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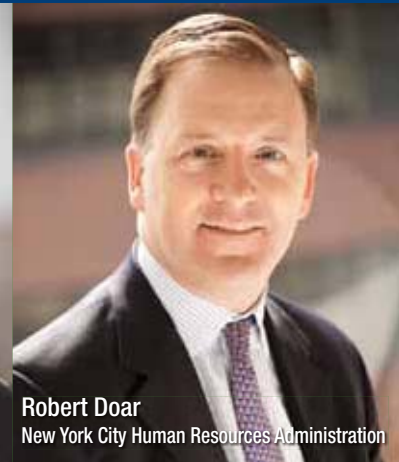
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Alec Ross
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The Business of Government

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Improving Mission-support Performance

Successful accomplishment of federal department and agency missions is critically important to the nation. Mission-support offices provide indispensable services to agencies as they work to secure the homeland, rescue the economy, clean up the environment, educate the workforce, and provide healthcare. Well-run mission-support teams provide effective and efficient financial management, contracting, information technology and human resource support to every federal agency.

Departmental mission-support offices have significant policy and operational responsibilities. Chief Financial Officers, for example, provide important accounting and financial management services, including financial reporting for the department. Chief Human Capital Officers oversee a full range of operational HR support for their competitive and excepted workforce, as well as political and presidential appointees and all senior executives. Chief Information Officers are involved in the design, provision, use, and modernization of IT resources. Acquisition and contracting offices provide contracting, financial assistance (grants and cooperative agreements), personal property, and other business support.

Too often, program managers and officers pay too little attention to the growing complexity of these mission-support functions and how they facilitate (or hinder) the departmental mission accomplishment. This disconnect can lead to serious problems. The first is that some mission-support offices need to have a stronger mission focus. If departmental programs are to accomplish their missions, then each of the mission-support functions must work with them as a strong partner. Mission accomplishment must be the primary driver for the work they do and how they perform it. Indeed, the success of mission-support offices should be measured by how well they work with the rest of the organization to achieve departmental mission and whether the work is done with the speed and transparency that meets the expectations of the new administration.

A second challenge is the need for better integration and coordination among and within mission-support offices. Although their functions and responsibilities are separate and distinct from one another, mission-support offices cannot operate in a vacuum. There are many situations where their responsibilities overlap and where integration and coordination between the offices are needed to ensure that the department is developing strategies, executing decisions, and solving problems effectively and efficiently. The design and implementation of a new financial system, for example, requires close cooperation and coordination by both the CFO and CIO.

Addressing these twin concerns is central to achieving management excellence and boosting departmental mission performance. Now more than ever, accomplishing the overall organizational mission must become the mission-support offices' number one priority. ■

By Michael J. Keegan



Michael J. Keegan is Managing Editor of *The Business of Government* magazine and Host/Producer of *The Business of Government Hour*



This edition of *The Business of Government* magazine explores a vast array of topics and public management issues facing us today. It is about making connections: introducing our readers and connecting them to the work of government executives who are leading agencies or initiatives that are focused on critical missions. From the federal government's role in emergency management; to its effort in making operations more sustainable, responsible, and efficient; to the challenges being faced and innovations being forged by local governments during difficult economic times, we offer timely, relevant, and thoughtful perspectives from leading practitioners and public managers. With such a diverse offering, there is a basic thread that weaves through most of the features in this edition—that is the importance of being informed and using information to make better decisions.

Forum on Making Better Decisions

To that end, we've dedicated our forum to discussing how analytics and risk management can, when employed at an enterprise level, assist government agencies in strengthening their decision making capabilities and, in turn, improve their overall performance. Decisions based on bad information can lead to poor results and be quite costly to organizations—culminating in the squandering of opportunities, taking on unnecessary risk, misallocating resources, and ultimately not achieving strategic goals or objectives. Tom Davenport, distinguished professor in information technology and management at Babson College, kicks off this forum with an in-depth conversation on the strategic importance of analytics, how government can leverage analytics, and ways to improve decision making using analytics. Davenport points out that analytics and fact-based decision making can have as powerful an effect on the achievement of governmental missions as they can on the accomplishment of corporate business objectives. We also provide three distinct yet complementary perspectives on the importance of strategic enterprise risk management (ERM). Karen Hardy introduces the concept of ERM and outlines the benefits and challenges of pursuing ERM. Professor James Bailey focuses on managing risks by strengthening the financial controls and integrity process. David Schanzer and Joe Eyerman assess how the use of strategic risk management can better safeguard the nation. This forum highlights possibilities and explores two powerful tools that can assist you in making better decisions.

Conversations with Leaders

With each magazine, we feature conversations with government executives who are making a difference. They share with us their in-depth reflections on the work they do and the efforts they lead. In this edition, FEMA Administrator Craig Fugate talks to us about the challenges facing his agency. In the last decade, whether as a result of natural or man-made disasters, the nation's emergency-response apparatus has faced enormous challenges. Overcoming these challenges and forging a national emergency-response network for the 21st century requires innovation and teamwork. Administrator Fugate explains how the success of his agency relies heavily on teamwork and partnerships, how FEMA is leveraging social media, and the importance of individual preparedness and being ready before disaster strikes. The federal government is the largest consumer of energy in the

U.S. Federal Environmental Executive Michelle Moore tells us about efforts to implement President Obama's Executive Order on federal sustainability and innovative approaches to greening federal government operations. Over the last several years, we have focused on human service delivery: the challenges being faced and innovations being forged in local communities. Our final conversation is with Robert Doar, commissioner of the New York City Human Resources Administration, who sheds light on how his agency is doing more with less.

Profiles in Leadership

Over the last six months, we've interviewed a host of government executives. In this edition we introduce you to four leaders who are changing the way government does business. Dr. David Blumenthal focuses on the opportunities and challenges of implementing the national health information technology agenda. Rich Haley discusses the operational importance of sound financial data and how managing resources efficiently and effectively is key to his agency's success. Rear Admiral Thomas McGinnis outlines efforts to deliver a consistent, equitable, and cost-efficient pharmacy benefit under DoD's TRICARE program, and Rear Admiral James Shannon offers insights into the science and technology research being done at the Naval Surface Warfare Center.



Insights on Innovation and Partnerships

In this new feature, we had an opportunity to speak with two public servants pursuing innovative approaches to achieving U.S. foreign policy goals. Alec Ross discusses leveraging social media and Ambassador Elizabeth Frawley Bagley outlines how private-public partnership can make a difference responding to long-running, seemingly intractable, global challenges. We hope you enjoy the insights offered from these conversations with two practitioners who are promoting innovation and partnerships as ways to achieve U.S. foreign policy goals.

Viewpoints

We also offer compelling viewpoints on a variety of topics. John Kamensky provides a thought provoking piece on rethinking the role of citizens in a Gov 2.0 world. For those who have answered the call to public service, there are many stakeholder groups you will encounter while in government. Understanding the relationship with each stakeholder will be useful in achieving your goals. To that end, Thurgood Marshall, Jr. provides advice on working with the White House; Bernard Martin offers insights into how to deal with the Office of Management and Budget (OMB); John Callahan explains certain realities about working with Congress; and Lawrence Haas explains the importance of taking the media seriously and working with them as effectively as possible.



To close this edition, we offer brief overviews of our most recent Center reports in our research abstracts. If you have yet to read these reports, we encourage you to do so by going to businessofgovernment.org and becoming a friend of the Center.

We hope you enjoy what is offered in this edition of *The Business of Government* magazine. Please let us know what you think by contacting me at michael.j.keegan@us.ibm.com. I look forward to hearing from you. ■



A Conversation with Craig Fugate, Administrator, Federal Emergency Management Agency, U.S. Department of Homeland Security

Disaster can strike any community at any time. It can take many forms, building over time or hitting suddenly without warning. In the last decade, whether as a result of natural or man-made disasters, the nation's emergency-response apparatus has faced enormous challenges. Overcoming these challenges and forging a national emergency-response network for the 21st century requires innovation and teamwork. We spoke with FEMA Administrator Craig Fugate about how teamwork is integral to his agency's success, the challenges facing his agency, how he is leveraging social media, the importance of individual preparedness and being ready, and how technology helps FEMA and its partners respond more effectively to disasters.



On the Mission and Scope of the Federal Emergency Management Agency

Most people are familiar with FEMA, but we really have to step back and understand that FEMA is not the [whole] team; we're part of a [a national emergency-response] team. How do we build resiliency in our communities against a wide spectrum of threats? Some threats are cyclical, such as hurricanes. Others are strictly unpredictable and can happen with little or no warning, such as cyber attacks or infrastructure failures. We also constantly deal with earthquakes and other hazards that don't have a time scale or a season.

FEMA's responsibility spans the whole United States, including the American Virgin Islands, Puerto Rico, and other territories. In fact, the scope of our mission actually crosses the International Dateline. FEMA is divided into 10 geographical regions composed of offices with regional administrators and staff that work with our primary day-to-day customers—the state emergency management agencies and state governors.

Under our system of disaster response, local governments [are the first line of response to disasters]; in the event that they need additional resources, they go to the state. States then coordinate responses. If warranted, state governors may then make requests to the president for federal assistance. FEMA is the agency that coordinates that federal response.

We have some 4,000 career service staff. The temporary hires, what we call our disaster reserve, are probably between 3,000 and 4,000. We have smaller disasters that may not make the national headlines. These smaller disasters may warrant requests and approval by the president for assistance. We are constantly adjusting our staffing to continue such work. We also have legacy work from the 2004 and 2005 hurricane seasons. [Yet,] we are always preparing for the next disaster.

On Leading the Federal Emergency Management Agency

You know, a typical workweek at FEMA is almost always atypical. It can range from being in the office with my staff, moving forward on our objectives, to being out in the field. I spend a lot of time working with other components within DHS on our overall departmental missions. Again, we see FEMA as not the whole team but part of a team, so we spend a lot of time building that team. We're always looking for

opportunities to build and expand our team, whether within DHS under the leadership of Secretary Janet Napolitano, or with the rest of our federal partners.

More importantly, it's about bringing in people that are not traditionally seen as part of the disaster response team. In this country, we tend to take a very government-centric approach to disasters and problem solving. I find that we oftentimes overlook the very things in a community that on an everyday basis are providing services, whether they're volunteers, community, or faith based organizations. Some of them have disaster response as their core function or one of their core functions, like the American Red Cross. Many others who have certain capabilities are not traditionally seen as disaster responders. We often talk in the government about private-public partnerships, but taking it one step further: What is the private sector doing every day that may support or augment a disaster response? I'm trying to get us to become more open to the idea that the team is not just government; it's more than just your traditional response agencies.

[I recognize] that to bring about a true team you have to be [as much] a person who takes charge as a person who builds trust and confidence. It is about building collaboration with organizations that oftentimes on a day-to-day basis may have competing interests, but during a disaster must work well as a team. It means you have to give up a certain amount of direction and control. [You have to] spend more time clearly articulating the mission and goals of the team and empower its members to carry [out] those goals.

On Challenges Facing the Federal Emergency Management Agency

We have several internal challenges, but externally I think it's one. I think the first challenge is helping people understand that in large-scale disasters everybody has to participate to the ability they can. We put a lot of emphasis on personal preparedness, and people ask, "Well, is this because you're saying that government can't do everything?" And, I say: Yes! Most are kind of taken aback as they are not used to such frankness. When a large-scale catastrophic disaster, take an earthquake or another natural hazard that can be geographically very challenging, occurs, it's unrealistic to expect that resources from outside the area can get to everybody fast enough. We always need to maximize what's already there. Oftentimes, the initial response is people helping each other. Too often, government wants to control everything. During a large-scale disaster, that's almost impossible. What we really need to be doing is empowering people. We need to look at the public not as a liability but as a resource. Those of us who can and should be able to take care of ourselves and



our families should do so. Those who fail to are competing with our most vulnerable citizens for resources. We really have to engage the community and quit treating the public as a liability.

The second part of that goes to something that we've not been able to do until recently, and that is actually carrying on two-way conversations with the public during a disaster. We can broadcast to them; we can send them information, but we've not been very good at soliciting from the public what's going on in the disaster. Oftentimes, we wait for the official reports to come in, yet we're already seeing news footage or people sending out images of what's going on. There is a tendency to discount this because it did not come from an official source.

Again, if we're not trusting the public, then we're really negating a tremendous resource—[a source that can] tell us what's going on, how effective our response is, and what the needs are based upon what the survivors are seeing.

I think the third challenge is time. I have a sense of urgency. I tell my staff that if I seem impatient there's a reason; I have the patience of a gnat. I don't know when the next disaster is going to strike. I don't know when it's going to be of such magnitude that many of these things that we're talking about have to be in place. There are enough things that could happen, which could stress the system to the breaking point if we're not [focused on] building this [national emergency response] team.

“What you really need to be doing is empower people. We need to look at the public not as a liability but as a resource....[a source that can] tell us what’s going on, how effective our response is, and what the needs are based upon what survivors are seeing.”

— Craig Fugate

On Transforming the Mission of the Federal Emergency Management Agency

There’s this assumption that we have what I call a national [emergency-response] system that FEMA manages in direct response to disasters. The reality is that state governors and local officials direct and respond to local disasters. Many of them never result in [requests for] federal assistance. When warranted, a governor may request that the president declare a disaster area and that certain provisions of the programs [established under the Stafford Act] become activated. Much of the time, FEMA’s job [has been to] administer the Stafford Act and the reimbursement parts of the program.

We saw in several disasters, most notably the Katrina response, where it was implied that FEMA may not have had the authority to preposition or order-up supplies or to commit resources until the governor had made that formal request. Congress recognized that they needed to clarify that. The post-Katrina Emergency Management Reform Act [authorizes] FEMA to order response, whether it be contracting for resources or tasking the Department of Defense, or other parts of the federal family, prior to a governor’s request. I’ll give you an example. America Samoa was struck by a tsunami. Notification came into us in the early afternoon. Historically what would have happened is that we’d have had to send teams onto the island to assess it, help the governor formally request assistance, and get the paperwork into the White House for approval. We would turn around and determine what assistance the governor needed based upon the assessments; then, we’d order up those resources and send them there. Well, that works pretty well if the disaster is within the capabilities of the state to respond, and we’re just talking about recovery. This was not the case in America Samoa. We used the authorities under the post-Katrina Emergency Management Reform Act. We started sending things based upon the population of the islands. We weren’t sure how bad it was, but we knew the population of the islands, so we started mobilizing resources. We knew they had to go in by air, and we had to make sure we had a runway. We worked with our partners in DHS—the Coast Guard and Transportation Security Administration—to make sure that the runways were usable and to use Coast Guard aircraft to fly in the first teams. We made it very clear we

weren’t flying down to do assessments; we were flying down there to provide support. Within 24 hours, we had our first teams on the ground, and we had set the goal of stabilizing the response in 72 hours. The governor reported to us that he considered the island stabilized within 48 hours. After that, his primary focus was power generation because his area lost a power plant. We worked with the Army Corps of Engineers and partners at the Department of Defense to fly in generators to provide that assistance. Now, that model is the way we operate. Oftentimes the description of our program [gives the impression] that dominos have to fall before we can engage. In disasters where it is evident that a response is needed—we cannot wait for the assessments—we are no longer precluded from providing that direct response and that assistance in a timely manner.

On Leveraging New Tools and Technologies

There’s a lot of buzz about social media. I’m not so much looking at the different tools, like YouTube, Twitter, or blogging, as thinking that it’s really opened up something that government never had before—two-way conversations with the public.



Photo: Michael Rieger/FEMA

Fargo, ND, March 22, 2010: Federal Emergency Management Agency (FEMA) Administrator W. Craig Fugate visits North Dakota to observe operations in response to Red River flooding and meets with North Dakota Governor John Hoeven, U.S. Senators Kent Conrad and Byron Dorgan, U.S. Representative Earl Pomeroy, and tribal and local officials.

How do we do a better job of communicating with the public? Obviously, if there's a lot of information coming out and a lot of information being shared among individuals, it would make sense for us to figure out how to tap into that so we have a better understanding of what the needs are during an emergency. We just want to know what's going on, so that we can do a better job of responding and identifying what is needed as fast as the public identifies it themselves.

The Random Hacks of Kindness, Disaster Relief Codejam (RHoK) was not something FEMA started. [This was an initiative, sponsored by industry leaders such as Google, Microsoft, and Yahoo! in conjunction with NASA and the World Bank that brings together disaster relief experts and software engineers to work on identifying key challenges in disaster relief, and developing solutions to those challenges.] I was invited to present the keynote. It was something the industry was doing [of its own accord]. They saw this need but they weren't sure quite how to fit in. I noted that from improving family emergency communications, to enabling first responders to make decisions faster, technology experts hold a key to making our national emergency management team stronger. I'll give you a very simple example: Personal communication is a very key part of people being able to find out what's going on in their families and letting people know they're okay. If you can't get information out and let people know about their families and each other, there's a factor there of concern and worry that is indescribable. Like here in D.C., we had a crash on the Metro; it occurred at rush hour. Cell phone traffic was so heavy that initially many people could not let family members know they were okay. People from outside the D.C. area were having trouble reaching family members to see if they were okay. We've seen this in other events that have occurred across the country. I challenged the programmers to come up with an easy way for families to put together emergency communications plans online. I said, well, here's my idea, what if you guys could build an application that takes and links all these different social media platforms—give me one button that I could use to update, but also do some things like link in the Red Cross well-being registry where you can let people know you're okay.

On the Importance of Personal Preparedness

The hard, cold facts are that in these very large-scale complex disasters we cannot reach everybody fast enough. The more people understand that they have a role to make sure that they have done everything they can to prepare themselves and their family, the better we're going to be able to take care of and meet the needs of those that cannot take care of themselves. I look at the public not as a liability



Photo: David Gonzalez/FEMA

Pago Pago, AS, October 13, 2009: From right to left, Dennis Coliten (FEMA), an American Samoa police officer, Casey De Shong (FEMA), Ken Tingman (FEMA), and Gerard Stolar (FEMA) walk across the tarmac to greet the Antonov AN-225 cargo plane. The cargo plane is the largest in the world and carried generators contracted by the Federal Emergency Management Agency to assist the island with electrical power restoration.

but as a resource. I look at preparedness as the cornerstone of that. The better prepared we are, the better able we are to take care of our families, the more it frees up our responders to focus on the most vulnerable citizens. It's an additional resource that we oftentimes have not put a lot of emphasis on, and that is encouraging people to take some additional steps, such as encouraging them to become trained, take first-aid courses, and get involved in their communities. When disaster strikes and you and your family are okay, then check on a neighbor. I'm not asking for people to do radical things. I'm asking people to do what many people do naturally: [take care of themselves and assist others in need]. ■

To learn more about Federal Emergency Management Agency, go to www.fema.gov



To hear *The Business of Government Hour's* interview with Craig Fugate, go to the Center's website at www.businessofgovernment.org.



To download the show as a podcast on your computer or MP3 player, from the Center's website at www.businessofgovernment.org, right click on an audio segment, select Save Target As, and save the file.



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



A Conversation with Michelle Moore, Federal Environmental Executive, Office of the Federal Environmental Executive

With the issuance of Executive Order 13514 on federal sustainability, the Obama administration has called upon the federal government to lead by example: making its operations more sustainable, responsible, and efficient. "As the largest consumer of energy in the U.S. economy, the federal government can and should lead by example when it comes to creating innovative ways to reduce greenhouse gas emissions, increase energy efficiency, conserve water, reduce waste, and use environmentally responsible products and technologies," said President Obama. "This Executive Order builds on the momentum of the Recovery Act to help create a clean energy economy and demonstrates the federal government's commitment, over and above what is already being done, to reducing emissions and saving money." We spoke with the Federal Environmental Executive Michelle Moore about efforts to implement the requirements of E.O. 13514, pursuing the GreenGov challenge, working with federal agencies on sustainability plans, and other innovative approaches to greening federal government operations.



On the Mission and Scope of the Office of the Federal Environmental Executive

The office was established by Executive Order in 1993. Throughout its history, it's been responsible for stewarding environmental performance and federal sustainability. The office is housed at the White House Council on Environmental Quality and administered by the Environmental Protection Agency (EPA).

My mission is really defined most recently by President Obama's Executive Order 13514 on federal sustainability. We lead an effort that cuts across the whole of the federal community to lead by example towards a clean energy economy. There's some very high-level performance goals that the president has set, including a greenhouse gas emission pollution reduction target of 28 percent by 2020, performance and energy efficiency in our buildings, clean fleets, reducing the amount of petroleum that the government uses, improving performance on water efficiency, and pursuing green purchasing.

My primary function is to [promote] federal interagency collaboration that helps move the federal government towards [more sustainable operations]. Sometimes that [entails] serving as an advocate for getting good things done, convening interagency efforts to help to improve the body of knowledge, or [providing] guidance or tools that the federal government [needs] to move on this front. Increasingly, it's also about supporting educational opportunities, so that the men and women who work in the federal government, or who are military personnel, have the opportunity to share best practices and to understand the state of the art in operational sustainability. [To do this,] my office works with the steering committee on federal sustainability and every federal agency's senior sustainability officer (SSO).

