real and lasting benefits through increased mission effectiveness and lower costs. It outlines strategies and tools that government executives can leverage to fundamentally change the way they do business through a focus on cycle time reduction and elimination of non-value-added activities. *Fast Government* examines the role of time in bringing value to the public sector, and focuses on process innovation, disruptive technologies, predictive analytics, and other ways that leaders can make government processes work faster.

Government executives, by focusing on time and speed, can deliver real and lasting benefits through increased mission effectiveness and lower costs.

“Fast government” includes a variety of approaches:

- Making time a key performance metric in government efficiency and effectiveness initiatives
- Using technology and leveraging innovation to automate repetitive tasks
- Accelerating the delivery of government goods and services through process innovation that redesigns business processes to require fewer steps (such as moving from 10 signatures to three)
- Finding new ways to perform a given set of tasks more quickly (such as through the use of Lean Six Sigma to move from an assembly-line approach to a parallel process)
- Creating interactive services for citizens so they can solve their own problems, rather than having to ask the government for information and help (such as creating a website rather than sending out information)
- Using predictive analytics to reduce or eliminate entire processes (such as preventing improper payments from being made, thus reducing the need for resources to investigate and reclaim payments)

Overall, if managers include time as a key performance metric, they will look differently at their operations, and will continually challenge employees to find ways to reengineer processes to remove tasks that do not add value to the customer. Several initiatives in government have set goals that used time as the driving performance metric, and this focus changed thinking and behaviors. For example, until nearly a decade ago, agencies had been required to submit their audited financial statements six months after the end of a fiscal year. When OMB set a goal of submitting audited financial statements six

weeks after the end of the fiscal year, agencies had to completely rethink their processes, not just speed them up incrementally.

In addition, a number of tools can be used to speed government initiatives. One is the use of deadlines. By leveraging cutting-edge technology and analytic techniques adapted from the intelligence community, the Recovery Accountability and Transparency Board was able to track the spending patterns of \$840 billion in Recovery Act monies and use predictive techniques to prevent waste and fraud. As time went on, the Board reduced the time it took to identify questionable spending from five days to under five hours. Other technology tools are also making it possible to rethink how government can deliver faster services and products. For example, the intersection of mobile technology and open data initiatives can speed both government operations and public services. When the National Agricultural Statistics Service moved from paper-based surveys to the use of iPads to collect data, they not only sped the release of their data, but also saved \$3 million.

Measuring and Capturing Cost Savings

It is important that government executives establish baselines from which to measure savings. The first step in understanding how much can be saved involves understanding the full baseline costs, often called total cost of ownership. Understanding the total costs within a federal agency is different from and often more complex than in the private sector. Most government programs run off a cost baseline that includes a subset of appropriations for the larger department, salary and expense accounts that are not associated with the program, and sometimes working capital or franchise funds: piecing these sources together to understand current costs is not a trivial exercise.

Once the baseline is understood, a second challenge involves developing financial models and methods that can capture savings off the baseline accurately. The federal government has experimented occasionally with “share in savings” contracting as a way to operationalize this measurement; this is a framework that incentivizes companies to achieve the measured savings over time. State and local governments have more experience than the federal government does when it comes to establishing a savings measurement structure.

Even if clear savings opportunities emerge and there is financial transparency for the opportunity, barriers exist that impede savings capture and reinvestment. Federal budget law requires that agencies have sufficient funds on hand to cover the costs of a contract upfront (including termination costs); this requirement makes the use of a gain-sharing approach less attractive. In addition, federal agencies must generally spend all of their money in a given fiscal year, while savings often take months or years to materialize. Overcoming such barriers will likely require the use of prototypes and pilots to demonstrate the art of the possible, with agencies working in partnership with their congressional authorization and appropriation partners to build support for pilots and understanding how success can scale more broadly.

Government can also collaborate with industry to draw out ideas for savings, perhaps using challenges and prizes as a way to promote innovation. Contracts can be written to create incentives for industry partners to dedicate a portion of their activities to innovative, rapid experimentation, finding better ways to achieve results while lowering costs.