On Understanding Sustainability

There are a number of definitions of *sustainability*. Some of those definitions go on for pages. Executive Order 13514 describes it straightforwardly: "to create and maintain conditions, under which humans and nature can exist in productive harmony, that permit fulfilling the social, economic,

and other requirements of present and future generations.” It’s very much in the spirit of the how the president has spoken about the topic—meeting the needs of today without compromising the ability of future generations to meet their own needs.

On Sustainability Plans that Make Strategic Sense

From our perspective, green government is good government; it’s good from a “bottom-line” perspective as well; it makes good business sense. There are a couple of things about the way that we are approaching this effort under the Executive Order that are notable in this regard. First, there’s a lot of process that the agencies have been going through as a part of this effort. The Executive Order calls for agencies to deliver an annual strategic sustainability performance plan by June of this year. It’s an opportunity for the agencies to really chart out their own path. We’ve asked them to be very deliberate: what are the changes that we can make to help us achieve these [sustainability] goals? There is no a one-size-fits-all solution to sustainability. The plans must align to the agency’s mission and operational footprint. The Defense Department, for instance, has really embraced setting greenhouse gas pollution reduction targets in the context of energy security. They view it as fundamentally tied to mission in a way that’s distinct from the way that DOE or EPA or even Department of the Treasury would connect this effort to their work.

With these plans, we’ll be able to coordinate and identify trends on how federal agencies are pursuing sustainability in the context of their mission. We’ll understand how best we can support these efforts across the federal community. We’re looking to validate that agencies have identified the proverbial low-hanging fruit for advancing the ball on efficiency, greenhouse gas reduction, and reducing waste by 50 percent. We’re also making sure that agencies have looked at



Photo: Pete Souza/White House

President Obama signs E.O. 13514.



the lifecycle benefits of those projects, putting them and specific programs at the top of the list that are going to have the highest return in economic and social terms.

By connecting sustainability planning to business and strategic planning, we’ll really drive better results. We’ll see better performance, better buy-in, better implementation, and in the end achieve better results and accountability. It’s not about checking a box that’s not going to create the kind of fundamental transformation that we need to really move toward sustainability across the federal government.

Early on in my role, I had the opportunity to visit 17 federal agencies. I sat down with them to listen, identify the best initiatives we could drive forward, offer assistance, and identify past challenges that we could help to resolve. There was a readiness among these agencies to step forward as leaders, to lead in a way that was concordant with their missions and that really aligned with what they were doing [to fulfill their programmatic missions].

On Executive Order 13514 on Federal Sustainability

E.O. 13514 challenges the federal government to step up and lead by example. When you think about the scale and scope of federal operations, our responsibility becomes clear. We own nearly half a million buildings and more than 600,000 fleet vehicles, and we purchase more than half a trillion dollars in goods and services every year. This is the presence in the marketplace that can [result] in tremendously transformative goods. There are clean tech and green tech businesses that are just getting under way. As a

“What gives me the most confidence in our ability to press ahead, to meet the goals of Executive Order 13514, and push even further into the future are the extraordinary men and women who work in the federal government.”

— Michelle Moore

customer, the federal government can be the kind of partner that helps turn a really good entrepreneurial idea into a great American enterprise thus creating jobs. This is the kind of leadership we want to see.

The Executive Order also set some high-level performance goals to help us all get there. It charges the agencies to develop strategic sustainability plans, report progress transparently, and ensure that we're fully accountable for actually reaching goals. One of the new goals that the order set was a federal greenhouse gas pollution reduction target. We took a particular approach to setting this goal. All the agencies were charged with reporting by January 2010 a greenhouse gas reduction number. Every agency had the opportunity to set a target that comported with their mission and operations. The Council on Environmental Quality had 30 days to aggregate those numbers and report a federal-wide target into the president. This resulted in a greenhouse gas reduction target of 28 percent by 2020. This target [complements] already existing

requirements, such as the energy intensity improvements required under Executive Order 13423 and the renewable energy requirements embodied in statute.

We also have goals related to water efficiency, petroleum reduction (i.e., that will help drive towards the greenhouse gas reduction targets), and green purchasing (e.g., buying energy star electronic equipment and appliances). There are a whole set of recommendations and guidance documents that the Executive Order tees up ranging from developing a federal greenhouse gas protocol (i.e., how the federal government will actually measure and report on its greenhouse gas emissions) to guidance on clean fleets (so we are optimally managing our car and truck fleets to reduce petroleum, reduce greenhouse gases, and meet the goals of the order).

Accountability and transparency is [another] fundamental part of the effort. The Office of Management and Budget (OMB) will be issuing scorecards on agencies' performances.

Sustainability, Responsibility, and Efficiency



Water conservation.



LEED certified architecture.



Alternative energy sources.



Teleworking.

GreenGov Challenge



GreenGov Challenge website.



GreenGov Challenge report.

One of the things that we're looking for with this is that OMB wouldn't only be scoring agencies, but that performance would also be made public and publicly available on agency websites. There are some key deliverables that are defined under the Executive Order that would be made transparent to the public as well. This will enable us to demonstrate transparency, hold ourselves accountable, and, ultimately, allow the public to hold us accountable for doing what we said we were going to do.

On the GreenGov Challenge

The GreenGov Challenge has just been extraordinarily successful and rewarding effort: one that we really want to live on into the future. Last October [2009], right after the president signed the Executive Order, the GreenGov Challenge launched on whitehouse.gov as an online participatory forum allowing federal and military personnel from around the world to share their ideas on the best opportunities and top priorities we should [pursue] as next steps towards implementing Executive Order 13514. The challenge also gave them the opportunity to vote on the best ideas that peers had shared. Overall, we had tremendous participation. We had more than 5,000 ideas, about 15,000 participants, and 165,000 votes that were cast during the challenge. Listening to the community of professionals that are leading

the effort on the ground has delivered some extraordinary results. These were great ideas that were, in some cases, very simple and could be immediately implemented. Other ideas were more complex and would take more time, but it will ultimately be embodied in a lot of the agency's sustainability plans that we'll see come in this June. The ideas that were shared and, certainly some of the ideas that scored the highest in terms of vote getting, were ideas that really connected to the experience of being a federal employee or being a member of the military.

The GreenGov Challenge was organized along the lines of the Executive Order. We were looking for ideas from the community about what were our best opportunities to reduce greenhouse gas pollution, to eliminate waste, or green our purchasing. The ideas that came in were very diverse, but there were some clear thoughts that pulled ahead. The final report shares verbatim those ideas. One of the top vote getters was expanding telecommuting, which came up in a couple of different categories: reducing greenhouse gas pollution and reducing the amount of building space that the government leases.

There were great suggestions on water efficiency, which called for fully implementing low-flow fixtures in bathrooms

and a host of other ideas that could help reduce water consumption in federal office buildings. People also talked about the connection between sustainability and well-being. One of the suggestions was to have elevator free Fridays, encouraging the use of stairs. I anticipate seeing a fuller expression of these ideas, how they will be implemented, and measured in the federal agency sustainability plans. Each agency's senior sustainability officers have a copy of the GreenGov report and a spreadsheet that lays out all the ideas that were shared across the government. It's an extraordinary menu of ideas, important ideas that our community wants to see happen. I just cannot say enough about these wonderful ideas and the inspiration that came out of the GreenGov Challenge; we absolutely want it to be a part of the program going forward into the future.

It really demonstrated there's passion and pride in the community—an extraordinary community of people we want to continue to listen and work with to mobilize and to help get good things done. We recently launched the GreenGov Collaborative. This is a forum, an open dialogue that's available to any member of the military services or federal government to register online at fedcenter.gov/greengov and share their ideas. We want to hear from them, want people to share what they think we ought to be doing or could be doing better or should stop doing altogether. We're also really interested in being able to create a dialogue.

On the Challenges of Pursuing Federal Sustainability

The several challenges that I face are also some of the things that surprised me most in coming into federal service. One is just the scale and diversity of the federal government itself; it's not monolithic. The Department of Defense has a unique mission and operational footprint different from Environmental Protection Agency (EPA), which is different from the General Services Administration (GSA). Developing an understanding and appreciation of the many different [missions and operational needs of federal agencies], what [each] can contribute [to sustainability efforts], as well as the unique challenges they face [is critical]. Another challenge has been sharing information. There is an extraordinary community of professionals—military personnel and federal personnel—who've been committed to the idea of sustainability, not just for two or three years, but for 20 or 30 years. It is important to understand the best ways that we can use some of the open government tools that we have and more traditional networks within the federal community to really tap their expertise, learn from them, listen to them, and let them inform how we move forward in achieving the president's goals. Another challenge is managing the diverse composition of the federal community. There are many unique needs

[that federal agencies have] and opportunities they [may seize] while pursuing the aims of the Executive Order on federal sustainability. Mobilizing and engaging federal professionals who are leading these efforts, so that the best ideas and the best project opportunities are elevated to the top is a challenge.

The operational challenges that many federal agencies also face [in pursuing sustainability] are not dissimilar from what you find in the private sector. Clearly, reducing energy use and pursuing energy efficiency are the most important areas for the federal government. We are the single largest energy user in the U.S. economy and have a very sizeable utility bill every year. It's an important area for savings. We have a “disaggregation” challenge. There are lots of buildings, literally all over the country, offering many opportunities for energy efficiency. Every federal facility may have different [perspectives] on how best to go about achieving energy efficiency. A big challenge is how do we identify, prioritize, and, ultimately, finance opportunities that lead to saving. Meeting these challenges is more about understanding where there is opportunity to contribute to the whole. We're looking for leadership and innovation: What ideas can we multiply and move further faster towards the [overarching] goal of [federal sustainability]?

On the Future of Federal Sustainability Efforts

I see the future being filled with opportunities. What gives me the most confidence in our ability to press ahead, to meet the goals of Executive Order 13514, and push even further into the future are the extraordinary men and women who work in the federal government and who are part of the military service. The inspirational ideas that they shared in the GreenGov Challenge, the work that they do every day, their commitment to public service are extraordinary. Their continued involvement in the GreenGov Collaborative, continuing to share their ideas and give us the opportunity to listen and ask questions, [provides] me with [great] hope on what we're going to be able to accomplish. ■

To learn more about the Office of the Federal Environmental Executive, go to www.ofee.gov



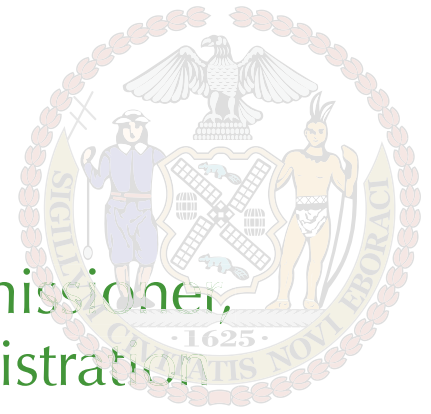
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A Conversation with Robert Doar, Commissioner, New York City Human Resources Administration

Over the last several years, we have focused on human service delivery: the challenges being faced and innovations being forged in our local communities. Today state and local governments are under tremendous pressure to do more with less. Nowhere is this more evident than in the delivery of human services—that social safety net bringing to those most in need a leg up, well-being, and ultimately self-sufficiency. As we continue to engage government executives who are changing the way government does business, we spoke with Robert Doar, commissioner of New York City Human Resources Administration, about his efforts in this area.

On the Mission of the New York City Human Resources Administration

The New York City Human Resources Administration is the largest department of social services in the city of New York. We have the biggest collection of programs and the largest groups of New Yorkers whom we serve. [Our collection of programs includes] the Medicaid program. We provide health insurance to more than 2.5 million New York City residents. We manage the food stamp program. We provide food assistance or benefits to help purchase food for about 1.6 million New York City residents. We have the cash welfare program, a much smaller program; we serve about 350,000 New Yorkers in this program. We have some other programs in the area of social services: domestic violence and adult protective services. Our principal role is to provide a safety net and support for people who are particularly vulnerable or are struggling; that includes helping people get into employment.

On Leading the New York City Human Resources Administration

New York State is a state oversight locally administered state—there aren't many systems like this left in the country. In New York, the state provides leadership and guidance, policy instructions, some training, and some computer systems support. Basically, the interaction between the client or the recipient of the benefits and the government is performed at the local level. New York City is by far the largest of all the other 58 counties in the state.



We have about 15,000 employees with offices all over the city of New York. If you count benefits, more than \$5 billion a year flows through HRA. We're organized by programs, so I have about 15 direct reports. They each have their ships, as I call them, their units.

Though not my only role, I'm principally the "report to the public" guy. I testify before the New York City Council. I testify before state legislative bodies. I make the very important high-level personnel decisions, and I try to hold my staff, and the various units, accountable to certain measurements and goals or targets for the coming year. I don't try to micromanage how they do business, but I keep track of their outcomes. I think it's important to find good people. Once you have good people working for you, it is important that you trust them, rely on them, and support them. I'm very dependent on the people who run the various programs in my agency. I'm very much a believer in listening to those in the agency or the bureaucracy. Asking such questions: What are they seeing? What do they know? How would they advise me? And then acting on what you find: You have to be a good

listener. You also have to be a good communicator. I think that a lot of leaders suffer from excessive secrecy and excessively keeping things too close. I am definitely not that. I believe in communicating down so people who work with me know what I'm about and what we are trying to accomplish. Like any good executive, I know how to keep the boss informed. I think that is really essential. It also helps to show up every day—to be there early and have everybody see you.

On Challenges Facing Human Service Delivery in New York City

In the country and in the city of New York, we've had this really nice run of good economic times going back into the '90s. Welfare caseloads in 1995 in New York City were about 1 million. With the strong economy, and our emphasis on work and work supports, we had great success with what we call welfare reform—changing that relationship between government and the recipients of public assistance. Our biggest challenge is seeing if we can help contribute to rebuilding our economy. I don't have a big role in restarting the city's economy. I just deal with the cards I'm dealt. I do have a

responsibility to ensure that my agency responds to people in need. I will be monitoring our wait times, processing times, and error rates, so that I can be sure we deliver services that people need in a proper and timely manner.

The second challenge is sort of a policy challenge. We really believe in work requirements for people receiving public assistance. We've been a leader in enforcing those requirements for the last 10 or 15 years in this city. Mayor Bloomberg believes in it. There is a tendency, however, in policy circles to turn that back and revise [these requirements]—whether it is the reauthorization of the Clinton welfare reform bill discussed in Washington or changing attitudes in Albany. We have to stand against it because the first and best way out of poverty is work: it's a job. We'll communicate with our legislators about why we think this is important. We'll support those in need with all kinds of work supports: food stamps, the earned income tax credit, child care subsidies, and child support collections. But we're standing strong for work and employment requirements.



HRA Portfolio of Programs and Service



Child Support Enforcement – Every year HRA collects over half a billion dollars in child support payments for New York City's children.



Energy Assistance – Federally funded HEAP helps low-income homeowners and renters to pay bills for heating fuel, equipment and repairs. HEAP grants range from \$40 to \$400 a year.



Home Care – The program provides medical and social needs assessments to determine the appropriate level of care for individual clients. Services include case management and oversight, personal care and housekeeping services.



Adult Protective Services – APS clients typically lack the ability to meet their essential needs for food, shelter, clothing or healthcare.



HIV/AIDS Services Administration (HASA) – HASA provides access to essential benefits and social services to individuals and families with AIDS, advanced HIV illness, or HIV infection.



Food Stamps & Food Programs – The Food Stamp Program, funded by the federal government, provides food stamp benefits through the use of an electronic benefits card that can be used to purchase food items at participating grocery stores and supermarkets.



Domestic Violence Support Services – ODV directly operates one emergency domestic violence shelter, oversees reimbursement to 35 private emergency residential programs, and oversees and provides client referrals for four transitional housing programs for victims of domestic violence.



Public Health Insurance – These insurance plans provide medical care through a fee-for-service or a managed care plan.



Temporary Cash Assistance and Benefits – Eligible families may receive up to 60 months of federally funded cash assistance under the Temporary Aid to Needy Families Program (TANF).

The third challenge is that revenues are down. We don't have surpluses anymore generated by enormous success on Wall Street. [Wall Street] paid a lot of taxes, and that's not there anymore. I think we need to now pull back because we just don't have the money. I am sure this is a very common thing all across the country. We have savings targets: need to save 10 percent or 5 percent. Budget cutting is one thing that I'm doing. I am trying to find ways to reduce our claim on the taxpayer without hurting our delivery of services. This is hard because we're also the safety net agency—providing to those [most in need] during difficult economic periods.

On the Success of New York City's Child Support Program

The child support program is one of the most misunderstood programs in social services. Back in the 1970s, it began as a device to get the [noncustodial] parent to contribute toward the livelihood of the family as well as to for the city to recoup welfare benefits.

As welfare reform kicked off in the '90s, fewer and fewer people were on welfare. We had a lot of low-income single-parent families not on welfare, but who needed additional resources to be consistent and reliable; that's what happened with the child support enforcement program. We basically enforce [court] orders. We make sure that payments come in every month. The biggest device we use is the garnishing of wages, which is a requirement of the law. We've collected about \$600 million with [a significant portion] going to families that used to be on welfare—mostly single mothers with kids.

This has been a successful anti-poverty initiative; it also provides some equity in the responsibilities of parenthood. If you have a child, then you need to provide support. You have a certain legal responsibility; we enforce that.

What we've also done at HRA—a new part of our program—is to get the absent parent, the father particularly, more involved in the life of the child. We've encouraged it in public service announcements. We've had parties and gatherings. We've funded programs. We monitor cases. We've made our child support enforcement program be less tough on noncustodial parents, treating them as customers as well. It's been really successful.

On Administrating Public Health Insurance in New York City

Here in New York, I think, we're ahead of the rest of the country in covering the uninsured. I think we may be one of the biggest providers of health insurance in the country with 2.5 million covered individuals. [The HRA Medical



Assistance Program (MAP) is responsible for the administration of New York State's free and low-cost public health insurance programs for low-income, eligible New York City residents. These plans provide coverage for medical care through fee-for-service arrangements with participating medical providers or through managed care plans.] The Census Bureau reported that, according to its survey, only 5.7 percent of New York City's children were uninsured. That's amazing. That's virtually universal coverage. Most are covered by public health insurance, which is Medicaid or Family Health Plus or Children's Health Insurance Program. There is still a big chunk covered by private employers—that's a tremendous record.

We have not made the eligibility determination process overly burdensome on applicants. We get them covered and then we make the recertification as simple as possible. What often happens in Medicaid is that people get insured, they get the card, their recertification period comes up, and they drop off the program. We've been able to reduce that dramatically. I think 70 percent of the people that receive our mailer telling them they're up for recertification for Medicaid return it. Of those who return it, 95 percent are determined eligible in the appropriate timeframe.

There are a lot of people who aren't eligible for public health insurance. We wanted to give people access to information so they can see what [health plan options] are available. [We launched the NYC Health Insurance Link—www.nyc.gov/hilink, which was created to help New York City residents and small business owners find health insurance. New Yorkers can compare the costs and benefits

“I think it’s important to find good people. Once you have good people working for you, it is important that you trust them, rely on them, and support them.”

— Robert Doar

of selected health plans, explore strategies to make coverage more affordable, and learn some “basics” about health insurance.] You put in your information: income, residence, the type of insurance—high-deductible or low-deductible. [It will then] tell you what’s available in the marketplace, whom you should call, and what it will cost. We’ve received thousands of hits on the site. [The website has been designed to address the fluidity that defines today’s complex health-insurance market.] The only issue is that there is no discussion about affordability. We felt let’s at least give them the information and let them know what’s out there in the private marketplace. The mayor came and announced that he was very proud of it. The mayor likes to see us using technology to help citizens.

On Administering the Largest Food Stamps Program in the United States

The food stamps program is interesting because people used to associate it almost entirely with welfare. Before welfare reform passed in the early ‘90s, it was a different program. Since welfare reform, the program has become a work support program. It is now a supplement for those who are working [but can’t make ends meet].

So we marketed it a little bit; we made it more accessible. We made the timeframes for when people apply and receive benefits faster and more convenient. We’ve expanded our hours. New York State and the federal government have relaxed certain rules so that more people are eligible and

NYC Health Insurance Link



The NYC Health Insurance Link (NYC HI Link) was created to help New York City residents and small business owners find health insurance. New Yorkers can compare the costs and benefits of selected health plans, explore strategies to make coverage more affordable, and learn some “basics” about health insurance, such as definitions of the words insurers use and facts about consumer protections. NYC HI Link is the first of its kind in New York—an online, unbiased resource, developed from a consumer perspective, providing detailed information about the costs and benefits of specific plans available in New York City in a way that allows consumers to better understand, and compare, different plans.

the benefits amounts are more generous. And the result is that we have this big group, more than 1 million New Yorkers—men, women, and children—who are benefiting from this program but still working. The belief among regular Americans is that, if you receive a benefit, you ought to be doing your part too—showing some personal responsibility.

On Using Technology to Improve Human Service Delivery

It's about making sure that we get the application processed more quickly: that's absolutely how we improve productivity. We want a better device so we can achieve productivity improvements. I've seen that happen. I've seen it in the child-support program where technology has allowed us to make wait times and processing times faster and quicker. I've seen it in the welfare program; I want to see more of it. I think there's the big opportunity. If the client can access a certain benefit without having to spend as much time or effort, that's good. We're heavily involved in a project with the deputy mayor, Linda Gibbs, called HHS Connect. It focuses on the business of sharing information across social services agencies so that people, instead of having to deal with me for one thing and somebody else for something else, we could give a client some coherence on how we respond. It also allows us to make sure we know what's going on in the case so we can avoid fraud and waste. I think outcomes would be enhanced by more efficient and more customer-friendly uses of technology.

On the Best Path towards Self-Sufficiency

There have been a lot of studies done by very established researchers and experts in the field. MDRC reviewed, over a long period of time, training and education programs for people who were receiving public assistance—cash welfare versus work first programs. They found that work first programs are [more likely to have better outcomes]. This is as long as [they are] supplemented with training and education opportunities as well. But we have to focus on employment first. ■



To learn more about the New York City Human Resources Administration, go to www.nyc.gov/html/hra



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Dr. David Blumenthal

National Coordinator, Health Information Technology

U.S. Department of Health and Human Services

By Michael J. Keegan

Implementing the National Health Information Technology Agenda

The U.S. healthcare system has a history of innovation marked by the ability to translate basic research into new clinical and therapeutic approaches that sustain human life and health. Such success brings with it significant challenges. Healthcare costs continue to rise at rates higher than inflation while producing a system mired with inconsistent quality and ever expanding access pressures. Against this backdrop, the Institute of Medicine has concluded that the American healthcare system is in need of fundamental change, noting that healthcare today harms too frequently and fails to deliver its potential benefits. “In the 21st century, for two and a half trillion dollars, I think we can do better,” declares Dr. David Blumenthal, national coordinator for Health Information Technology (HIT) within the U.S. Department of Health and Human Services (HHS).


Dr. Blumenthal leads the office charged with implementing a nationwide, interoperable, privacy-protected health information technology infrastructure. “The Office of National Coordinator for Health IT (ONC) was created in 2004 by Executive Order [13335],” explains Blumenthal. “It was initially mandated to provide a coordinating function across the federal government in helping to organize health information technology activities.” Blumenthal acknowledges that at its inception the office was fairly small with limited resources, but with a uniquely important mission. “Health information technology,” explains Blumenthal, “is just a way of collecting and moving a patient’s health information. It’s what I think of as the circulatory system. If you think of information as the lifeblood of medicine, then health information technology is its heart and arteries. And you’re, as a physician, only as good as your circulatory system.”

Many believe that health information technology or health IT has the potential to transform the practice of healthcare by reducing costs and improving quality. While health IT offers

much promise, there is a need for leadership, coordinated action, infrastructure and incentives, and common agreement for its promise to become reality.

The passage of the Health Information Technology for Economic and Clinical Health Act of 2009 (the HITECH Act) as part of the American Recovery and Reinvestment Act of 2009 (ARRA) seeks to transform the promise of health IT into a healthcare system built for the 21st century. It instantiates the office in law, providing the national coordinator with more resources, clearer authorities, and many time-sensitive requirements. “This has required us to look at the office and re-create it as a locus of action and leadership,” asserts Blumenthal, “for a very ambitious project, ambitious by any governmental or non-governmental standard.” The HITECH Act allocated \$2 billion directly for his office to do just this and lay the groundwork for the accelerating the adoption and meaningful use of health IT nationwide. “To take a country that extends from the Bering Strait to Key West that is as diverse as this country with the variation in its health system from rural Montana to downtown Chicago is a tremendous project of social change,” acknowledges Blumenthal.

Serious barriers to the adoption and use of health IT, specifically an electronic health record (EHR), continue to exist. “The barriers are pretty well defined,” explains Blumenthal. “The first is money. The second is technical and psychological—fears that providers have of buying the wrong technology or not being able to implement it. The third is a lack of a workforce to support the implementation of health information technology.” Blumenthal has begun to tackle many of these issues by using the funding and authority afforded his office under HITECH. This has involved working with the Centers for Medicare and Medicare Services (CMS) along with the HIT Policy and the HIT Standards committees,



“This has required us to look at the office and re-create it as a locus of action and leadership for a very ambitious project, ambitious by any governmental or non-governmental standard.”



“In the end, the purpose of this initiative is to improve health and improve efficiency, not simply to install technology.”

to establish a regulatory regime that defines “meaningful use” as well as set standards and certification criteria for health information systems. “The core and most powerful element of the HITECH Act is the concept of “meaningful use.” Two relatively simple words, but very powerful when applied as the Act states they should be,” declares Blumenthal. According to Blumenthal, no other country has ever, in regulatory form with such precision and completeness stated, in effect, this is what we expect of the most modern health information systems. “This is what we expect people to do with it; this is what we expect it to be able to produce, and this is what we think is valuable about it, valuable enough that we’ll pay extra for it.”

For instance, starting in 2011, physicians who demonstrate that they are meaningful users of certified electronic health records (EHRs) can receive extra Medicare payments. These payments could total \$44,000 in additional funds over a five year period. There are a host of additional financial incentives for such institutions as hospitals. Along with these carrots, there are a few sticks. By 2015, physicians who are not meaningful users of EHRs will lose 1 percent of their Medicare fees, which will increase by an additional 1 percent for each year thereafter.




In tandem with financial incentives, Dr. Blumenthal has established grant programs charged with helping providers adopt and becoming meaningful users of EHRs. “We’re setting up Regional Extension Centers, which are going to be community-based organizations that are available to help doctors get online and use the equipment. We’re targeting small primary care practices in underserved areas.” Extension centers will offer technical assistance, guidance, and information on best practices to support and accelerate healthcare providers’ efforts. ONC has also allocated funds for workforce training, assisting educational institutions to expand health informatics education programs. Blumenthal notes that this training will emphasis more than just the attributes of specific technologies that workers may need; it will also school them in quality improvement and process redesign techniques. In the end, the purpose of this initiative is to improve health and improve efficiency, not simply to install technology. Grants have also gone to states and communities to support the creation of viable health information

exchanges, as well as to establish beacon communities that will use funds to build and strengthen their health IT infrastructure and exchange capabilities to demonstrate the vision of meaningful health IT.

“In our broad authority,” notes Blumenthal, “we had the opportunity to single out some areas for intensive short- and long-term research. We’ve put \$60 million into what we call the Strategic Health IT Advanced Research Projects (SHARP) Program.” These efforts will seek improvements in the quality, safety, and efficiency of healthcare, through advanced information technology. In April 2010, ONC awarded four cooperative agreements totaling \$60 million (\$15 million each) to various institutions. Each institution will implement a research program addressing a specific research focus area: security, patient-centered cognitive support, healthcare application and network architectures, or secondary use of EHR data.

“I’m not a technical person,” explains Blumenthal. “I think in some ways that’s been an advantage. I don’t get particularly involved in the technology. I’m here because I care about reforming the health system and helping patients. I used an electronic health record for a decade as a physician, so I know what it’s like to use it. I can speak credibly and with authority about an electronic health record. I’ve seen it make me a better doctor. I can tell very specific stories about decisions it has improved, care it has improved, and money it saved for me as an individual physician.” ■

To learn more about the Office of the National Coordinator for Health Information Technology, go to www.healthit.hhs.gov

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Richard L. Haley

Assistant Director, Finance Division and Chief Financial Officer
Federal Bureau of Investigation

By Michael J. Keegan

Transforming Financial Management at the FBI

The Federal Bureau of Investigation (FBI) has a three-fold mission: protecting and defending the United States against terrorism and foreign intelligence threats, upholding and enforcing the criminal laws of the United States, and providing leadership and criminal justice services to federal, state, municipal, and international agencies and partners. Managing resources efficiently and effectively is the key to the FBI's successfully meeting that mission.

"We're uniquely positioned," explains Rich Haley, assistant director of the Finance Division and the FBI's chief financial officer. "The FBI has an intelligence community role and also a traditional law enforcement role... It's a very complex organization from a CFO's perspective. We have over 30,000 employees. We also have 56 field offices... [I]n addition, we have an international presence... in over 70 cities around the world; those are aligned to 62 offices we call legal attaches, where we work with our international partners on everything from bombings going off to criminal matters that our countries share interest in."

Haley leads the FBI's finance division, which is responsible for the overall coordination and administration of the FBI's budgetary and fiscal matters, financial planning, voucher and payroll matters, and property and procurement activities. "I call it a full body shop," describes Haley. "I have budgeting functions [that include] everything from formulating the budgets to sending it to the Department of Justice for review by the Office of Management and Budget, the Director of National Intelligence, and then ultimately to our appropriators. We also have an execution role where we load the funds, distribute them to over 75 different program offices, monitor those funds to ensure that they're being executed efficiently.... On the back end is accountability—being good stewards and making sure our financial statements track

inventory. We have over 500,000 pieces of inventory that we're accountable for; we monitor, and ensure that they are being maintained properly." His office also manages the FBI's acquisition and procurement function, which according to Haley executed more than 19,000 acquisitions in FY09 totaling around \$3 billion. "It's about being good stewards in terms of the acquisition of services, equipment, and other products that we're purchasing on behalf of the operational support functions," underscores Haley.

To that end, the FBI has adopted a multiyear budgeting cycle, which enables it to enhance its business planning and analyze the impact of current year budget decisions. For a number of years, the Intel community and the Department of Defense have used five-year budgeting. According to Haley, it will be the FBI's fourth year of using such an approach. "It makes us not only look at the threats today, but try to better anticipate what threats [we may face] or what risk mitigation we need in place today to be prepared for [future] threats," explains Haley. Using a multiyear budgeting approach also enables the FBI to better communicate with its Intel partners, as they are using a similar model.

Haley recognizes that his office provides essential financial management products and services that support the FBI's mission. He also understands the challenges he and his staff face in serving an agency that's transforming itself and the way it does business. "If you look at the FBI resources in mid-1970s," explains Haley, "we had just hit a billion dollar budget. It took us 25 years for it to get up to \$3 billion. Since 9/11, our organization has grown to almost \$8 billion today. This is phenomenal growth in a short period of time; my main challenge as the CFO is to stay relevant and [connected] to the organization's transformation."



“I think there is an acknowledgment from the director on down that to make sound operational decisions you have to have an understanding of the financial pieces.”

“The FBI has an intelligence community role and also a traditional law enforcement role.

It’s a very complex organization from a CFO’s perspective.”

He takes this challenge and the FBI’s new way of doing business seriously. In fact, the FBI has for some time received an unqualified opinion on its principal financial statements, demonstrating a clear pattern of financial accountability. “We’ve had an unqualified opinion for a number of years. What’s significant is it’s the first time [FY2009], after 14 actual unqualified opinions, where we not only have an unqualified opinion, [but] we [also] have no material weaknesses and no significant deficiencies,” notes Haley. This is quite an accomplishment, especially when you realize that he’s achieving this using a 30-year-old financial system. Haley points out that there is more to be done. “It’s not enough that you take the financial statement, which is not, quite frankly, all that exciting of a read; it’s taking that information and that data and putting it into a format that’s relevant to our operational side, so they can understand it and use [it to inform program decision making].”

For Haley, there is a singular emphasis: to produce timely, useful, and relevant financial and budget data that can inform program and leadership decision making. “I think there is an acknowledgment from the director on down that to make sound operational decisions you have to have an understanding of the financial pieces,” declares Haley. He continues to identify other areas where better financial data would enhance decision making. The Department of Justice’s current effort to overhaul its core financial system will assist Haley in his pursuits. In fact, the FBI is preparing to migrate to DOJ’s Unified Financial Management System. The UFMS initiative is critical to DOJ’s future financial management strategy and centers on replacing the department’s multiple core financial management and procurement system with an integrated Commercial-Off-The-Shelf (COTS) solution.

Haley is prescient, and somewhat philosophical, about the move, relating his current situation to Plato’s allegory of the cave. “In many ways, we are sitting in a situation where we’re seeing shapes on the wall. To get out and actually see the real trees and the real animals is where UFMS will take us.” When it is implemented, UFMS will work to improve financial management and procurement operations

by streamlining and standardizing business processes across all DOJ components, including the FBI. “It will really make a difference for us to report more accurately, more timely, and provide us with the ability to interface with other FBI systems,” says Haley. He offers as an example the FBI’s new case management system, Sentinel. “We’ll be able to interface and share case data on a real-time basis between what’s being executed by our agents in the field and what’s in our financial system,” notes Haley. He points out that, in the end, this next generation of systems “will give us an ability to more accurately forecast how we’re expending resources and drill down into programs to look for additional efficiencies, and additional ways of either avoiding cost or being more effective in how we’re spending.”

For this effort to be successful, Haley admits that he needs to prepare his workforce to be able to work with the new system. “We’ve spent a lot of time,” notes Haley “with the Drug Enforcement Administration (DEA) that has successfully implemented UFMS. They have been very generous, allowing us to be involved with their transformation. We’ve had staff sit in and learn from [DEA’s] experiences...I think it has focused me on how challenging this is going to be.” It is going to be a major effort for the FBI, but Haley doesn’t shy away from the challenge. “If we’re going to be successful with UFMS, then getting the workforce ready, getting the data ready, and preparing for it are key,” declares Haley. ■

To learn more about the Federal Bureau of Investigation, go to www.fbi.gov



To hear *The Business of Government Hour’s* interview with Richard L. Haley, go to the Center’s website at www.businessofgovernment.org.



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Rear Admiral Thomas J. McGinnis

Chief, Pharmaceutical Operations Directorate, TRICARE Management Activity
U.S. Department of Defense

By Ruth Gordon

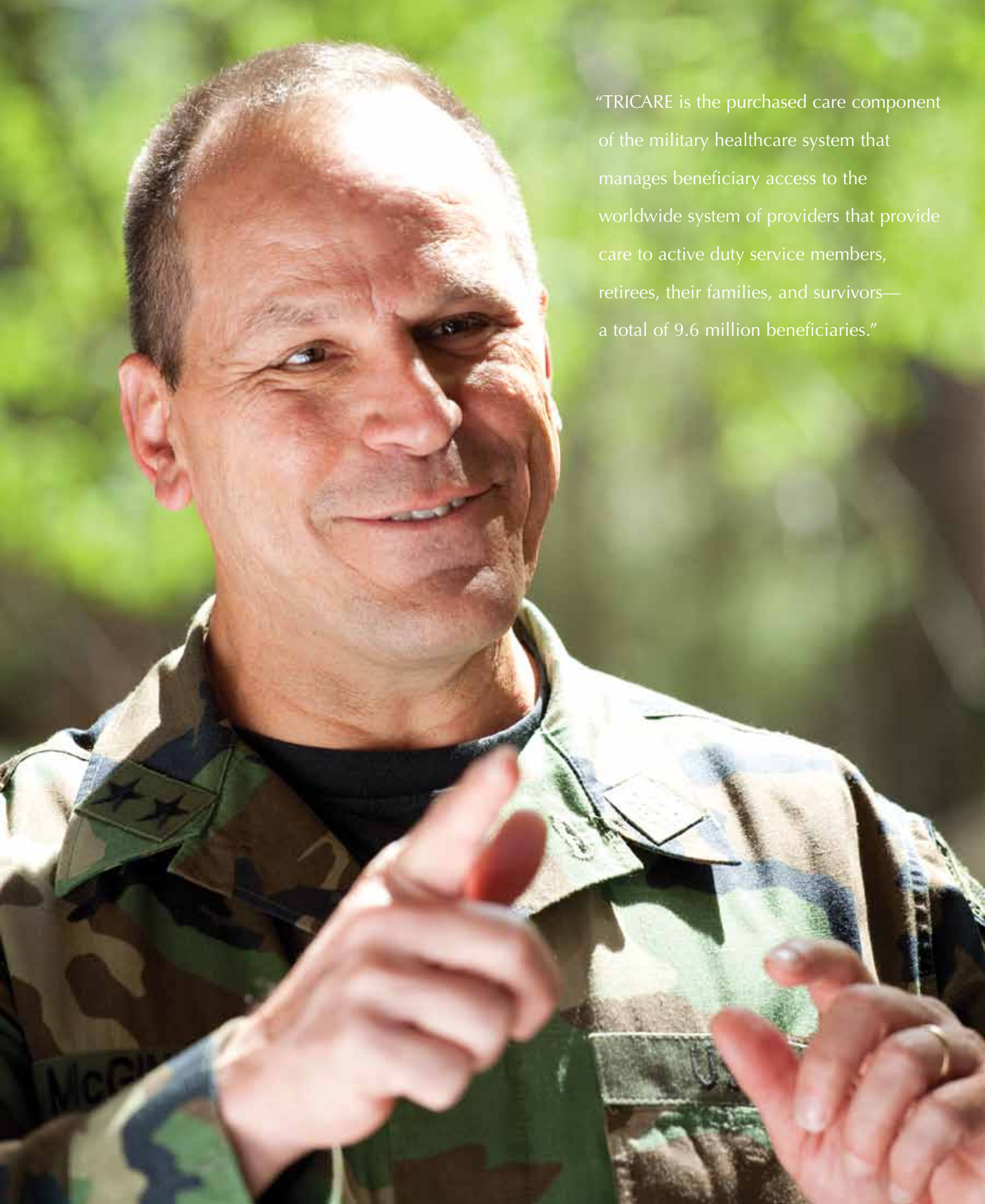
Managing Pharmacy Benefits Within the Military Health System

In 1884, the U.S. Congress established the first rudimentary healthcare system for military members, stating that “medical officers of the Army and contract surgeons shall whenever possible attend the families of the officers and soldiers free of charge.” From 1940 to 1990, this system underwent significant changes as it evolved to meet the ever expanding needs of providing quality care for millions of military families. “TRICARE,” says Rear Admiral Thomas J. McGinnis, chief of the Pharmaceutical Operations Directorate within the TRICARE Management Activity, “is the purchased care component of the military healthcare system that manages beneficiary access to the worldwide system of providers that provide care to active duty service members, retirees, their families, and survivors—a total of 9.6 million beneficiaries.” The U.S. Department of Defense (DoD) provides a pharmacy benefit to all eligible uniformed service members and their families, which includes all retirees and their families, including beneficiaries over the age of 65. “The role of the pharmacy program,” according to McGinnis, “is to provide a consistent, equitable, and cost-efficient pharmacy benefit to all DoD covered beneficiaries. Along with maintaining a national network of more than 347,000 physicians, TRICARE also has 61,000 pharmacies within its system.

In his role as chief of the Pharmaceutical Operations Directorate, McGinnis aims to “provide a world-class pharmacy benefit, the best pharmacy benefit that we can.” McGinnis has his work cut out for him, with 2.5 million prescriptions filled each week—a total of 130 million prescriptions costing \$7.5 billion over the course of a year. His team manages its formulary much like commercial insurance plans do, keeping abreast of newly released medications and negotiating with the pharmaceutical industry to deliver lower prices for the TRICARE network. “We look at the formulary of

what is available to beneficiaries, similar to what commercial insurance companies do, look for best practices, and bring them into the DoD as a way to provide the best coverage at the most cost-effective price,” notes McGinnis. TRICARE has done such a fine job, according to McGinnis, that even when costs continue to rise, TRICARE uses the most “cost-effective medications in our formulary to try to keep the costs at a nominal growth rate so that we’re not like other insurance companies that have to continually raise co-pays to offset some of these high costs.” In fact, the DoD pharmacy benefit co-pays have not been changed since 2001.

Interestingly, the pharmacy benefit program was challenged in some years as more and more military personnel reached 65 years of age. “DoD found that, from 2001 to 2002, overall pharmacy expenditures rose 48 percent, primarily due to the age 65 and over population being added to the benefit,” acknowledges McGinnis. He also points out that the managed care support contractors reported an 88 percent increase, primarily due to pharmacy retail costs. To streamline the program, the pharmacy benefit was separated—“carved out”—from the TRICARE managed care plan. “The goal to consolidate the pharmacy benefit under one structure,” McGinnis explains, “was to maximize leverage with the [pharmaceutical industry] and to streamline the management structures and practices.” This enabled beneficiaries to enjoy federal pharmacy discounts, including the cost-effective mail order pharmacy program in place today. The results were significant. McGinnis reports that the “TRICARE mail order pharmacy... use increased from \$106 million in annual expenditures in fiscal year 2000 before the [separation]... to just short of a billion dollars... in fiscal year 2008. To date, overall cost increases are down from 48 percent in 2002 to only 6 percent in 2008.”



“TRICARE is the purchased care component of the military healthcare system that manages beneficiary access to the worldwide system of providers that provide care to active duty service members, retirees, their families, and survivors—a total of 9.6 million beneficiaries.”



“The role of the pharmacy program is to provide a consistent, equitable, and cost-efficient pharmacy benefit to all DoD covered beneficiaries.”

Along with pursuing cost savings, TRICARE has put programs in place to improve patient outcomes and safety—programs that save lives. “The Pharmacy Outcomes Research Teams (PORT) was established in January 2008 to plan, support, and publish research on outcomes of drug therapy in the military health system and to conduct research to support and assess the outcomes of formulary management decisions on [DoD] beneficiaries,” explains McGinnis. To date, PORT has focused on trends in DoD medication spending and the growth of lipid-lowering medication usage among beneficiaries. Several other studies are under way as well, according to McGinnis.