Conclusion

Given the budget realities of today, it is critical to identify opportunities for efficiency, measure and capture savings, and reward those who deliver cost savings. The tools to make government more cost-effective are familiar to any student of government transformation efforts over the past several decades. At the heart of any effort to make government work faster, better, and cheaper is a focus on the people who make government processes run. The most amazing technology in the world will not save time or cost, or improve performance, if the people who manage and support the processes do not know how to use the new systems or do not support their adoption. Stories are legion about employees who created manual workarounds rather than adopt new technologies—and about improvement initiatives that failed to deliver the predicted results because of resistance by employees.

Therefore, it is essential that government executives ensure that federal employees are provided the skills and capabilities to succeed in becoming more efficient, so they can see the results of their efforts from end-to-end and receive rewards and recognition for success. Doing this can also help identify further opportunities to save money, ways to record those savings, and a continuous drive for cost-effective improvements that benefit all citizens.

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Trend Six: Leadership

Leading Across Boundaries in an Era of Complex Challenges

Governments today face serious, seemingly intractable public management issues that go to the core of effective governance and leadership, testing the very form, structure, and capacity required to meet these problems head-on.

Governments today face serious, seemingly intractable public management issues that go to the core of effective governance and leadership, testing the very form, structure, and capacity required to meet these problems head-on. These challenges run the gamut from the 2008 near-meltdown of the global financial system to the Y2K challenge, pandemics, ending veteran homelessness, and natural or man-made disasters. Many are difficult to anticipate, get out in front of, and handle. In most manifestations, they do not follow orderly and linear processes. Along with responding to such complex and non-routine challenges, government leaders must also operate in the “new normal” of fiscal austerity. Yet as resources diminish, government’s responsibilities seem to have increased (e.g., homeland security, home loan modifications, cybersecurity).

Difficult Choices and Unprecedented Opportunities

Given these dynamic conditions, government leaders are presented with difficult choices, but also unprecedented opportunities. Within this environment, the right kind of leadership approach and style can drive change in government. As Roger Martin, dean of the Rotman School of Management at the University of Toronto, observes, “There was a time when leaders shared a sense that the problems they faced could be managed through the application of well-known rules and linear logic. Those days are gone. Most of today’s important problems have a significant wicked component, making progress impossible if we persist in applying inappropriate methods and tools to them.”

This contribution explores the intersection where leadership, complex challenges, and the need for transformation meet. It will offer leadership lessons and highlight effective tools that may help today’s government leaders tackle complex changes and transform the way their agencies or the government as a whole operate.

Understanding Context is Crucial for Effective Leadership

There are different types of leadership approaches, from transactional to transformative and beyond. A survey of insights from leadership experts and gurus makes one thing clear—there is no one-size-fits-all approach to leadership. What does seem evident is the importance of context when honing one’s leadership approach. It becomes apparent that effective leaders must possess and exercise a certain level of contextual intelligence.

As Professor Joseph Nye stresses in *Leadership, Power and Contextual Intelligence*, “Understanding context is crucial for effective leadership. Some situations [may] call for autocratic decisions and some require the [exact] opposite. There is an infinite variety of

contexts in which leaders have to operate, but it is particularly important for leaders to understand culture, distribution of resources, followers' needs and demands, time urgency, and information flows.”

Leadership occurs within a specific context; how a leader responds most certainly depends on that context. However, this is not to say that the context drives leadership. Rather, context spawns the leadership necessary to address a situation or challenge.

Leading through Complex, Non-Routine Challenges

Complex challenges, or so-called wicked problems, tend to have innumerable causes and are hard to define, making their mitigation resistant to predetermined solutions or traditional problem-solving approaches. In certain instances, the scope, nature, and extent of these challenges eliminate the notion of quick fixes or one-size-fits-all solutions. The resources needed to properly address these wicked problems often transcend the capacity of any single agency.

As a result, government leaders will find it necessary to go beyond established parameters and institutional strictures, working across organizational boundaries in pursuit of multilayered, networked approaches tailored to a specific challenge, or what some have called collaborative or shared leadership. This often demands that today's government leaders be more innovative, collaborative, and flexible. It also may require government to supplement core skills with additional expertise that may be better suited to tackling complex, non-routine challenges.