Another tool that has ensured patient safety is the Pharmacy Data Transaction Service (PDTs), which is “a centralized data repository that collects prescription information from [patients],” says McGinnis. These “medication profiles reduce patient exposure to safety risks that are present in a nonintegrated pharmacy system by conducting prospective drug utilization reviews on each new and refilled prescription against the beneficiary’s complete drug profile,” he further explains. The PDTs enables the DoD to analyze prescription data and “estimate compliance rates with prescribed medications and examine polypharmacy issues that lead to drug safety concerns.” There is also the Prescription Medication Analysis and Reporting Tool, which “flags patients who are on medications that may be unsuitable for the deployment environment” or who “may have disease states that require additional consideration for the deployed member,” notes McGinnis. The tool also assists the multiple case managers with a complete picture of a patient’s medication profile, whether on the ground or back in civilian life.

Military personnel and families also benefit from the strong partnership formed between the DoD and the FDA. McGinnis reports that TRICARE “receives safety information from the FDA on drug and product warnings prior to their public release. We also have a number of our staff... on the drug safety oversight board that FDA has convened and meets monthly to review current safety concerns and methods of measuring these concerns.”

Information technology also plays a role in enhancing pharmaceutical care for the DoD. Within the PDTs program, for example, prescription information is collected every time a beneficiary fills a prescription. This centralized system checks eligibility and reviews previous prescriptions to rule out duplication or adverse reactions. If a problem arises, McGinnis says, the pharmacist can talk quickly with the patient and the doctor to remedy the situation. The DoD also uses a barcode system so that, “when the prescription goes down the line, the barcode is read off of the prescription, it’s read off of the medications to make sure they match up at the end of the line when the pharmacist checks these medications, he or she will scan all of the barcodes to make sure they line up in addition to a visual check. Using technology has been a way, especially at the mail order pharmacy, and in the military treatment facilities, to reduce medication errors.”

Rear Admiral McGinnis reaffirms TRICARE’s assets: “We have very competent [and dedicated] officers in the Pharmaceutical Operations Directorate. They know the direct care system and are trying to integrate it with the purchase care system to provide the most effective benefit [at the best cost].... Attention to detail is probably the thing that comes to mind. In many of the things we do, we have to look ahead and see what may affect our beneficiaries—who are our most important focus.” ■

To learn more about the TRICARE Management Activity, go to www.tricare.mil



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Rear Admiral James J. Shannon

Commander

Naval Surface Warfare Center (NSWC)

By Michael J. Keegan

Leading the Naval Surface Warfare Center

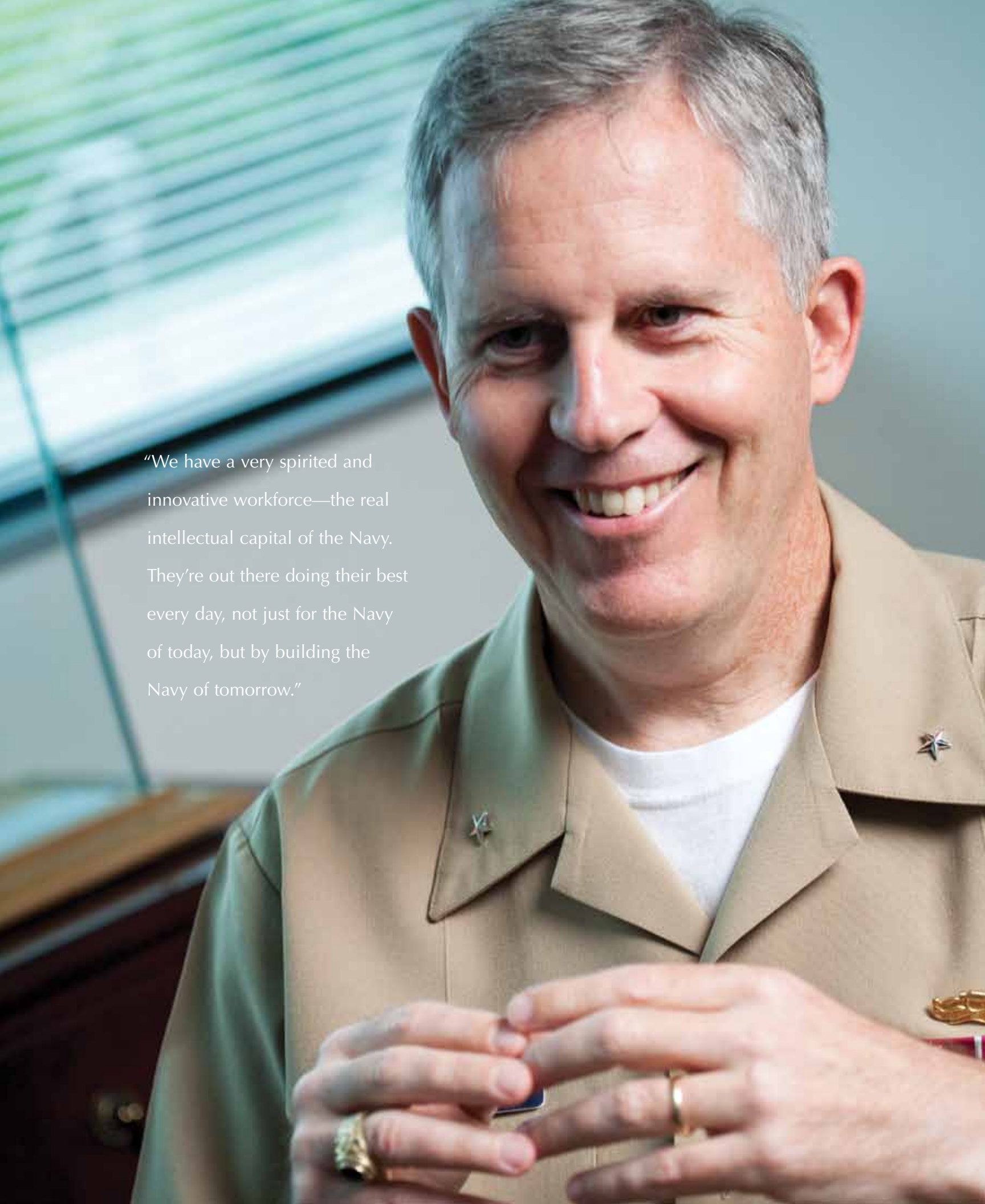
Military combat differs significantly from just a decade ago. The rise in asymmetrical tactics and the increasing use of such deadly techniques as improvised explosive devices (IEDs) has required U.S. troops to be nimble. Anticipating the future is key; and, the U.S. military continues to prepare for future conflicts while it evolves to meet emerging challenges. It does this by engaging in rigorous science and technology (S&T) research providing innovative technical solutions to today's warfighter.

The Naval Sea Systems Command (NAVSEA), [including] both the Naval Surface Warfare Center (NSWC) and the Naval Undersea Warfare Center (NUWC), plays an integral role in pursuing S&T efforts—sustaining warfighting readiness now and into the future. “The NSWC does the full spectrum of research, development, test evaluation, and engineering, and whatever the U.S. fleet needs [for offensive and defensive systems associated with surface warfare and related areas of joint, homeland, and national defense systems] from the sea,” explains Rear Admiral James Shannon, commander of NSWC. It does this by identifying and providing innovative technical solutions while partnering with industry, other DoD laboratories, and academia to meet its mission. “Our investments in science and technologies are wide ranging, but highly focused on ensuring that our people in the fight have the advantage over our enemies in any battle against all threats. The U.S. Navy's comparative advantage to any potential adversary is our competitive will and innovative drive—that's where our science and technology efforts come into play. We continuously listen to our [field]; we try to apply the science and technology that we know well to systems that need to improve,” declares Shannon.

Delivering on such an expansive and critical mission is no small feat. “The NSWC is not just one place,” Shannon

notes, “It's comprised of 10 major commands geographically situated across the United States [that include Carderock, Corona, Crane, Dahlgren, Dam Neck, Explosive Ordnance Disposal (EOD), Indian Head, Panama City, Philadelphia, and Port Hueneme],” notes Shannon. Each site manages and stewards specific technical capabilities from pursuing research in electrical and mechanical engineering to computer engineering and physics and much more. “My job,” explains Shannon, “is to lead people. I lead 14,000 people. I'm responsible for the infrastructure under the Naval Surface Warfare Center. I'm an echelon three commander who reports Vice Admiral Kevin McCoy, commander of NAVSEA.”

Vice Admiral McCoy has identified several overarching goals that frame the strategic direction of his command: build an affordable future fleet; sustain today's fleet efficiently and effectively; and [enable their people] which includes recruit[ing], develop[ing], and retain[ing] a technical, mission-focused workforce. Given the rapidly changing threat environment, the Navy's fleet must be built with the capability to adapt to evolving operational needs. “The biggest challenge is affordability. I'm sure that's not a surprise. We are constantly battling the affordability challenge,” says Shannon. This issue is often misunderstood, as sometimes cost is driven because systems requirements are too great. “Our engineers and scientists are always going to give you the absolute best solution they can,” admits Shannon. He believes it imperative to manage requirements in order to get exactly what you want and need. Doing this well enhances the end product and may lead to cost savings—“it's a tough but important calculus,” notes Shannon. “When you look at the indicators of what we've accomplished between 1992 and today, our overhead costs in the Warfare Centers have gone down by 30 percent. Our productivity has increased by 30 percent. We have close to 20 percent more scientists and engineers in our

A close-up portrait of a middle-aged man with short, graying hair, smiling warmly. He is wearing a tan military uniform jacket over a white t-shirt. On his collar, there is a silver star insignia. He is wearing a gold ring on his left ring finger and a gold ring on his right ring finger. His hands are clasped in front of him. The background is slightly blurred, showing a window with horizontal blinds and a wooden railing.

“We have a very spirited and innovative workforce—the real intellectual capital of the Navy. They’re out there doing their best every day, not just for the Navy of today, but by building the Navy of tomorrow.”

“Our investments in science and technologies are wide ranging, but highly focused on ensuring that our people in the fight have the advantage over our enemies in any battle against all threats.”

workforce. We’re getting more bang for the buck and a better return on our investment. We are very interested in [minimizing] total ownership cost: to really understand the costs of our ships and [systems]” declares Shannon.

This approach has paid dividends, enabling the Warfare Centers to save much more than money—to save lives. In Iraq and Afghanistan, military personnel have been saved from the potentially devastating and life-threatening effects of Improvised Explosive Devices (IEDs). The Warfare Centers worked together devising technologies to defeat IEDs and mines thus minimizing the threat of these oftentimes innocuous yet deadly weapons. Included in the technology to combat IEDs are an increased number of Man Transportable Robotic Systems (MTRS) and the Joint Controlled Radio Electronic Warfare (JCREW) system that electronically jams attempts to remotely detonate IEDs. “One of the things we did well,” notes Shannon, “in this current war, we rebounded from the IED threat. We were able to recognize the threat and come up with systems, field those systems, put the logistics behind them, and take on the threat. The results were just magnificent.”

Shannon understands the importance of anticipating the form of the next type of IED. “So, today, we have the IED, but 20 years from now: what’s that IED going to look like? Anticipating the future and pushing basic research to meet still unknown challenges describes Rear Admiral Shannon’s additional role as the chief technology officer (CTO) of the Surface Warfare Enterprise. “My role is really to look into the future to see the technologies [on the horizon] and try to be a bridge between the operators, research analysts, scientists, and technologists and help [forge] a dialog about where we want to take the Navy in the future,” explains Shannon. He believes doing this well requires taking people out of their comfort zone. “This has been one of the ways I’ve approached it. We have great scientists and great engineers, but they’ve been fairly comfortable in how they’ve tried to solve problems. What I’m trying to do is to stretch that a little bit, to have them get beyond their comfort zone, and to challenge them.”

Shannon also has to foster a culture of innovation based on collaboration and transparency. “This was what the whole open architecture initiative was about. It’s about getting people to talk with each other and collaborate. The way we need to do that is to increase transparency in our science and technology investments. We need to broaden this by bringing different industries together to make sure we pursue the right ideas.” Shannon believes it beneficial to increase transparency that enables industry to see what the Navy is recapitalizing in its science and technology portfolio. In March 2010, Shannon convened an industry day hosting representatives from 78 different companies to discuss 19 specific areas such as unmanned systems, surface ship maintenance and alternative fuels and power systems, that address the surface fleet’s highest priority gaps and support the development of a capable and affordable future fleet. “It’s a good idea if we do research in the same areas,” Shannon posits. “We could, then, share ideas and new technologies and really be able to come up with the best solutions.” Collaborating more effectively with industry can better prepare the surface fleet to meet future challenges and forge the fleet of tomorrow; it’s about decreasing risk by expanding opportunities.

“We’ve got a lot more work to do,” admits Shannon. “We have a very spirited and innovative workforce—the real intellectual capital of the Navy. They’re out there doing their best every day, not just for the Navy of today, but by building the Navy of tomorrow.” ■

To learn more about the Naval Surface Warfare Center, go to www.navsea.navy.mil/nswc



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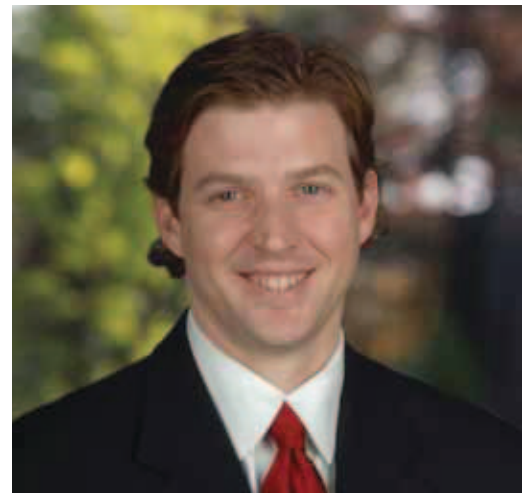
Leveraging Innovation and Partnerships— Insights from the U.S. Department of State

We had an opportunity to speak with two public servants pursuing innovative approaches to achieving U.S. foreign policy goals. Both our guests play a role in forging Secretary of State Clinton’s vision of 21st century statecraft, which posits that traditional frameworks of statecraft can no longer meet the global challenges of today. It is a belief that we are no longer bound by natural borders or vast distances. It is a perspective that seeks to maximize the potential of technology and innovation. “We find ourselves living at a moment in human history,” declares Secretary Clinton, “when we have the potential to engage in new and innovative forms of diplomacy and to also use them to help individuals be empowered for their own development.”

Senior Advisor for Innovation at the U.S. Department of State Alec Ross discusses leveraging social media for public diplomacy, the rise of 21st century statecraft, and how technology can remedy development issues and engage populations.

Ambassador Elizabeth Frawley Bagley, special representative, Global Partnership Initiative, outlines how private-public partnership can make a difference responding to long-running, seemingly intractable, global challenges.

We hope you enjoy the insights offered from these conversations with two practitioners who are promoting innovation and partnerships as ways to achieve U.S. foreign policy goals.



Leading the Global Partnership Initiative: Insights from Ambassador Elizabeth Frawley Bagley

Over the last decade, the world has witnessed dramatic challenges: from 9/11 to the rise of non-state actors, global pandemics, and a financial crisis that spanned the globe. Facing these challenges, successfully, rests on a new paradigm of engagement—placing proper emphasis on private-public partnerships as integral to 21st century statecraft.

*Ambassador Elizabeth Frawley Bagley, special representative, Global Partnership Initiative, joined us on **The Business of Government Hour** to discuss the expanding role of partnerships in forging U.S. foreign policy goals. Here's a sampling of her insights:*

What is the Global Partnership Initiative and the underlying strategic vision that frames this effort?

— Ambassador Elizabeth Frawley Bagley —

Our office was launched by Secretary Clinton when she spoke at the Global Philanthropy Forum on April 22, 2009. It's the first office that has been established to deal directly with private-public partnerships. She talked about the need for developing relationships and partnerships not only within the State Department and outside, but with other international institutions, noting that the problems we face today will not be solved by governments alone. It will be in partnerships—partnerships with philanthropy, with global business, with civil society, universities, NGOs, faith-based groups, and diaspora communities to find common purpose and create action-oriented partnerships that solve the world's most pressing problems.

We are living in a world deeply influenced by the power of networks, and harnessing the potential for various actors to work together on common concerns—while all using their unique core competencies—can provide an opportunity to achieve our foreign affairs goals. It is really an effort to extend the reach of the State Department and to extend our influence—making our foreign-policy more sustainable on the ground.



What about your unique position in the department? What are your responsibilities and duties as the Special Representative for Global Partnership Initiative?

— Ambassador Elizabeth Frawley Bagley —

Secretary Clinton appointed me as the first Special Representative for Global Partnerships. It is unique because it's new and has never happened before. We're really creating it as we go along, which it has its good points and its bad points. The good points are that we can use a lot of creativity; we are directly under the secretary of state, so that allows us influence within the department and direct access to the secretary, which is very helpful in many things that we want to have done. Secretary Clinton is a huge advocate of this office. That's the good news. The challenge is to make the office known throughout the department and to really change the culture of the department. While I act as the public figure, who advocates for partnerships across the

department and throughout the U.S. government, this initiative is something with which everyone inside and outside of government can participate. We are now up to 10 people on staff, and we have been able to break out portfolios based on each of the secretary's eight major priority areas.

What are some of the key challenges that you face, and how have you addressed these challenges?

— Ambassador Elizabeth Frawley Bagley —

The three top challenges we are facing in terms of the State Department are (1) changing the culture so that the value of partnerships is recognized, (2) making sure our foreign service officers and civil servants are adequately trained, and (3) then getting the incentives right in performance reviews.

In the 1960s, nearly 70 percent of all money flowing from the United States to the developing world was official development assistance. Today, over 80 percent is from private sources. And the Department of State needs to respond better to those trends in order to make it second nature for our problem-solving to incorporate the private sector. If you are a foreign service officer working on water issues in Malawi, your job is no longer just to meet with government officials at the Health Ministry. You also need to be engaging Coke and Pepsi, as well as NGOs like Technoserve, because they are going to have the greatest impact on water issues in your region.

Once our Foreign Service officers start building partnerships in the field, while the leadership in Washington provides them the tools, trainings, and incentives to get it right, then we will have created the change that we need. We need to empower our foreign services to do these partnerships at the

frontlines of foreign affairs through new tools and trainings both in country and at FSI, the Foreign Service Institute. On incentives, we need to incorporate an explicit assessment of staff willingness to initiate or use new systems, approaches, or tools into annual employee performance review and ensure this assessment is integrated into promotion scoring.

Given your wealth of experience, what are the characteristics of an effective leader in an increasingly interconnected and networked world? Do you think that because of that we are looking at a new conception of leadership?

— Ambassador Elizabeth Frawley Bagley —

I think the first characteristic of a leader is [the ability] to listen and understand. Leadership has changed because now you must be able to harness interest, direct it in new ways towards difficult problems, and connect actors with others. You must be able to build trust quickly and effectively while providing a vision that creates common ground among a diverse set of actors. If power is derived from connectivity, then the focus of leadership should be on making connections to solve shared problems. This approach is not only a different leadership style from that which has prevailed in the United States in recent years, but also a fundamentally different concept of leadership.

You must think at the macro level, because every time you bring about a new development in any one of the three D's—development, diplomacy, and defense—the others are also impacted. Managing in a networked world requires an aggressive use of all of the tools and techniques at our disposal, be they as new as using technology to gathering opinions via the Internet or as timeless as building a new partnership through a good conversation while breaking bread over a meal. What we have witnessed with the recent trends of globalization really is creating a complete transformation. I really cannot emphasize enough how much of a paradigm shift in foreign policy this will create over the long term. The previous administration utilized partnerships as a way to leverage resources; this administration views them as central to how diplomacy should be conducted.

Would you define for us the concept of public-private partnerships with the State Department?

— Ambassador Elizabeth Frawley Bagley —

We define a partnership as a collaborative working relationship among, not only governmental, but also non-governmental stakeholders where goals and structuring governance, as well as our roles and responsibilities, are mutually determined



Photo: U.S. Department of State

and decision-making is made among the players. Successful partnerships are characterized by complementary equities, openness and transparency, mutual benefit, shared risks and rewards, and accountability.

Can you outline the specific priority areas of the Global Partnership Initiative?

— Ambassador Elizabeth Frawley Bagley —

As the Secretary said in her remarks introducing me and our office, our doors are wide open. When I started this job, we were besieged with requests. We are looking for partnerships with non-profits, private businesses, faith-based groups, and everyday citizens. Secretary Clinton has outlined eight strategic priorities that can serve as a basis for building partnerships that advance our foreign policy goals.

First, we are seeking global economic recovery and boosting investment that creates decent jobs. Second, we are working on food and water security as part of a collaborative global effort centered on country-led processes to improve food security. Third, we are engaging diaspora communities by focusing on creative mechanisms through which they can contribute to political, economic, and social growth. Fourth, we are reaching out to Muslims around the world by building partnerships to promote civil society, entrepreneurship and economic development, educational opportunity, scientific advances, and interfaith cooperation. Fifth, we are working on energy security by building partnerships that encourage clean energy investments and foster sustainable systems to address climate change and to lay the foundation for a prosperous clean-energy future. Sixth, we are building partnerships to further the U.S. foreign policy goals on democracy and human rights issues, including women's empowerment, anti-trafficking in persons, protecting minority rights and freedom of the press, and fostering democracy and the rule of law. Seventh, we are building partnerships with public and private actors for nuclear non-proliferation so that we move towards disarmament, reverse the threat of nuclear weapons, and work towards a world that can rely on peaceful nuclear energy.

Finally, we are addressing global health issues, including HIV/AIDS, malaria, TB, and other pandemics, as well as the President's Global Health Initiative and maternal health issues by working with PEPFAR (President's Emergency Plan for AIDS Relief), Centers for Disease Control (CDC), USAID and U.S. Health and Human Services (HHS).

GPI: Convener, Catalyst, Collaborator



What does it mean within GPI's context for you to be a convener, a catalyst, and a collaborator?

— Ambassador Elizabeth Frawley Bagley —

Secretary Clinton refers to the department's work in partnerships as "the three C's" of convening, catalyzing, and collaborating. This isn't just the vision for the work of our office. We are here to set the example through a few key partnerships while also creating the framework and incentives for the entire department to do a better job of convening, catalyzing, and collaborating. Let me discuss each of these, in terms of our office and the department as a whole. We are convening the right partners by bringing together people from across regions and sectors to work together on finding out more about the challenges you all face while learning how the U.S. government can bolster your efforts. One example of this was TED@State (technology, entertainment, and design), which was held on my first day as Special Representative with talks about sustainable growth, post-conflict reconstruction, new media, and the like. Over 800 people showed up at the State Department—the line was out the door and around the block—in order to witness the first government sponsored TED Talks. We are catalyzing many new initiatives for the multiplier effect that will foster better development and diplomacy, while encouraging U.S. business interests abroad. The goal here is to make sure that we scale up initiatives that are working in specific areas and replicate them in other areas. For instance, our office has worked with David Ferguson at USAID to host Global Pulse 2010—a 3-day, online collaboration event bringing together individual socially engaged participants and organizations from around the world.

We work as collaborators to avoid duplication and maximize our impact by looking for the best practices with our partners. We are working in partnership with NASA to host a forum for water innovators/entrepreneurs that leverages the collective expertise and networks of 40 LAUNCH Council Members—a cross-disciplinary group representing business, policy, engineering, science, communications and sustainability—and 10 international water innovators—each representing a unique and compelling approach in clean-tech, science, policy, activism, and education.

It has been said that the primary objective of GPI is to produce outcomes that have a greater impact. How will you be assessing the performance of GPI partnerships to ensure they are achieving stated outcomes?

— Ambassador Elizabeth Frawley Bagley —

You may have heard the phrase “you measure what matters.” That is one of the key elements of what will make all of our partnerships successful. It not only leads to more accountability and transparency—because you have to justify how the partnership is bringing about greater value than a traditional procurement or grant would to achieve the same end. It also is a necessity because the private sector requires clear, measurable results that they can report back to their shareholders. As the U.S. government, our shareholders are the taxpayers, as well as others who have a stake in the success of our programs: from the local NGO with whom we are working, to the countries that are benefiting from our efforts, to the individual whose life is impacted, to the American who has new job opportunities here at home because new markets are being created abroad. The more that we can measure our results and refine our practices to become more effective, the better off we will be in returning the most value to all of these entities. Through the Quadrennial Diplomacy and Development Review (QDDR) process, we are co-chairing a subcommittee on partnerships that is going to make sure that we define our metrics clearly and align our foreign policy accordingly. We have learned a number of lessons already from the partnerships that we have begun assessing for best practices. These lessons include principles for partnership: it takes time, commitment, and resources from both sides. Both the public sector and the private sector should

take on risk. Both sectors should use their core competencies in order to achieve mutual goals. All of these are lessons that we can learn a lot from as we develop new partnerships.


When we launch our Partnerships toolkit, we are going to be going even further in depth on what works and what does not, and how innovative partnership delivery models can be tested and tried in new situations where they have not been implemented already.


Turning to the future, what trends do you see over the next few years in the evolution of private-public partnerships?


— Ambassador Elizabeth Frawley Bagley —

I honestly believe that the direction globalization takes in the years to come will largely depend on the decisions made not only by policymakers but also by business people, NGO leaders, philanthropists, and individuals who are empowered now by technology in ways that we have never seen before. With businesses in particular, I think that requires some smart strategies about how governments and corporations can work together towards more successful, sustainable, and equitable business, and thus a better world for all of us. We can only extend our reach by reaching out to other organizations and other stakeholders, such as, corporations, foundations, faith-based communities, diasporas, and NGOs. In doing that, we can all work together for a common goal. ■

To learn more about the Global Partnership Initiative, go to www.state.gov/s/partnerships

 To hear *The Business of Government Hour's* interview with Ambassador Elizabeth Frawley Bagley, go to the Center's website at www.businessofgovernment.org.

 To download the show as a podcast on your computer or MP3 player, from the Center's website at www.businessofgovernment.org, right click on an audio segment, select Save Target As, and save the file.

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Forging a New Paradigm of Engagement Through Innovation: Insights from Alec Ross

Whether strengthening old alliances, forging new partnerships to meet complex global challenges, engaging with citizens in civil society, or charting new strategies in Afghanistan and Pakistan, U.S. national interests depend on effective engagement and innovative public diplomacy. It is an innovative public diplomacy that focuses on maximizing the potential of technology in service of U.S. diplomatic goals.

*Alec Ross, senior advisor for innovation, U.S. Department of State, joined us on **The Business of Government Hour** to discuss the expanding use of innovative technologies, such as digital networks and social media, as tools to reach beyond traditional structures and forge a new paradigm for foreign policy engagement. Here's a sampling of his insights:*

What can you tell us about your unique role in the department? What does the senior advisor for innovation actually do?

— Alec Ross —

The role is brand new. It was created by Secretary Clinton with the mission to maximize the potential of technology-fueled innovation in service of our diplomatic and development goals. As a very practical matter, what we're really concentrating on is defining and demonstrating 21st century statecraft. What that means is... thinking about things like our global networks, about innovations in science and technology, and then applying those to diplomatic and development challenges.

Given your role, what would you say are the top challenges that you face as an advisor on innovation?

— Alec Ross —

One challenge is that by its very nature innovation has a higher risk profile than what is typically practiced diplomatically. What we need to get used to if we're going to infuse innovation into our diplomatic and development programs is simply knowing that not everything is going to work—nothing is guaranteed. Things like social media are very messy.

Things that you think are going to work don't, and things that you think are long shots end up having really high payoff sometimes.

Number two is speed. In the world of technology, things are very, very fast moving, and government oftentimes isn't particularly well set up to adapt to the speed of technology and to the speed of innovation. In the private sector, you can be much more nimble than you can in government; being able to move fast while also safeguarding taxpayer resources is important.

A third challenge is simply that, in an increasingly technology-rich, knowledge-based world, the actors are not all state-based actors; the way that the State Department is principally organized is to engage government to government, state to state. When you think about the increasing rise of non-state-based actors, that becomes a big challenge, and it requires a whole new toolbox to be able to respond to those kinds of challenges.

From your perspective, how has American diplomacy changed to meet those changing realities?

— Alec Ross —

I think it's changing now. From the time of Thomas Jefferson until most recently, engagement was principally done government to government. While government-to-government engagement is and always will be incredibly important, I think what we have to do is figure out how we can reach more of the globe's people directly using the proliferation of [digital] networks. This expands the framework for engagement in a new and impactful way.

I would point to two examples of this. First, in the very early months of the Obama administration there was something that was almost an experiment. It was the issuance of a Nowruz message, that being the Persian New Year. We taped a message from President Obama, dubbed it into Farsi and subtitled it, and [promoted it] on the Internet; it was a

message to Iranian citizens, to the world's Persian speakers, that became viral. While we haven't had diplomatic relations with Iran in decades, what we proved early in the Obama administration was that we can just put up a video and could now reach tens of millions of Iranians directly. This became the strategic basis for the Cairo speech. We all take for granted now the power and importance of the Cairo speech; it was really an innovation that would not have been available 10 years ago in terms of ensuring its reach. President Obama was at a university in Cairo, but he wasn't just speaking to university students or the government of Egypt or even speaking to Middle Eastern governments. He was speaking to Muslims the world around. We took advantage of the fact that our global networks now mean that state-controlled broadcast media is no longer just the way to reach people. The innovation that we're bringing, particularly in terms of how we do global engagement, I think is very new—it is chapter one, page one.

Secretary Clinton has noted that in this changing landscape some of what we've been talking about requires us to expand the concept of diplomacy beyond government to government. Can you describe for us the 21st century statecraft? How does it seek to foster a new kind of public engagement internationally?

— Alec Ross —

Twenty-first century statecraft, first of all, is the recognition that the world is different today than it was 10 years ago, 50 years ago, or 200 years ago. I think that our diplomatic efforts have been organized around a Cold War frame. What we have today is the increasing rise of non-state-based actors that aren't bound by national boundaries. We live in an increasingly multilateral world with regional economics being dominant over national economics, and we have this proliferation of technology going directly to individuals. Twenty-first century statecraft is the recognition of the changing dynamics of the 21st century and a repivoting of our diplomatic efforts to respond to those realities with a particular focus on going beyond, as you've said, government-to-government engagement to government-to-people, people-to-people, and people-to-government.

Let me give an example. I was in Mexico with a team of technology executives; the challenge we tried to address was not a new one, pretty conventional statecraft: How can we help the Mexican government with its counter narcotics campaign? The specific problem: Increasingly, Mexican citizens are unwilling to report gang and cartel activity, or other crime because they're at risk. This may have nothing to do with technology, but we said, "Let's take a 21st century

statecraft approach to this problem." I took half a dozen really smart innovators who understand technology and posited this question: [How do we develop] an anonymous reporting program so people can text message or e-mail information about narcotics activity, gang activity, and/or violence. The outcome: developing a private-public partnership among [a telecommunication company], the Mexican government, and Mexican NGOs to do this. The message will be scrubbed so that the anonymity of the [sender] is preserved; it's then linked in with what are called the C-4s—the Mexican federales. The technology to do this didn't exist 15 years ago; there wasn't ubiquitous access to cell phones or the Internet for this to work in a low-income community in a Mexican barrio. Today, people in Mexican barrios do have cell phones and do text message. We now have the technology to protect people's anonymity. This is an example of 21st century statecraft—not just because of the use of technology—but because of the nontraditional actors involved in this effort.

It has been estimated that one-third of the world's population will be on the web by 2011. Would you elaborate on how social media technologies are spreading in the developing world? How are they accessing the network, and what are some of the benefits that you're seeing?

— Alec Ross —

You're right.... By 2011, one-third of the world will be on the Internet. Today, two-thirds of those who currently accesses the Internet do it via their phones. What I'm seeing is that, while there's an upward trend towards people using



Photo: Kris Krug

computers and accessing the Internet, what's happening far faster, particularly in poor countries, are people are accessing the Internet on their cell phones. There are 4 billion mobile handsets in the world right now, 3 billion of which are in the developing world. Five years ago, the approach was [getting] poor people computers and have broadband built in poor communities. We've seen that the way that people consume information is increasingly mobile. In the developing world, people don't even think of the computer *per se* oftentimes as the way in which to connect and engage—that's another interesting trend.

To what extent can 21st century technology be used to possibly solve some of the heretofore intractable development challenges and the use of this technology for economic and social good?

— Alec Ross —

I get really excited about this because development is a hard field and we've spent a lot of money over the years; we've made a great many good things happen, but a lot of the time we have invested by necessity in very large infrastructure projects. Oftentimes, those at the village level, are isolated or don't always directly benefit from America's development efforts. The really cool thing about all of this technology is that it devolves power to the individual. Let me give an example: There's a sorghum farmer in Mali; that person just lost a third of their crop, and they don't know why. In the past, a university professor in Surrey would have driven to Heathrow in London, would have gotten on a plane to Nigeria, would have then connected to Mali, would have then gotten in a Jeep and driven three hours to this sorghum farmer; [he] would have looked at that farmer's crops [and diagnosed the issue].

Today, what can happen is that same sorghum farmer can walk up to his crop, can pull out a Smartphone, take 10-20 pictures, e-mail them to that professor in Surrey, and without the three plane rides, without the three hours in a Jeep, without the tens of thousands of dollars of expense, that professor can provide direct feedback to the farmer. What's even better is that, if the professor didn't know, he could e-mail the images to his 30 friends and peers in the [discipline]. [We] have revolutionized efficiencies in providing agricultural assistance. These are the kinds of examples that we need to be driving; these are the ways in which we can save resources and produce better development outcomes.



What kinds of interagency, private-sector, and non-profit partnerships are you developing to improve operations or outcomes at State, and what are you doing to enable the success of these partnerships?

— Alec Ross —

As was the case with the Mexico example I gave, most of the partnerships that I'm focused on are public-private. They tend to involve companies, government, and nonprofit organizations. Another example that I would give is the Democratic Republic of Congo. The Congo is the least banked place on Earth. Far less than 1 percent of the population has a bank account. It is entirely a cash-in-the-mattress economy, and that produces a lot of problems—creating conditions more prone to corruption and things like it being physically near impossible to pay soldiers. The capital of Congo is in Kinshasa, which is far from east Congo. We're developing [a partnership] there to bring mobile banking into [Congo].

Though there isn't great transportation infrastructure, there is great mobile telecommunications infrastructure. I remember getting off the U.N. plane in Goma, where there's a per capita GDP of \$184—that's \$184 per person per year. It's incredibly poor, but there are as many 3-G wireless networks in Goma as there are in Washington, D.C. There are hundreds and hundreds of cell phone kiosks and just about everybody uses cell phones. The cell phone can be this great distribution channel for doing what we call mobile banking—an innovation that was actually borne out of Kenya and then brought to Afghanistan. We see best practices, and our

role is to connect, convene, and build partnerships that have a public good, such as mobile banking in Congo.

Are you looking to expand any more of the public-private partnerships you're involved in with the State Department?

— Alec Ross —

Absolutely. This is something that is very characteristic of Secretary Clinton—going back to the time when she was first lady of the state of Arkansas she used this technique with great effect. Secretary Clinton has always understood that, if you can bring together public and private actors to solve a problem, it's going to be more effective than a just-government solution or a just-private solution. She has built an office at the State Department specifically focused on the development of public-private efforts. It's also a big focus of mine and the challenge for me is to develop models that are scalable globally.

Alec, we talked a lot about this technology—the mobility of it, the democratization of access to the network and communication—and yet, as I think about it, diplomacy is about stability. How do you balance the fact that the trend is towards openness and access with the need to keep things a little bit more stable?

— Alec Ross —

First of all, the disruption that takes place because of technology, because of democratized access to information, is taking place with or without us. This is a bigger dynamic than anything any of us can control; it's only going to get bigger and more pronounced. The challenge is: What are we going to do about it? The 21st century is a lousy time to be a control freak. All of those things we could do as a matter of command and control during the Cold War—good luck doing them now. You're just going to get rolled by the dynamics that are created by an increasingly networked society. If you understand that it's neither good nor bad—it is what it is—you can engage and try to maximize the degree to which it can create stability. The thing that you can't do is ignore it. It just doesn't work.



What trends do you see over the next few years in the evolution of social media and diplomacy, and how do you envision State shifting to capitalize on those trends?

— Alec Ross —

Right now, we are all trying to understand and harness social media. We're trying to understand what all of this "crazy" technology means for us in the diplomatic world. I have a feeling that in five years it won't be thought of in those terms. In fact, I bet we don't have a [social media] technology strategy—that we just have diplomatic strategies that have that at their core. I don't believe that this technology is a piece of the pie. It's more the pan. It's more something that infuses things like counter radicalization, development, regional concerns, and nonproliferation. In five or 10 years, we'll be thinking less about social media as something distinct; we'll be thinking about it more as just another tool in the toolbox. ■

To learn more about innovation at the U.S. Department of State, go to www.state.gov/statecraft/index.htm

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By Michael J. Keegan



Introduction—Analytics and Risk Management: Tools for Making Better Decisions

Decisions based on bad information can lead to poor results and be quite costly to organizations. This may culminate in the squandering of opportunities, taking on unnecessary risk, misallocating resources, and ultimately not achieving strategic goals or objectives. At a time of shrinking budgets and increasing expectations to do more with less, making better decisions based on informed judgment has taken on even more significance for both private sector and government organizations. In a world inundated with all kinds of information, timely, relevant, and more predictive data can drive better decision making. This forum explores the usefulness of two tools—analytics and risk management—that can, when employed at an enterprise level, assist government agencies in strengthening their decision-making capabilities and, in turn, improve their overall performance.



Tom Davenport, distinguished professor in information technology and management at Babson College, kicks off this forum with an in-depth conversation on the strategic importance of analytics, how government can leverage analytics, and ways to improve decision making using analytics. Professor Davenport was a guest on *The Business of Government Hour*, and the first contribution to the forum is based on that interview. Davenport points out that analytics and fact-based decision making can have as powerful an effect on the achievement of governmental missions as they can on the accomplishment of corporate business objectives. “Analytics,” says Professor Davenport, “is the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions.” Analytics uses data—structured and unstructured—to uncover patterns, identify opportunities, seek parallels, formulate predictions, and inform decisions. It has the potential to transform information into insights—taking diverse volumes of data and predicting the most likely outcomes of key decisions or events. These insights can make a real difference and enhance an organization’s performance.

From doctors managing treatment better, to the Social Security Administration adjudicating disability claims more quickly and accurately, or to tax collection agencies ferreting out fraud, success is all about turning analytics into action. “Analytics,” explains Davenport, “starts to give you an idea of why something happened, which is always useful, and then, once you have a model that [helps you understand] the past, you can start to predict the future, and that’s incredibly useful.” All this rests on having access to quality data, robust algorithms, sufficient computation power, and strong leadership. It is this capacity to predict trends, anticipate events, and identify risks that makes analytics a potentially valuable tool for today’s government leaders. The Obama administration’s emphasis on transparency and accountability provides the promise of analytics with an opportunity to make a real difference.

It is this emphasis on accountability and transparency that has also prompted a renewed focus on risk and controls. In addition, recent high profile financial failures have also placed increased attention on properly managing risk at an enterprise level. Risk is a

fundamental condition of existence; it cannot be entirely eliminated, but taking unnecessary risks or not fully understanding the risks associated with strategic decisions can have tremendous consequences. Enterprise Risk Management (ERM) is the second tool explored in this forum. While analytics is the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions, ERM also rests on taking data seriously in order to analyze potential risk and make informed judgments. In many ways, it can enable organizations to meet their missions while avoiding hazards and mitigating loss. Holistic ERM starts with a focus on the potential events and their classification into opportunities and risks. It's about balancing risk and opportunities; that requires an organization to go beyond simple regulatory compliance and embed this discipline into its organizational strategy, governance, and culture.



The forum provides three distinct yet complementary perspectives on the importance of strategic enterprise risk management.

Karen Hardy introduces the concept of ERM. She outlines the benefits and challenges of ERM, highlights certain best practices of ERM being pursued by federal agencies, and offers recommendations for getting started.



The next contribution is based on a Center report by Professor James Bailey, *Strengthening Control and Integrity: A Checklist for Government Managers*. It follows Hardy's piece on enterprise risk management and focuses on managing risks by strengthening the financial control and integrity process. Taken together these two articles provide state-of-the-art overviews on how governments at all levels can improve their control and risk management activities, which in turn, can lead to better decision making.



The final contribution is based on a Center report by David H. Schanzer and Joe Eyeran, *Improving Strategic Risk Management at the Department of Homeland Security*. It explores how the federal government can enhance its capability to use strategic risk management in safeguarding the nation. Schanzer and Eyeran describe the recent history of strategic risk management in the U.S. Department of Homeland Security and set forth a series of findings and recommendations directed to the Executive Office of the President, the Department of Homeland Security, and Congress. A key recommendation is that the department should enhance its analytical capability necessary for strategic risk management. The recent creation of an Office of Risk Management and Analysis is an important step toward the department's strengthening its strategic risk management capability and enhancing its decision-making process.

This forum highlights possibilities; it explores two powerful tools—analytics and enterprise risk management—that can strengthen decision making and, in turn, improve organizational performance. ■

Analytics and Decision Making: A Conversation with Tom Davenport, Distinguished Professor in Information Technology and Management at Babson College

*It's no secret that companies have for some time successfully analyzed data to gain a competitive edge. Now that competitive analytics and business intelligence techniques are mainstream, to what extent can government use these techniques to enhance its own performance and make better decisions? We had opportunity to explore this topic and more with Tom Davenport, distinguished professor in information technology and management at Babson College and co-author of an IBM Center report, Strategic Use of Analytics in Government. He is also co-author of Competing on Analytics: The New Science of Winning. Professor Davenport was a guest on **The Business of Government Hour**, and the following contribution to this forum is based on that interview.*



On Analytics and Business Intelligence

I really define analytics as systematic efforts to analyze data in a quantitative fashion—that might be statistics or econometrics. Sometimes people get into textual analytics, particularly in the intelligence field. It is any time you use systematic analysis of data to help make a decision.

I think of business intelligence as the broad category for what you do with data to help understand how your organization is performing and what's going on in your business. It consists of two things: (1) Reporting, consisting of simplified reports, queries, dashboards, or scorecards. It focuses on the past, and it's all about what happened last quarter or last month. It doesn't really tell you anything about why something happened; it doesn't go forward into the future at all. (2) Analytics—the other part of business intelligence—starts to give you an idea of why something happened. This is always useful; once you have a model that analyses the past you can start predicting the future, and that's incredibly useful. Analytics, I think, is a more valuable activity than reporting, but, you need reporting before you can really get into analytics.