Five Qualities of an Effective Collaborative Leader

In *Leading Across Boundaries*, Russ Linden identifies five qualities of an effective collaborative leader:

- Driven to achieve a goal through collaboration, with a measured ego
- Listens carefully to understand others' perspectives
- Looks for win-win solutions with shared interests
- Uses pull more than push
- Most important, thinks strategically and connects to a larger purpose

Linden notes that an effective collaborative leader realizes that challenges take on a life of their own, and that the leader needs to both anticipate and respond quickly to change. He highlights Thad Allen's leadership in the Gulf Coast to illustrate such a leader. “[Allen] told his partners that they would develop a ‘strategic intent,’ by which he meant a clear goal and a general strategy, which the various partners would adapt and modify as conditions required.”

Ed DeSeve puts a finer point on this leadership approach in his IBM Center report, *Managing Recovery: An Insider's View*. “Meeting complex, or wicked problems requires a new approach based on an integrated system of relationships that reach across both formal and informal organizational boundaries—a managed network.” DeSeve led the implementation of the \$840 billion Recovery Act in 2009. He points out that the lessons learned from this non-routine government action created a new way of doing business

that relied on effectively using managed networks. DeSeve also outlines lessons for how government leaders can address major government-wide challenges in the future: leaders need to act quickly; attention from the top is paramount; collaboration maximizes speed of execution, and federalism can be a key form of collaboration; and most of the information must be transparent, timely, and relevant.

Since complex challenges confront people with the unknown and unpredictable, they also demand a different style of leadership—one that shapes vision and fosters alignment and commitment through collaborative action. It is about pursuing ideas and engaging in activities that resonate with the situation, combining a particular context and the attributes needed to lead in that context. In many ways, Dr. Francis Collins represents a new type of leader in government. Prior to becoming NIH director, Collins led an international coalition consisting of other government organizations, the private sector, and the academic community as part of the Human Genome Project (HGP).

Since complex challenges confront people with the unknown and unpredictable, they also demand a different style of leadership—one that shapes vision and fosters alignment and commitment through collaborative action.

In *Managing “Big Science:” A Case Study of the Human Genome Project*, Professor Harry Lambricht highlights key leadership lessons from Collins’ experience. Collins faced the challenge of reorienting HGP from a loose consortium into a tight alliance with a small circle of performers and decision-makers. Instead of relying on the traditional command-and-control leadership style, Collins relied on a more collegial, collaborative style. In describing his experience leading the HGP, Collins frequently cited the importance of goals in the project’s success.

Lambricht concurs with Collins’ assessment that large projects need clear, unmistakable goals. Lambricht writes that a clear goal “provides a constant point of reference against which to measure, direct, prioritize, and modify actions by various individuals and organizations involved.” In any government endeavor, political support is crucial. NIH leadership, including the then-NIH director and Collins, worked closely with the White House and Congress in gaining support and continued funding for HGP. The management of the Human Genome Project was a major challenge. After assuming leadership of the project, Collins concluded that the existing management was too loose and too uncoupled. He then developed a more centralized management model.

Leading Transformational Change

Depending on the challenge faced, government leaders may need to fundamentally transform how their organizations operate to meet mission. For example, when facing the challenge of budget cuts and significant resource reallocation, transformational change that can deliver mission value more efficiently will be increasingly important.

Once again, Dr. Francis Collins provides a worthwhile example of this leadership in action. In *Forging Governmental Change: Lessons from Transformations Led by Robert Gates of DOD and Francis Collins of NIH*, Professor Lambricht profiles Dr. Collins’ and Robert Gates’ transformational initiatives in their organizations; by all accounts both have been effective leaders of change.

Collins set clear, bold, but limited goals at the beginning of his tenure as director of the National Institutes of Health (NIH). Collins thought in transformative terms from the outset. He wanted to translate NIH research into actual health cures with the establishment of the National Center for Advancing Translational Sciences (NCATS).

“The Center,” explains Collins, “strives to develop innovations to reduce, remove, or bypass costly and time-consuming bottlenecks in the translational research pipeline in an effort to speed the delivery of new drugs, diagnostics, and medical devices to patients.” Collins wants to catalyze the generation of innovative methods and technologies that will enhance the development, testing, and implementation of diagnostics and therapeutics across a wide range of human diseases and conditions. “Having made basic discoveries, we’re poised to be able to translate them into action and that is in fact a major focus of the National Center for Advancing Translational Sciences,” says Collins.