On Becoming an Analytic Competitor

Analytic competitors are organizations that have really built their strategies around their analytical capabilities. It's how they go to market; it's how they compete. There aren't a huge number of [analytic competitors], but that's the ultimate thing you shoot for with analytics.

We call the next level down analytical companies or analytical organizations. They have kind of all the capabilities—the data, the technology, and the people—that all analytical competitors do. They're just not really that aggressive or competitive about it: Their passion is elsewhere. The next level down is the organizations with analytical aspirations. These organizations get that analytics could transform what they do, but they're not quite there yet. When I was doing my original research I talked to three pharmaceutical



Thomas H. Davenport holds the President's Chair in Information Technology and Management at Babson College. At Babson he also leads the Process Management and Working Knowledge Research Centers. His e-mail: tdavenport@babson.edu

companies; they all foresaw a future of personalized medicine—which will be highly analytical—tailoring drugs to each patient. They're not quite there yet: They don't have genome data at a reasonable price, don't have any ability to analyze it with your metabolism and so on.

The next level down is localized analytics; that's kind of the way things have been in a lot of organizations over the last 10 or 15 years: little pockets of analytics not that important, not that strategic, not really talking to each other across an organization, but at least they are doing something. The lowest level is the analytically impaired, challenged, disadvantaged, whatever you want to call it. They either don't have the data or they don't have any interest in facts-based decision making for one reason or another.

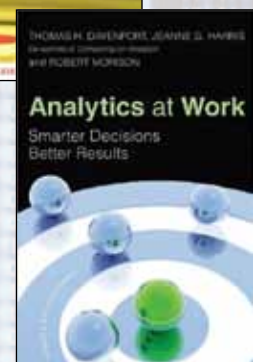
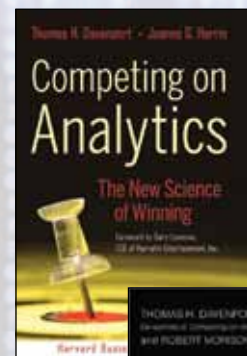
If you want to stay a winning analytical competitor, you've got to keep up your investments in data, new analytics, new algorithms, and keep up your investments in how you make decisions on the basis of it. There's a pretty good example in the baseball industry. The Oakland A's implemented some new analytical approaches involving player performance, involving how frequently they got on base (on-base percentage), as opposed to their batting average. The A's organization was a pioneer in drafting players on that basis. But now everybody drafts players on the basis of on-base percentage. So you really need to find some new metrics. The Red Sox (of which I am a fan) invest all the time in new metrics and gathering new data. They went to the NCAA and gathered information on all the NCAA players so they could start to [identify] the attributes that could predict performance at the major league level. [The Sox did this with great success, especially in 2004.]

What Is Analytics?

By analytics we mean the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions. The analytics may be input for human decisions or may drive fully automated decisions. Analytics is a subset of what has come to be called business intelligence: a set of technologies and processes that use data to understand and analyze business performance....

In principle, analytics could be performed using paper, pencil, and perhaps a slide rule, but any sane person using analytics today would employ information technology. The range of analytical software goes from relatively simple statistical and optimization tools in spreadsheets (Excel being the primary example, of course), to statistical software packages (e.g., Minitab), to complex business intelligence suites (SAS, Cognos, Business Objects), predictive industry applications (Fair Isaac), and the reporting and analytical modules of major enterprise systems (SAP and Oracle).

From *Competing on Analytics: The New Science of Winning* by Thomas H. Davenport and Jeanne G. Harris (Boston: Harvard Business School Press, 2007)



On the Use of Strategic Analytics in Government*

There are a lot of opportunities. While government agencies may not be competing on analytics, you're starting to see some evidence that they are beginning to transform themselves through the use of analytics. You see it in certain sectors: Certainly, intelligence has often been about analytics; they're heavy users of it, and the big initiative there is how to get these different intelligence agencies in the United States to share all that data.

Healthcare is huge issue right now. How do we use comparative effectiveness analytics to know which treatment is really the most effective and most worth paying for? We're going to have to get better at how we actually provide healthcare, and analytics are often the key to doing just that. Diabetes and congestive heart failure account for only about 30 percent of the patients in Medicare, but these patients account for about 75 percent of the spending [in this program]. If we can identify a diabetes patient before they actually contract the disease, and head it off through diet, exercise, and behavior, that's great for the patient and its great for the government.

In Medicare and Medicaid, the focus is on disease management: to identify the really expensive cases that we might be able to head off or at least treat more effectively. Also, [analytics can assist in] identifying potential fraudulent [claims].

Tax [collections] is another area where analytics is heavily used. There's this phenomenon called the tax gap, which is the gap between what one should be paying and what one is actually paying. The IRS, for a couple of decades, has been identifying people who are not paying what they probably should be paying—it's called the Taxpayer Compliance Measurement Program. It is used to identify the people who might be underpaying or not paying their taxes and go after them for collection. Just as with other organizations, tax agencies have to segment their customers—to identify the ones who are both most likely to be not paying and those who are most likely to be responsive when you're trying to collect—because you can't go after everybody with equal vigor. I think the payoff from doing analytical work in revenue management tends to be huge—roughly tenfold. So, [in the government] there are all sorts of opportunities, but still in the early days....

* For more details see Davenport's IBM Center's report, *Strategic Use of Analytics in Government*.



On Forging a Culture of Analytics

That's probably the single toughest thing to do.... Of course, if your leaders are very gung-ho about analytics, it really makes that cultural transformation much easier. If you don't have that leadership, then I think it [becomes] much harder. There aren't very many examples; I'm not sure there are many bottom-up cultural transformations. It really requires [concerted] help from [senior] leadership. I think the key is finding what [your leaders] care about and tilting the analytics in that direction. I'm sure most of you are familiar with Best Buy, the electronics retailer. Its CEO was not a terribly analytical. He was much more of a bottom-up innovation

person. Folks convinced him that he could use analytics to really empower the store managers, and even the blue shirts, to make more decisions at the local level. You just try to find that hot button that your leaders have, and say, "You know, whatever you want, we can probably use analytics to support it in some way or other."

On the DELTA Model for Assessing Analytical Capability

The "D" is for data. You've got to have good data; organizations who are competitive about this think about finding new or unique data, which they don't have already, but

which could really help [them]. For example, the U.S. Postal Service has a major effort to measure how long it actually takes time in transit to deliver a package and what percent of the time does it meet its standards.

The “E” is for enterprise. We found that, when companies compete on analytics, they tend to view analytics as an enterprise, not as a bunch of localized silos. It’s about combining data; it’s about combining analytical people in many cases, and also combining technology and technology solutions.

The “L” in the Delta Model is for leadership; it is probably the single-most important thing. If you have somebody leading the charge you’ll do very well. In government I think the best example of that is when Dr. Ken Kaiser was head of the VA; he really led the charge in putting electronic medical records in place and starting to do things like disease management and so on with that data.

The “T” is for target: Where’s your focus? For the VA, it’s probably going to be on something involving patient care. For the Postal Service, it’s probably going to be around something related to logistics as a primary target because that’s where you spend all your money and that’s what creates your performance. For a private sector organization, like a Harrah’s, it’s customer loyalty. Eventually, analytical orientations can kind of spread out into a variety of areas, but you need to start with a target.

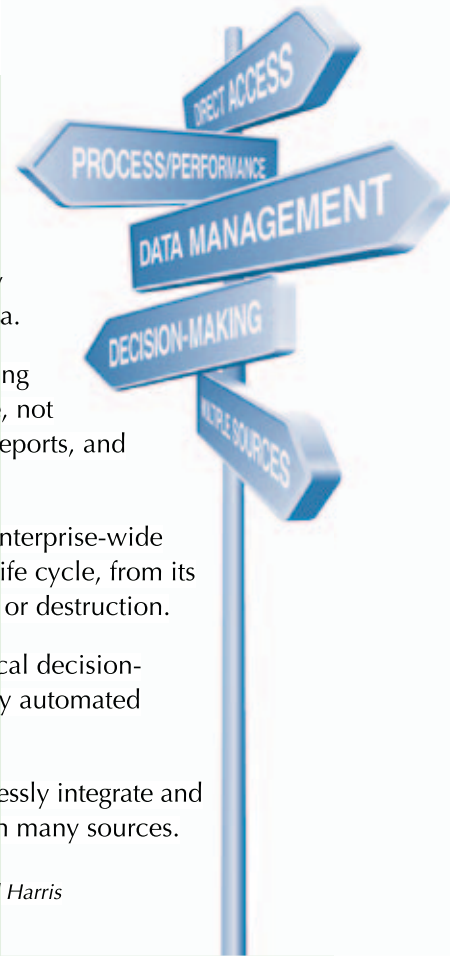
Then finally, the “A” is for analyst. If you want to be highly analytical, then you need to either have internal capabilities or find them somewhere else, consultants or contractors.



Signposts of Effective Use of Analytics in Government

- Analysts have direct, nearly instantaneous access to data.
- Managers focus on improving processes and performance, not culling data from laptops, reports, and transactions systems.
- Data is managed from an enterprise-wide perspective throughout its life cycle, from its initial creation to archiving or destruction.
- High-volume, mission-critical decision-making processes are highly automated and integrated.
- Reports and analyses seamlessly integrate and synthesize information from many sources.

Source: Adapted from Davenport and Harris



You need staff who are able to think analytically, who can do data analysis. Even more importantly, staff who are able to communicate effectively with decision makers about what the numbers say. It’s great to have the math skills, but you also need to be able to communicate and build trust among decision makers; that’s key.

Advice to Government Agencies on Analytics

I think the “D”—data—is not a problem; there’s plenty of data in agencies; there’s enough to work on. The “E”—enterprise—is an issue in government because it is pretty fragmented in most agencies. The analytical people aren’t talking to each other. In the intelligence community, they’re working on this with the director of national intelligence. They are [working on] sharing more information and becoming more enterprise-oriented. The “L”—leadership—is probably the biggest problem. We don’t have enough highly analytical leaders in government who are able to really press for this and devote the resources to it. I’m hoping that somehow they will emerge soon. The T—targeting—is not that tough for most government agencies. They can figure out the fruitful targets.

I was talking to some of the people in the Social Security Administration. For them, one of the initial targets for analytics was giving people who are disabled benefits as soon as possible—speeding that process along. Finally, the “A”—analysts—in a way it’s a problem because there aren’t that many in government. This may be less of a problem because you can easily procure them from outside government. I think the key in government, particularly, in the intelligence sector is that we call people analysts who aren’t very analytical. There have been a couple of studies recently suggesting that the Central Intelligence Agency (CIA) and the National Security Agency (NSA) analysts tend to rely more on intuition and experience than analytics. When it comes to analysts and decision makers the government [could do better].

On the Need to Make Better Decisions

I teach a course at Babson [College] to MBA students on decision making. It’s depressing in a way. We seemed to have used a bad decision-making process in 1961 with the Bay of Pigs invasion. We seemed to have used a bad decision-making process 45 years later with regard to Iraq. The government has not cornered the market on bad decisions as we know from the financial crisis. My hope with the [Harvard Business Review] article and my work on decision making is to get people to think about it: start taking a systematic look at how we do decision making. We’ve been trying to go beyond analytics, [exploring] how you can systematically improve decision making. I think it could work in both public and private sectors. There are a number

of new approaches to decision making. There is the whole idea of behavioral economics that is just making its way into the public sector. You have Cass Sunstein—the czar of regulation—who has written a book about this subject called *Nudge*. Some of the things we’re learning from neuroscience, which focuses on the role of emotion in decision making—intuition versus analysis—I think are not widely known yet.

[Davenport has also devised a four-I framework, for improving decision making.] The first “I” is to identify your key decisions. When I go around and talk to organizations, I say, “Do you know what your top 10 or top 15 or top 20 decisions are?” Very few do. We should identify those that are really critical to effective performance from a strategic and an operational perspective. The next is the inventory stage: How well are decisions made today? How long does it take to make a decision and who’s involved in them? You can get a sense of how broken [the process] is and how much opportunity there is for improvement. The third stage is to intervene. There are a lot of possible interventions. We can automate decision to some degree. This is what the Social Security Administration is doing with regard to disability claims. If it seems like a clear open-and-shut case that a person has a disability. We may want to get it through the system very quickly and make that decision in an automated or at least a semi-automated fashion. Another example is that the Obama administration is trying to get more public input into decision making. The intervention aspect is really about stepping back and saying, “What can we do to make this decision better?” Then

The Four-I Framework for Improving Decision Making

IDENTIFY What are our top 10, 15, or 20 decisions?

INVENTORY How well are decisions made today? How long does it take to make a decision and who’s involved in them?

INTERVENE What can we do to make this decision better?

INSTITUTIONALIZE What are the things we can put in place to make better decisions?

finally there's an institutionalization process. If we really care about making decisions better, what are the things we can put in place to make better decisions? It could be a process for looking back at how decisions turn out that could really make us get better at this in the long run.

Next Steps in Implementing Analytics in the Government

I think there will be even more appetite for analytics going forward. I would try to develop the capability to educate senior policy makers [and public managers] on the value of analytics. This is not something that the analysts can do by themselves; executives need to ask the right questions, need to kind of push back when they don't understand something. In the financial crisis, you had executives buying into models that they didn't really understand, so when things went south they didn't know what to do about it.

In areas we know are going to be big, such as healthcare, it is critical to identify some of the key analytical approaches that make sense: What are the key analytical targets, and what should the government be enforcing? How do you use the data to make better decisions about healthcare? I think this is going to be shaping some of the thinking in the government space. If I were in intelligence, then I would be focusing on getting the analysts to be more analytical and use some of that vast stream of data. The Obama administration [has placed emphasis] on data transparency and evidence-based decision making as well.

There are going to be more and more sources of data. There's going to be a vast amount of data. We really need to use analytics to digest it and make sense of it. All these data, at some point, were intended to make better decisions in organizations. Analytics aren't the only tool, but they're a very powerful tool for digesting the amount of data and learning from all the data we have. ■



To learn more about Tom Davenport on Analytics go to www.tomdavenport.com



To hear *The Business of Government Hour's* interview with Tom Davenport, go to the Center's website at www.businessofgovernment.org.



To download the show as a podcast on your computer or MP3 player, from the Center's website at www.businessofgovernment.org, right click on an audio segment, select Save Target As, and save the file.



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



Managing Risk in Government: An Introduction to Enterprise Risk Management

By Karen Hardy

Our conversation with Tom Davenport highlights the importance of data and the usefulness of analytics and business intelligence in making sense of data. It's not easy; it takes initiative and leadership to leverage the benefits of analytics, but when employed correctly analytics can be powerful tool for making better decisions.

The next contribution to this forum, based on an IBM Center report written by Karen Hardy, explores the benefits of an enterprise-wide approach to risk management. This is especially timely because of the Obama administration's focus on accountability and transparency that has prompted a renewed focus on risk and controls. In addition, recent high-profile financial failures have also focused increased attention on risk and controls. Holistic ERM starts with a focus on the possible events that could potentially happen and their classification into opportunities and risks. Keeping track of these possible events requires good data and data governance managed at the enterprise level. Improved data management allows the enterprise to take advantage of modern analytical methods in order to quantify the impact of risk. Data analysis also enables the enterprise to gain an overall view of current risk, as well as trends and potential future risks. An accurate, useful enterprise risk management (ERM) process is based on sound analytics. Without valid measurements, managing risk is effective and efficient only by chance. It's clear that implementing an ERM approach makes sense and yields benefits to an organization in managing risks and informing its decision making.

Risk Management: What It Is and Why It Matters

Risk is unavoidable. It transcends virtually every human situation and is present in our daily lives and within public- and private-sector organizations. While there are many acceptable definitions of risk in use across various industries and organizations, the most common concept in all definitions is the uncertainty of outcomes (Treasury Board of Canada Secretariat, 2001).

Effective risk management cannot be practiced in isolation, but needs to be built into existing decision-making structures and processes (Peter, Gjerdrum & Peeling, 2009). In the past, risk management was seen as relating mainly to matters of safety and insurance. Over time, this systematic approach has evolved from a transactional functional to that of a strategic nature.

Definition of Risk

Public Service of Canada

Risk: "Risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives."

Risk Management: "[A] systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues."

Source: Integrated Risk Management Framework, *Treasury Board of Canada Secretariat, April 2001*

U.S. Government Accountability Office (GAO)

Risk: "An event that has a potentially negative impact and the possibility that such an event will occur and adversely affect an entity's assets, activities, and operations."

Risk Management: "The continuous process of assessing risks, reducing the potential that an adverse event will occur, and putting steps in place to deal with any event that does occur. Risk management involves a continuous process of managing—through a series of mitigating actions that permeate an entity's activities—the likelihood of an adverse event and its negative impact. Risk management addresses risk before mitigating an action, as well as the risk that remains after countermeasures have been taken."

Source: *Government Accountability Office, Report # GAO-06-91, December 2005*



Dr. Karen Hardy is a Visiting Scholar at Strayer University. She has over 20 years of experience in the public sector and spent several years in the private sector in the area of commercial banking. Hardy is the author of a multitude of publications, including the book Building Self-Leaders, which takes a look at the management succession process in the federal government and provides a model training program for addressing leadership issues.

Previous practices viewed risks as threats and focused on avoidance of negative events, treated risk as a separate function, and continuously managed risk independently within silos. Gradually, organizations began to integrate risk by accepting risk as an expense, shifting their focus to managing risk, and recognizing risk managers as risk owners. Strategically, companies are now working towards a broader view of risk, understanding that risk is an uncertainty, shifting the focus to optimizing risk and advocating risk managers as risk facilitators and leaders.

Building on the evolution of risk management, Enterprise Risk Management (ERM) recognizes that risks can be threats and opportunities, and are a corporate-wide daily concern that is embedded in the operations. ERM transforms risk management from a silo approach to a holistic approach that is coordinated at the highest level within the organization and that recognizes the value of tangible and intangible assets. Historically, organizations focused on hazard risk management and insurable financial risks. Today, the practice is much more encompassing, covering operational, strategic, financial, and reputation risks.

The U.S. government has a long history of adapting and adopting successful and prudent business practices from the private sector. In the arena of financial management, this is perhaps best illustrated by the adoption of the Chief Financial Officers Act of 1990, with its requirement that federal agencies pass financial audits. The adoption of ERM is no exception. While risk management has long been a priority for many organizations, the recent private sector financial collapse has put a spotlight on enterprise risk management as a critical component of an organization's overall health and long-term sustainability.

Risk management is not a new concept within the federal sector. What is new is the need to integrate risk management into the strategic and decision-making processes that cut across the organization, and abandon the outdated practice of managing risks within functional silos and stovepipes.

ERM has been recognized as the process for making this integration work. ERM is defined as

a process, effected by an entity's ... management and other personnel, applied in a strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

—Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2004.

Embedded in this definition are seven fundamental concepts which assert that ERM is (COSO, 2004):

- A process, ongoing and flowing through an entity
- Effected 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

While there is great expectation and hope for this management practice, there are very few success stories and best practices available in the federal sector to benchmark. This is due in part to the multiplicity of missions and objectives of government agencies, which makes it difficult to achieve a uniform approach to ERM. However, this is not a problem unique to the federal arena. In a recent Enterprise Risk Oversight Survey conducted by the ERM Initiative at North Carolina State University, of 700 entities surveyed across a broad range of industries, 44 percent of respondents said that they had no enterprise-wide risk management process in place and have no plans to implement one.

The lack of a standard methodology across the federal sector need not discourage agencies from implementing ERM, as variations in ERM are expected. This is evidenced in the approaches of the agencies featured as case studies in this report: the Centers for Disease Control and Prevention and the Department of Education's Federal Student Aid. Each agency brings a unique perspective to ERM, driven by different goals and objectives. Yet, despite these differences, each agency's approach uses the general concepts and context of ERM, whether using specific frameworks, such as the Committee of Sponsoring Organizations (COSO) of the Treadway Commission Enterprise Risk Management Integrated Framework or the Canadian Integrated Risk Management Framework, as working models.

Examples of Risk Management in the Federal Government

Government has always been involved in managing risks, even as risk management has not generally been recognized as being a fundamental function of government, says David Moss, a professor of business administration at the Harvard Business School. As government agencies face increased scrutiny regarding accountability, fraud, the management of resources, performance, and results, more managers are engaging in risk management activities.

Although some risk management methodologies and processes can be complex and may require expert advice and support, other aspects of risk management—such as setting goals and using performance measures to track progress in meeting them—are well understood and widely practiced. Whether the focus is on public risk, financial risk or operational risk, agencies are managing risks that are in direct alignment with their missions or are effectively engaging the discipline as a common management practice.

Health Risk

Food and Drug Administration (FDA). FDA is an agency within the Department of Health and Human Services and consists of seven centers and offices. The FDA is responsible for protecting the public health by assuring the safety, efficacy, and security of human and veterinary drugs, biological products, medical devices, our nation's food supply, cosmetics, and products that emit radiation. The FDA is also responsible for advancing the public health by helping speed innovations that make medicines and foods more effective, safer, and more affordable and by helping the public get the accurate, science-based information they need to use medicines and foods to improve their health.



With increased attention to improving the safety and quality of healthcare, there has been growing interest in leveraging the large amounts of electronic health data being collected on a regular basis to enhance surveillance of post-market risk.

The Food and Drug Administration Amendments Act of 2007 (FDAAA) requires that the FDA develop methods for the establishment of a post-market risk identification and analysis system of electronic health data. In response, the FDA announced the start of its Sentinel initiative in May 2008. The initiative includes planning for the development of an integrated system to analyze electronic health data in order to identify potential risks and assess the safety of medical products after they have been made available to the public.

Security Risks

Department of Defense (DoD). The DoD uses a risk management approach to protect its forces. For example, it has used risk management to identify threats and vulnerabilities, to determine which assets are the most critical and to make management decisions on how to make its bases and related facilities more secure.

For example, in the 1990s, the Defense Special Weapons Agency assessed risks to evaluate force protection security requirements for mass casualty terrorist incidents at military bases. Companies under contract to federal agencies such as the Department of Energy, the National Security Agency, and the National Aeronautics and Space Administration used risk-assessment models and methods to identify and prioritize security requirements. The Federal Aviation Administration and the Federal Bureau of Investigation did joint threat and vulnerability assessments on airports determined to be at high risk.

Department of Homeland Security (DHS). The threat of terrorism presents a number of risks to our nation's seaports and other types of critical infrastructure. DHS has three component agencies responsible for the security of critical infrastructure related to ports and other facilities:

- **The U.S. Coast Guard** has responsibility for port security overall. The Coast Guard protects more than 300 ports and 95,000 miles of coastline. Coast Guard officials have been able to use expert knowledge or data from risk assessments to select specific alternatives, such as establishing security zones around key infrastructure, improving security around ferries and cruise ships, and coordinating security improvements (such as fences, gates, and cameras) around key infrastructure. Using local risk assessments, the Coast Guard has also developed alternative approaches to prevent attacks and reduce vulnerabilities.
- **The Office for Domestic Preparedness (ODP)** is responsible for providing port security grants to selected maritime facility owners. For fiscal year 2005, grant criteria included the prioritization of projects based on the criticality of ports and proposals that reduce vulnerabilities to certain threat scenarios. These risk-based criteria were not used in prior fiscal years.
- **The Information Analysis and Infrastructure Protection (IAIP) Directorate** is responsible for working with other federal, state, local, and private organizations to identify and protect critical infrastructure across the nation. The IAIP also has a key role in applying risk management to ports and other infrastructure. Risk management is a tool for assessing risks, evaluating alternatives, making decisions, and implementing and monitoring protec-

tive measures. Relative to the Coast Guard and ODP, IAIP's homeland security responsibilities are by far the widest-ranging. IAIP's task ultimately involves developing an approach that can inform decisions on what the nation's antiterrorism priorities should be and identifying what strategies and programs will do the most good. IAIP is also responsible for developing policies and guidance that other agencies can use in conducting their own risk assessments.

The application of risk management in homeland security is relatively new—much of it coming in the wake of the terrorist attacks of September 11—and it is a difficult task with little precedent. The goals for using it in homeland security include informing strategic decisions on ways to reduce the likelihood that adverse events will occur and mitigating the negative impacts of and ensure a speedy recovery from those that do. Achieving these goals involves making policy decisions about what the nation's homeland security priorities should be—for example, what the relative security priorities should be among seaports, airports, and railways—and basing spending decisions on knowing which approaches or strategies will do the most good at narrowing the security gaps that exist. Risk management has been widely supported by the president and Congress as a management approach for homeland security, and the secretary of the Department of Homeland Security has made it the centerpiece of agency policy.

Financial Risks

Government National Mortgage Association (GNMA).

GNMA or "Ginnie Mae," is a wholly owned corporation housed within the Department of Housing and Urban Development. For nearly four decades, GNMA has made financial risk management one of its core values. This has allowed it to keep pace with, and frequently surpass, private sector financial risk management practices.

The primary mission for GNMA is to "support expanded affordable housing in America by providing an efficient government-guaranteed secondary market vehicle linking the capital markets with federal housing markets." This is accomplished with fewer than 100 employees and under the leadership of a strong management team. In 2008, the corporation celebrated 40 years of "financial stability." GNMA undoubtedly has a mission closer to private sector organizations than many government agencies, yet it has a subtle but important distinction: Its primary purpose is to support and expand the market for affordable housing, not to maximize profits. FHA loans in particular are typically made to borrowers that would have difficulty getting loans under normal private sector programs. The general perception is that these



loans have higher delinquency and default rates than their conventional counterparts. Because of this, Congress was concerned that private sector secondary market participants would not be willing to bear this risk, and so it created GNMA to ensure that such a market existed.

Historically the mission of GNMA has meant ensuring the existence of a secondary market for FHA/VA-insured mortgages, and GNMA has created an innovative system to meet this mission. GNMA does this by guaranteeing the performance of the issuers of Mortgage Backed Securities (MBS). The issuers form these MBS's from pools of FHA and VA mortgage loans.

GNMA does not insure individual mortgage loans; that is the mission of FHA or VA insurance and of the MBS issuer. Rather what it does do is guarantee that if the issuer of the MBS goes into default—i.e., does not make their promised payments to the investors—the investors are still paid. The mission and operations of GNMA illustrate one of the most important points about risk in general: Managing financial risk does not mean eliminating it. In fact, in the case of GNMA this would be virtually impossible; as long as it is operating, it must take on financial risk. What GNMA must do is balance the risk that it takes against the accomplishment of its mission. The only way for GNMA to eliminate all of its financial risk is to not insure any issuers. The key for GNMA is to maximize its mission accomplishment while minimizing the financial risk that it bears.

Benefits of ERM include:

- Gaining a cultural understanding of the importance of sustaining high credibility as an agency
- Affording the opportunity for agencies to make more educated decisions
- Increasing knowledge and understanding of risk across the organization
- Improving risk culture
- Aligning risks with agency/program goals and objectives
- Providing for a more efficient and effective means of managing risk
- Agreeing on core values and on the necessity for a broadly integrated risk management approach

Challenges of ERM include:

- Providing the appropriate foundation, assessment, and management platform

- Insufficient sponsorship of ERM at the executive level
- Positioning ERM as a strategic management practice and not as an additional task
- Competing priorities—key ERM staff participate in various special projects and initiatives that are risk-related, but do not directly support the implementation of an ERM program
- Balancing federal government regulations and requirements
- Overcoming a lack of understanding about risk management
- Overcoming a lack of qualified risk management professionals and expertise
- Changing an internal competitive culture prone to stove-piping
- Aligning risk reward and incentive programs with strategic objectives

Best Practices of Federal Agencies

When implementing ERM, government leaders should keep in mind the following hands-on best practices:

Getting Started

- Develop a risk management lexicon to ensure consistency of terminology across the organization
- Establish a communications plan and stick with it
- Don't underestimate the level of effort or shortchange the planning process
- Customize ERM strategy, approach, and methodology based on the specific requirements of your organization
- Ensure support from senior leadership, which is critical to effectively identifying and addressing risks and opportunities
- Train your employees

Organizing for ERM

- Establish a Risk Office or ERM organization
- Have a dedicated "risk champion" with good communication skills
- Ensure that the head of the risk organization/"risk champion" is a member of executive management
- Establish and maintain executive level support, ideally from the highest levels in the organization

Operating an ERM Program

- Develop a policy that outlines the organization’s expectations regarding the management of risks
- Document the process and analysis so that it can be replicated
- Provide specific examples of risks tailored to the organization to help the learning process
- Reward risk identification, don’t penalize it; and this is critical to changing the culture and effectively establish an agency-wide ERM process
- Engage those who manage risks, as well as areas with inherent risks, to develop analytical tools and recommendations; these stakeholders often know the consequences of effective and ineffective risk management, and have the rigor in thinking and planning to address risks
- Link risk training to business results, where possible
- Seek diverse perspectives on issues, as they are critical to risk and opportunity management

Despite the important benefits that ERM provides, limitations do exist. As noted by COSO, “Limitations result from the realities that human judgment in decision making can be faulty, decisions on responding to risk and establishing controls need to consider the relative costs and benefits, breakdowns can occur because of human failures, controls can be circumvented.... And management has the ability to override enterprise risk management decisions. These limitations preclude a board and management from having absolute assurance as to achievement of the entity’s objectives” (COSO 2004).

Recommendations

Based on the findings in this study, the following recommendations are offered:

1. **Establish short- and long-term strategic plans for ERM.** ERM effectiveness is a matter of maturity. It takes time. Make sure stakeholders understand that ERM is a process that is strengthened over time.
2. **When considering ERM, agencies must establish a tone at the top within the organization.** Without senior leadership support, it will be difficult to get buy-in throughout the organization. Thus, ERM will be seen as yet another task and paper exercise rather than as a strategic management process.

3. **When adopting ERM, make sure the benefits are communicated to stakeholders.** Besides the need for compliance, demonstrate how ERM can enhance organizational performance, heighten awareness about risk management, improve workforce skill sets, and create a “safe place” for managers to discuss risk management outside their comfort zones.
4. **Collaborate within and across other agencies.** Don’t work in a vacuum. Find agencies with similar operational functions or missions and benchmark risk management practices. Join organizations that advocate ERM and provide resources for continuous learning in this subject matter (e.g., FederalERM.com).
5. **Don’t reinvent the wheel.** Use what you have. If there is an existing internal control framework in place, build upon that. Strategize about how ERM can enhance or strengthen your existing internal control environment.
6. **Have experienced staff available to champion and carry out the vision of the ERM process.** A knowledgeable workforce is the key to successful ERM implementation. If you cannot hire new staff, retrain the staff that you have.
7. **Communicate short wins immediately.** Nothing reinforces success like results. Show stakeholders how ERM has led to successful identification and mitigation of risks, business opportunities, or cost savings. ■

TO LEARN MORE

Managing Risk in Government: An Introduction to Enterprise Risk Management
by Karen Hardy



The report can be obtained:

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



Strengthening Control and Integrity: A Checklist for Government Managers

By James A. Bailey

*The next contribution is based on a Center report by Professor James Bailey, *Strengthening Control and Integrity: A Checklist for Government Managers*. It follows Hardy's piece on enterprise risk management and focuses on managing risks to strengthen the financial control and integrity process that may lead to better decision making. Taken together these two articles provide state-of-the-art overviews on how governments at all levels can improve their control and risk management activities, which in turn, can lead to better decision making.*

The Challenge of Risk Management

Governmental organizations manage risk on a daily basis. Unfortunately, many governmental organizations manage risk in a haphazard, unsystematic way. While organizations may address a few risks, they do not systematically manage other important threats and opportunities. This unsystematic approach limits the ability of organizations to achieve important outcomes.

In many organizations, government management does not avail itself of the benefits of a systematic approach to managing risks. Some managers may not understand how to implement risk management activities. Others may not believe that risk management activities can benefit their organization. Still others delay implementing such activities.

This article is aimed at government managers as they address the problems most governmental organizations face. It presents an overall framework for managing risks; specifically, financial controls and integrity. It shows how to systematically implement financial-control and integrity activities. These management processes benefit governmental organizations by helping them identify, prioritize, and focus their resources to produce high-impact opportunities and reduce high-impact threats. It will focus on the two key aspects of risk management: assuring financial controls and integrity.

Effective Risk Management Activities for Assuring Financial Control and Integrity

Effective risk management processes possess the following three elements:

- **Define the Problem.** Identify opportunity and threat outcomes, prioritize high-impact opportunity and threat outcomes, and focus the organization's efforts to produce high-impact results.
- **Manage Internal Risk.** Direct the organization's resources to produce high-impact results.
- **Evaluate and Oversee Internal Risks.** Protect the organization's resources from misuse.

Using Risk Management Processes to Manage High-Impact Outcomes

High-impact outcomes include positive or negative events that might show up on the front page of the newspaper. These outcomes may include negative events such as violence against employees or theft of the organization's resources. One generally thinks of negative outcome events when considering risk management. However, risk management also deals with positive outcome events such as excellent organizational performance. Risk management programs focus the governmental entity's efforts and resources on maximizing positive and minimizing negative high-impact outcomes.

Risk management benefits organizations by helping them maximize their high-impact opportunity outcomes and minimize high-impact threat outcomes. By implementing a risk management process, the government entity increases the likelihood that it will achieve positive high-impact opportunity outcomes and minimize negative high-impact threat outcomes.



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Strategies for Managing for High-Impact Outcomes

The risk management process cycle for financial controls and integrity is divided into three phases. Implementation of risk management activities increases the likelihood of maximizing high-impact opportunity outcomes and minimizing high-impact threat outcomes. The three phases are:

- **Phase One: Government managers identify opportunity and threat outcomes.** They prioritize the high-impact outcomes over the low-impact outcomes. The managers focus the organization’s attention on the high-impact outcomes.
- **Phase Two: Organizations manage resources and processes to achieve the high-impact opportunity outcomes and minimize high-impact threat outcomes.**
- **Phase Three: Government managers evaluate the high-impact outcomes.** When management completes the evaluation, the process begins again.

I explain how to systematically go through this process. The next section describes Phase One, how government managers identify high-impact outcomes using a strengths, weaknesses, opportunities, and threats (SWOT) analysis; how they

prioritize outcomes using impact and likelihood analysis; and how they incorporate high-impact outcomes into mission statements and objectives to focus attention on achieving these outcomes. The next section discusses Phase Two and how organizations manage resources and processes to achieve positive high-impact outcomes while reducing negative high-impact outcomes, especially in the area of governmental finances and financial processes. The last section discusses how to evaluate outcome achievement in Phase Three. Figure 1 shows the tools used in each phase.

This article highlights some best practices and provides financial oversight and integrity checklists that managers can use to assess their organizations.

Phase One: Define the Problem

Identify

Governmental entities manage their strengths, weaknesses, opportunities, and threats on a daily basis. Unfortunately, many managers do not systematically identify their opportunities and threats or their greatest strengths and weaknesses. By not using a systematic process, a government entity may fail to identify important strengths, weaknesses, opportunities, or threats. By failing to identify these areas, the organization cannot effectively manage them.

Figure 1: Processes and Tools for Managing Risks to Assure Financial Control and Integrity

PHASE	PROCESS	TOOL
ONE	Define the Problem – Identify – Prioritize – Focus	– SWOT Analysis – Impact and Likelihood Analysis – Mission and Objective Analysis
TWO	Manage Internal Risk	Risk Management and Control Analysis
THREE	Evaluate and Oversee Internal Risks	Outcome Assessment Analysis



SWOT Analysis

SWOT is an acronym for “strengths, weaknesses, opportunities, and threats.” Organizations can identify high-performing internal processes and significant external influences by using a SWOT analysis. A SWOT analysis helps systematically identify and list the key strengths, weaknesses, opportunities, and threats facing the organization.

Outcome Identification

After identifying strengths, weaknesses, opportunities, and threats, the organization then uses the list to develop an outcome identification table. The table identifies potential outcomes based on how the entity’s strengths and weaknesses interact with its opportunities and threats.

Prioritize

Some organizations do SWOT analyses to identify their strengths, weaknesses, opportunities, and threats. Many administrators and governmental boards do not systematically prioritize these areas. By not using a systematic process, an

organization may fail to effectively prioritize opportunity or threat outcomes. If the organization fails to prioritize these areas, it cannot effectively manage its high-impact outcomes.

Likelihood Analysis

After listing outcome events and assessing their impacts, the next step is to assess the likelihood of the outcome occurring. Management controls through policies or processes influence the likelihood of the event occurring. Effective controls increase the likelihood of achieving opportunity outcomes and preventing threat outcomes. Non-control-related factors also may contribute to the likelihood of achieving the outcomes.

Phase Two: Manage Internal Risk

Management’s risk philosophy and risk appetite will impact the organization’s response to risk. According to the Enterprise Risk Management—Integrated Framework, a risk management philosophy includes the shared values, beliefs, and attitudes of the organization that influence its culture, operating style, and risk management processes. Policies, communications, and actions emphasize and reinforce the organization’s risk management philosophy. The risk management philosophy influences risk appetite, which is the amount of broad-level risk acceptable to achieve opportunities or minimize threats. Organizations should consider their risk philosophies and appetites as they consider the framework’s four strategies for responding to risks:

- **Acceptance.** Organizations may choose to accept risk. When accepting risks, the organization chooses to do nothing with the risk. It may decide that the cost of managing the risk exceeds the benefits. The organization may choose to accept risks for low-impact opportunities or threats. Accepted risks require no further management action.
- **Avoidance/Eliminate.** Organizations may decide to avoid the risk by eliminating the activity. It may eliminate the activity associated with the risk because the costs of the activity exceed the benefits. The organization may choose to eliminate activities associated with low-impact opportunities that have a low likelihood of occurring. It also may want to eliminate activities that lead to high-impact threats with a high likelihood of occurrence. Eliminated risks require no further management action.
- **Sharing/Transfer.** Organizations may choose to share risk by transferring it. The organization may decide to transfer risk by outsourcing activities that result in low-impact opportunities. It also can transfer risk by acquiring insurance for high-impact threats. The organization should consult with experts in outsourcing or insurance to evaluate the cost and benefits of using these approaches for selected activities.

- **Reduction/Control.** Organizations may choose to reduce the risk of achieving high-impact opportunities or avoiding high-impact threats. It may implement control activities designed to maximize high-impact opportunities or to minimize high-impact threats.

Financial Controls: Reporting, Internal Control, and Compliance

The Committee of Sponsoring Organizations of the Treadway Commission issued its Internal Control–Integrated Framework in 1992. According to the framework, effective internal controls provide a reasonable assurance of an organization’s compliance with regulations and laws, the reliability of its financial statements, and the achievement of its organizational objectives. Organizations can apply risk management and internal controls to any objectives within their organization.

Effective internal controls provide a strong foundation for audits of public organizations. Under the Single Audit Act, which is applicable to many local governmental audits, the external auditor evaluates and provides reports on the organization’s financial statements, internal controls, and compliance with laws and regulations. Strong internal controls reduce the risk of problems in all three of these areas.

Management, the board, and the audit committee, where applicable, should provide proper oversight of financial reporting, internal control, and compliance issues. Prior to the release of the audited financial report, the board and its audit committee should review and discuss the reports discussed in this section with management, the internal auditor, and the independent auditor.

The author presents a financial reporting, internal control, and compliance checklist. Management, the board, and the audit committee should use this checklist to assess their financial reporting, internal control, and compliance processes. Management and the board should require corrective action where deficiencies exist.

Integrity: Management and Board Oversight

The control environment forms the foundation of a strong internal control program. Effective management and boards are critical components of the control environment. Major responsibilities of both managers and local government board members include exercising the duties of loyalty and care. Local governments often have a variety of governing entities, such as city councils, school boards, park boards, and other oversight boards.

Exhibit 1: Financial Reporting, Internal Control, and Compliance Checklist

Organization Name: _____ Date: _____
 Completed by: _____

Financial Reporting, Internal Control, and Compliance Matters		Yes	No
1.	Prior to the release of the audited financial report, the board or audit committee reviewed and discussed with management, the internal auditor, and the independent auditor the following financial reporting matters:		
a.	Draft of annual audited financial statements, including related disclosures		
b.	Draft of independent auditor report		
c.	Significant financial reporting issues and judgments followed by the organization		
d.	Alternative financial reporting principles and practices that could have been followed		
e.	The financial impact of selected principles and practices versus alternatives		
f.	Significant changes in accounting principle(s)		
g.	Significant accounting estimates		
h.	Any disagreements between management and the auditors about financial reporting		
i.	Any difficulties encountered during the audit, including restrictions on access to requested information or on the scope of the audit		
j.	Auditor procedures and results related to AICPA’s Statement of Auditing Standards No. 99—Consideration of Fraud in a Financial Statement Audit		
2.	Prior to the release of the audited financial report, the board or audit committee reviewed and discussed with management, the internal auditor, and the independent auditor the following risk and internal control matters:		
a.	Any risk assessment of the organization’s fiscal operations developed under governmental auditing standards for a financial statement audit and federal single audit standards, if applicable		
b.	Management’s internal control report on the effectiveness of the organization’s internal control structure for financial reporting		
c.	Auditor’s draft of the internal control report		
d.	Adequacy and effectiveness of internal controls, including computerized information system controls and security		
e.	Draft management letter provided by the independent auditor as well as other internal control findings and recommendations by auditors, and the administration’s response		
f.	Small organization internal control considerations: <ul style="list-style-type: none"> • Entity-level controls • Management override risk • Segregation of duties—Alternative controls • Software application controls • Financial reporting competencies • Documentation 		
3.	Prior to the release of the audited financial report, the board or audit committee reviewed and discussed with management, the internal auditor, and the independent auditor the following compliance matters:		
a.	Compliance with applicable laws and regulations		
b.	Material reports, inquiries, or correspondence from governmental or regulatory agencies that raise material financial reporting issues		
c.	Employee complaints or published reports that raise material financial reporting issues		
d.	Compliance with the organization’s codes of conduct for employees, senior financial officers, and contractors		
4.	Prior to the release of the audited financial report, discussed with the independent auditor matters required to be discussed by AICPA’s Statement of Auditing Standards No. 114—The Auditor’s Communication With Those Charged With Governance		
5.	Prior to the release of the audited financial report, the board discussed with management and the organization’s legal counsel the following:		
a.	Status of significant legal and regulatory matters that could have a material impact on the organization’s financial statements		
b.	Related organization compliance policies and practices		
c.	Reports received from regulators		
6.	The board reviewed and discussed with management, the internal auditor, and the independent auditor the coordination of audits among internal auditor, independent auditor, and controller to achieve the following audit objectives:		
a.	Completeness of coverage		
b.	Reduction of redundant efforts		
c.	Effective use of audit resources		

Source: Please refer to the report for a sample of this checklist.