What he wanted to achieve had to be implemented in a context of increasingly tight resources. This meant following a strategy of reallocation and reorganization. Collins hit the ground running; the context in which he operated helped determine the style of leadership. Leaders focused on change need to be conscious, especially at the front end of the process.

Agencies across government, however, have needed to cut costs while maintaining, if not improving, the performance of their operations. The challenge being faced by current government leaders is whether they can use this unprecedented opportunity to transform their organizations while also making the necessary reductions in spending.

Steps for Undertaking Transformation Initiatives. To assist government leaders in better understanding the characteristics of successful transformations, the IBM Center published *A Leader’s Guide to Transformation* by Bob Reisner, who interviewed a select group of federal executives who had recently undertaken major transformation initiatives in their organizations. Based on these interviews, Reisner framed a series of interrelated steps which government leaders should consider when they undertake any transformation initiative:

- Develop a compelling transformation game plan
- Align the transformation game plan with your mission
- Center your game plan with a reliable innovation process
- Transform strategically
- Design implementation to sustain transformation

Transformational change is not the steady, incremental improvement most government officials have spearheaded in the past. Success in transformation depends on getting the right changes done right. A key lesson from those interviewed is that transformation is indeed hard work, requiring intensive engagement with all stakeholders, including employees. All the leaders interviewed emphasize the importance of engaging employees and other stakeholders to shape the transformation.

The steps, lessons, and insights offered to government leaders who are tackling complex challenges or seizing opportunities to transform the ways their agencies operate will no doubt be applied differently, depending on the leaders’ operating environment. This is why context matters and why government leaders today must strengthen their contextual intelligence so as to lead most effectively within their unique operating environment.

Collaboration Can Make a Difference

In the end, today's government leaders must also recognize that much of what they need to get done requires other agencies, the whole of government, and possibly other sectors of society. Therefore it is of critical importance to forge collaborative networks and work across established structures and boundaries.

Dr. Jane Fountain, in *Implementing Cross-Agency Collaboration: A Guide for Federal Managers*, offers advice on successful cross-agency relationships. She says there is a recipe for success, but it depends on a number of factors. Fountain has found that effective collaboration consists of two dimensions—the right people skills and a consistent set of organizational processes. She believes that interagency collaboration is sustainable if, and only if, leaders make strategic use of both elements to manage in a networked government.

Fountain says that people skills are key to developing trust, norms, and connections essential to effective multi-agency initiatives. In cross-boundary teams, informal relationships outside regular hierarchical channels must be forged. Cross-agency collaborative initiatives also need effective organizational processes. Fountain describes seven processes that are generally present in successful collaborations. These include:

- Set significant goals with milestones
- Specify roles and responsibilities
- Formalize agreements among key parties
- Develop shared operations
- Obtain adequate resources
- Create effective communication channels
- Adapt through shared learning

In the end, today's government leaders must also recognize that much of what they need to get done requires other agencies, the whole of government, and possibly other sectors of society.

Conclusion

We are in the midst of an exciting, engaging, yet trying period marked by uncertainty, significant challenges, undeniable opportunities, and indelible aspirations. Today's most effective government leaders can spark the imagination to look beyond the day-to-day urgencies and reflect on the serious problems and critical challenges they face today into tomorrow.

Leaders are responsible for envisioning, shaping, and safeguarding the future, creating clarity amidst uncertainty. This is no small feat and it is made increasingly difficult in the 21st century, where rapid, unforeseen change seems to be the only constant. Today's conditions require government executives to go beyond simply doing more with less—to find smarter ways of doing business, using resources more efficiently and investing them more wisely. The dramatic nature of this historical moment cannot be overstated. It is fully revealed by the depth of the challenges being faced. How government leaders respond matters and the conditions require more than vague changes. It is to be understood that today's actions affect future choices and lost opportunities can result in significant costs. In the end, it is not necessarily about retrieving something ideal from the past, but discovering a new path forward in the present. The right kind of leadership is key to finding such a path.

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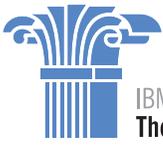
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