The author presents a management and board oversight checklist that includes many of the key concepts contained in this section. Managers and boards should use this tool to evaluate themselves, and they should require corrective action where deficiencies exist.

Exhibit 2: Management and Board Oversight Checklist

Organization Name: _____
 Completed by: _____ Date: _____

Duty of Loyalty		Yes	No
1.	Managers and board members ethically lead the organization by example.		
2.	Managers and board members ethically lead the organization through effective policies.		
3.	Managers and board members ethically lead the organization through effective communications.		
4.	Managers and board members always put the organization's interests ahead of their own personal interests.		
5.	Managers and board members ethically lead the organization through the avoidance of conflicts of interest.		
6.	Managers and board members ethically lead the organization by not participating in matters in which they have a personal interest.		
7.	Managers and board members always act in good faith in the interests of the organization.		
8.	Board members always maintain independence from management.		
Duty of Care			
1.	Managers and board members acquire information about the organization through a reliance on others and through inquiry.		
2.	Managers and board members adequately prepare for meetings.		
3.	Managers and board members attend almost all meetings.		
4.	Managers and board members exercise reasonable care while fulfilling their duties.		
5.	Managers and board members adhere to the reasonable person standard.		
6.	Management board members are adequately trained to meet their responsibilities.		
Administrator Oversight			
1.	The board appoints, replaces, and sets the compensation for the chief operating officer.		
2.	The board establishes policies to direct the chief operating officer's actions.		
3.	The board reviews the chief operating officer's performance.		
4.	The board approves all major financing and investing activities of the organization.		
5.	The board provides effective oversight of the administrative function.		
6.	The board does not perform management functions.		

Source: Please refer to the report for a sample of this checklist.

Phase Three: Evaluate and Oversee Internal Risk

Management and the local government board members evaluate the effectiveness of the risk management program. They can rely on the following three important groups to help them evaluate the organization's accounting and auditing outcomes and processes:

- The independent auditor
- The internal auditor
- The audit committee

Independent Auditor

The independent auditor assists management and the board by performing audits and reporting on the fair presentation of the annual financial statements. The independent auditor also assists management and the board with their fiduciary duty by reporting on the effectiveness of internal controls and the organization's compliance with laws and regulations.

Exhibit 3 presents an independent auditor checklist. The board or audit committee should use this checklist to assess the independence and performance of the independent auditor. Management and the board should require corrective action where deficiencies exist.

Exhibit 3: Independent Auditor Checklist

Organization Name: _____
 Completed by: _____ Date: _____

The board and audit committee:

Qualifications of and Relationships with Independent Auditor		Yes	No
1.	Reviewed external audit policies and regulations.		
2.	Reviewed the appointment, dismissal, and compensation of the external auditor.		
3.	Reviewed and discussed independent auditor's written statement describing all relationships between the auditor and the organization, and discussed with independent auditor any relationships or services that may impair the independence or objectivity of the auditor.		
4.	Reviewed and discussed the report of the independent auditor's internal quality control procedures, material issues raised by peer or quality review or governmental or professional authorities during the preceding five years, and steps taken to deal with the quality issues.		
5.	Reviewed the rotation of audit partners so that neither the lead nor the reviewing audit partner performs audit services for the organization for more than five consecutive years.		
6.	Reviewed and discussed the qualifications and experience of the senior members of the independent auditor's team.		
7.	Reviewed policies for the hiring of present or former employees of the independent auditor during the preceding five years.		
Independent Audit Planning			
1.	Reviewed and discussed the scope of all auditing and non-auditing services provided by the independent auditor prior to the performance of the work.		
2.	Discussed auditor's plan to address AICPA's Statement on Auditing Standards No. 99—Consideration of Fraud in a Financial Statement Audit.		
Discussions with Independent Auditors			
1.	The board or board chair held discussions in separate meetings with the independent auditor, management, and the internal auditor.		
2.	Discussed with the independent auditor the items on the Financial Reporting, Internal Control, and Compliance Checklist (Exhibit 1, page 14).		
3.	The board discussed with the independent auditor any disagreements with management, consultation with other independent accountants, difficulties encountered in performing the audit, major issues discussed with management prior to retention, significant deficiencies in internal control, fraud, and illegal activity.		
4.	Reviewed the management representation letter.		
5.	Reviewed the performance of external auditor, including the lead audit partner.		

Source: Please refer to the report for a sample of this checklist.

Internal Auditor

Internal auditors assist management and the board in monitoring internal control processes. The internal auditors primarily

focus on assessing the effectiveness of internal controls and monitoring the organization’s compliance with laws and regulations. Internal auditors generally do much more detailed analyses in these areas, uncovering more fraud than the independent auditors. They also perform audits to assess the efficiency and effectiveness of the organization’s programs.

The author presents an internal audit checklist. Management, the board, and the audit committee should use this checklist to assess the objectivity and performance of the independent auditor. Management and the board should require corrective action where deficiencies exist.

Exhibit 4: Checklist for Oversight of Internal Audit

Organization Name: _____
 Completed by: _____ Date: _____

The board and audit committee:

		Yes	No
1.	The board or board chair held discussions in separate meetings with the internal auditor, management, and the independent auditor.		
2.	Reviewed any difficulties encountered by the internal audit and any limitations on the audit scope or access to information.		
3.	Reviewed the internal audit charter.		
4.	Discussed internal audit’s compliance with the Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing.		
5.	Evaluated the internal audit’s performance.		
6.	Reviewed and made recommendations for the internal audit’s annual audit plan and significant changes to the plan.		
7.	Reviewed the internal audit’s budget, staffing, and qualifications.		
8.	Reviewed the internal audit’s summary of audits completed and the administration’s response.		
9.	Reviewed the appointment, compensation, and change of the senior internal auditor.		

Source: Please refer to the report for a sample of this checklist.

Management Oversight

Management, the board, and the audit committee should review and recommend improvements to the governance, risk, or financial internal controls policies and practices. They should evaluate the control environment as defined by COSO’s Internal Control–Integrated Framework.

The author presents a checklist for assessing management oversight. Management, the board, and the audit committee should use this checklist to assess the objectivity and financial performance of management. Management and the board should require corrective action where deficiencies exist.

Audit Committee

Management and boards may form audit committees to monitor the organization’s financial reporting, internal control, internal audit, and external audit processes and to advise management and the board on auditing, internal control, and financial reporting issues.

Exhibit 5: Checklist for Oversight of Management

Organization Name: _____
 Completed by: _____ Date: _____

The board and audit committee:

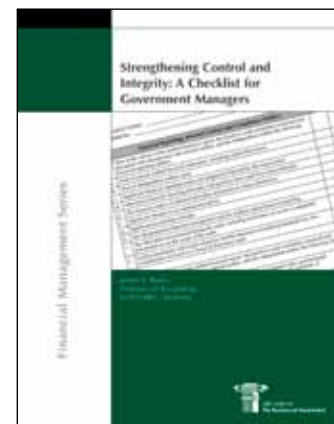
		Yes	No
1.	The board or board chair held discussions in separate meetings with the management, the independent auditor, and the internal auditor.		
2.	Reviewed the qualifications of the chief financial officer, the controller, and the accounting staff.		
3.	Reviewed governance and financial internal control policies and procedures and the cost/benefit of these policies and procedures. Reviewed financial governance monitoring reports.		
4.	Reviewed the performance of management’s financial functions.		
5.	Reviewed the control environment.		
6.	Reviewed policies and practices relating to the codes of conduct.		
7.	Reviewed policies and practices relating to the compliance and ethics program.		
8.	Reviewed and recommended policies and practices for the receipt, retention, and treatment of complaints received by the organization regarding accounting, internal controls, or auditing matters.		
9.	Reviewed and recommended policies and practices for the confidential, anonymous submissions by employees of concerns with regard to auditing, accounting, or internal control matters.		
10.	Reviewed significant complaints regarding accounting, internal controls, or auditing matters.		

Source: Please refer to the report for a sample of this checklist.

Management and the board should establish an audit committee to assist them with their oversight duties. The full report provides an example of a charter for an audit committee. Management and the board should require corrective action where deficiencies exist. ■

TO LEARN MORE

Strengthening Control and Integrity: A Checklist for Government Managers
 by James A. Bailey



The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
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Improving Strategic Risk Management at the Department of Homeland Security

By David H. Schanzer and Joe Eyerma

*The next contribution is based on a Center report by David H. Schanzer and Joe Eyerma, *Improving Strategic Risk Management at the Department of Homeland Security*. It explores how the federal government can enhance its capability to use strategic risk management in safeguarding the nation. It focuses on strategic risk management—the process by which decisions are informed by an analysis of risk. Risk management can be applied at several levels: tactical, operational, and strategic. Authors Schanzer and Eyerma describe the recent history of strategic risk management in the department and set forth a series of findings and recommendations directed to the Executive Office of the President, the Department of Homeland Security, and Congress. A key recommendation is that the department should enhance its analytical capability necessary for strategic risk management. The recent creation of an Office of Risk Management and Analysis is an important step toward the department’s strengthening its strategic risk management capability and enhancing its decision making process.*

America awoke on September 12, 2001, to a world in which our vulnerabilities to previously unimaginable acts of violence now seemed limitless. Al Qaeda had laid bare that our massive infrastructures, our globalized, interconnected economy, and the openness of our society could easily be exploited to cause massive harm to persons, property, and our national psyche. In the weeks and months following the attacks, it seemed that only the limits of one’s imagination could confine the number of scenarios in which terrorists could inflict death and destruction on the United States.

One of the strategic responses to the realization of our widespread national vulnerability was the creation of the Department of Homeland Security (DHS), an amalgamation of different agencies and programs from across the government charged with protecting the nation against attacks, reducing our vulnerabilities, and improving our ability to respond to the full range of threats we might face.

Deciding how much of our societal resources to dedicate to homeland security and how to allocate those resources

across the myriad of homeland security domains is an exceptionally difficult public policy problem. DHS’s efforts to answer these questions through a process called “strategic risk management” is the subject of this article.

Strategic risk management is a highly complex exercise, fraught with difficulties. While significant progress has been made at DHS, theoretical, structural, and political obstacles currently frustrate its ability to allocate its resources based on risk management principles:

- Analytic tools have not been fully developed to deal with the risks created by adaptive adversaries or to compare risks across different threat areas.
- Even if such tools were fully developed, DHS does not have methods for examining the effectiveness of their programs in reducing risk.
- DHS has not developed a core strategic risk management capability as an agency to set priorities and drive budgeting to those priorities.
- Risk tradeoffs are often political decisions that require public input, but mature methodologies for receiving such input have not been developed.
- Congressional legislation mandating various security policies and programs, much of which is not based on strategic risk management principles, diverts DHS from its risk reduction mission.

It is appropriate to evaluate whether DHS is meeting the need to incorporate risk management principles into its resource allocation decisions.

This article seeks to bolster the Obama administration’s efforts by first explaining the difficulty of transferring well-established risk management principles and methodologies to the new, still developing field of homeland security. The article then summarizes DHS’s current approach toward risk based resource allocation, based on numerous interviews with agency personnel and congressional staff, and identifies



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the hurdles the agency and Congress face in attempting to develop budgets informed by the concept of risk. The final section contains recommendations for the Obama administration and Congress on steps that they can take to enhance government's ability to allocate efficiently the resources available for homeland security to fulfill the constitutional duty to "provide for the common defense."

The Challenge of Applying Strategic Risk Management To Homeland Security

The concept of strategic risk management is not new. Businesses are constantly assessing the risks they face and taking steps to adjust to changing circumstances—whether by selling or purchasing new assets, taking on or reducing debt, or increasing or reducing their workforce. On a micro level, families are risk managers as well. 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 risk 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.

Application of strategic risk management to the concept of homeland security, however, is a relatively new and poorly understood topic. This section discusses the need to apply strategic risk management to homeland security and identifies many of the difficult challenges of incorporating concepts and tools developed in other areas to this new and evolving area.

Increased funding for enhanced homeland security flowed freely in the initial months following 9/11 through supplemental appropriations measures and large increases for particular programs, such as transportation security. Creation of the DHS brought greater focus to the question of homeland security funding that became the topic of political discourse between Congress and the executive branch, as well as a

dialogue between the federal, state, and local branches of government.

While there is no agreed-upon definition for the term "risk," in its new publication, *DHS Risk Lexicon*, the department's extended definition of risk is "potential for an adverse outcome assessed as a function of threats, vulnerabilities, and consequences associated with an incident, event, or occurrence."

By developing tools to make mathematical calculations of these factors, risk science can provide a means of assessing the risk reduction value of a given policy, program, or budgetary investment. Even in fields where risk science is well developed, such as environmental protection, results of risk analysis are still only tools that inform decision making and cannot dictate policy results or replace the need for judgment.

Identifying risk management as a core principle guiding DHS activities made a great deal of sense. Yet, putting this concept into practice in the homeland security domain has proven to be a daunting task. From the earliest days after creation of the department, many placed faith in the idea that we could develop a formula or matrix that could answer the questions such as, "How much should we be spending to keep us safe?" or "Should we be spending more money on chemical detectors on subways or new anthrax vaccine?"

The calls for improved risk management have not only emanated from Congress. The 9/11 Commission was among the first of many expert panels to raise the topic, concluding that homeland security funds should be allocated "based on



Joe Eyerman is the co-director of the Institute for Homeland Security Solutions (IHSS) and the director of RTI's Health Security Program. Dr. Eyerman has more than 17 years of professional experience statistically modeling social behavior and managing data for the analysis of political behavior and conflict. His substantive interest is in the modeling of decision processes related to political behavior, group decision making, multi-agency coordination, and political conflict. His recent methodological work has focused on the relationship between the data collection process and error in population estimates on a variety of bioterrorism, public health, and surveillance studies.



an assessment of threats and vulnerabilities.” In 2007, the Government Accountability Office convened an expert panel to identify and address risk management challenges.

In 2008, on the seventh anniversary of 9/11, the Homeland Security Advisory Council listed improving risk management among the top challenges for DHS. The Council concluded:

Determining the risks to Homeland and using a risk management approach to allocate resources, make decisions, and communicate threats, readiness and protective actions has not been perfected. This will require establishing and improving performance metrics for measuring risk and building a framework for risk-informed decision-making.

While the need to apply strategic risk management principles to homeland security is well-founded and compelling, it is important to understand the difficulties of applying this well-established methodology to the new and evolving discipline of homeland security.

One can begin to grasp the enormity of the task of developing a unified, comprehensive risk assessment that can be used to guide DHS’s budget allocation decisions. All the factors that comprise threats are enormously difficult to calculate. Threats (not only from terrorism, but natural disasters and unintentional accidents) are extensive, varied, and uncertain. The scale of estimating the vulnerabilities in our complex, diversified, and densely populated country are massive. And calculating the consequences of a possible event is complicated by the interconnected nature of our economy, where small impacts in one area could have spiraling ripple effects throughout the economy.

Furthermore, we have been using risk science to attempt to inform decision making in areas like environmental protection and workplace safety for decades, but are just beginning to develop methods for quantifying the elements of risk with respect to homeland security. We have well-established models to predict how changes in policy will affect the level of

air pollution on the population, but these models just don’t exist for predicting terrorist attacks.

There is a great degree of uncertainty as to when, where, and how terrorists will attack. Moreover, terrorists are adaptive adversaries. Any action we take to prevent a particular type of attack will lead to a change in the terrorists’ strategy and tactics that may render the protective action moot. Take, for example, chemical plant security. Intelligence might suggest that terrorist organizations intend to infiltrate a plant and detonate an explosive. In response, we invest millions installing surveillance cameras and otherwise improving perimeter security. Yet, having observed our build-up in perimeter security, the terrorists merely switch tactics to highjacking a rail chemical container in transport.

Measuring risk is also uncertain because we do not know how populations and governments will respond when attacks occur:

- Will there be mass panic, causing huge consequences, or will a response be orderly and effective?
- Will governments respond in a manner proportionate to the risk, or will they overreact and inflict unnecessary harm on economy or the social fabric of society?

We also have to take into account that not only are these risks objectively uncertain, but individuals will have varying subjective evaluations of risk levels (which helps explain why some people evacuate when a hurricane is approaching and others go surfing).

Finally, homeland security problems often involve multiple stakeholders who have varied interests. Take, for example, the issue of screening cargo in foreign ports—which seems to be a commonsense security measure. Any decision regarding these foreign inspections, however, implicates diplomatic relations with the other countries, multiple corporate stakeholders, unknown and unpredictable impacts on the global supply chain, government employment issues, protection of proprietary information, data integrity issues, and customs collection matters to name but a few of the stakeholders and interests.

Strategic Risk Management Is a Process, Not a Formula

All of these difficulties make analyzing homeland-security risks an especially “wicked” problem. Such problems are not amenable to solutions based on simple risk formulas, but rather require discourse based, multiparty conflict resolution techniques. In an ideal world, DHS would be able to produce a list of our top five security priorities with a scientific formula explaining how the ranking was developed and how federal spending will systematically reduce the societal risk our nation faces. But this notion is entirely unrealistic.

Not only is it important to understand that risk management is a process of governance, but also that risk management is a continuous cycle. The Government Accountability Office has developed a risk management cycle representing the ongoing nature of this process. As Figure 1 indicates, the first step is developing strategic goals based on inputs from the intelligence community concerning threats, the existing legal and policy framework, the availability of technology to address the identified risks, and public input. This is followed by a process of assessment, whereby the causes of the risks are identified, possible means for mitigating risk are evaluated, and the cost and benefits of the courses of action are calculated. Policymakers must then select a course of action, which entails assigning responsibilities and providing resources. The policy is then implemented and, importantly, evaluated. These evaluations then inform the revision of the strategic goals, and the process begins anew.

Figure 1: GAO Risk Management Cycle



Risk Management at the Tactical, Operational, and Strategic Levels

Risk management activities are needed and are taking place at DHS at several levels:

- **Tactical risk management** refers to the process for selecting among alternative courses of action that are permitted within a given policy. An example of tactical risk management at DHS is the Coast Guard’s process for determining the place of refuge for a distressed vehicle when it needs to enter a port for repairs.
- **Operational level decisions** require selection among policy options to achieve a stated objective. For example, the Transportation Security Administration is using risk management techniques to select among the various options for providing enhanced aviation security.
- **Strategic risk management** is the process through which these decisions are informed by the concept of risk. This paper is focusing on decision making at the strategic level—where the entire agency establishes goals, sets policy to meet those goals, and then allocates resources to implement policy.

Risk Management Through Strategic Planning

Developing a risk management approach requires the infusion of risk management principles at all levels of DHS’s planning process. The strategic plan ultimately drives the budget process and the allocation of resources to specific programs.

DHS’s Strategic Plan for fiscal years 2008–2013 establishes five goals for the agency:

- Protecting the nation from dangerous people
- Protecting the nation from dangerous goods
- Protecting critical infrastructure
- Strengthening preparedness and emergency response capabilities
- Strengthening and unifying DHS operations and management

Strategic Risk Management Through Budgeting

Only recently have efforts been made to apply risk management techniques to the DHS budgeting process. DHS’s early budgets were, in essence, a combination of budgets from its legacy components plus budgets from new components designed to start programs and build capabilities as quickly as possible. There is no evidence that efforts were made in the early days of DHS to systematically assess risks and



A Simple Example of Strategic Risk Management in Homeland Security

The difficulty of developing methodologies to manage the full range of security risks for which DHS is responsible is best explained through a simplified example: How should DHS decide whether to spend an available \$5 million on security improvements to the Lincoln Tunnel in New York or on bio-protection suits for first responders in Los Angeles?

Improvements on the Lincoln Tunnel would be important because:

- Terrorists have struck in New York before and therefore are likely to do so again
- The tunnel has vulnerabilities that could be exploited by a terrorist attack to damage it
- If the tunnel is damaged, a large number of people could be killed and there would be severe economic consequences to the local and regional economies

Spending on bio-protection suits in Los Angeles could also be justified because we know that:

- Terrorists have expressed interest in bioterrorism and we believe they are capable of executing a bioterrorist attack
- Biological pathogens can be manufactured and spread throughout large population centers to make people ill
- If there is a bioterrorist attack, having trained and well equipped emergency first responders could save lives

Strategic risk management is a discipline that provides tools that begin to help us make these types of decisions. The concept of “risk” is helpful because it ties together the variables reflected in the example above by defining “risk” as the function of threat, vulnerability, and consequence ($R = T \times V \times C$). In this formula, threat equals the likelihood that an attack could occur (which has two components—what the terrorists’ intentions are, and their capability to execute such an attack). Vulnerability reflects the likelihood that an attack, if launched, would be successful.



Consequences are the total impact that an attack would cause, including both tangible (deaths, damage to property, economic losses) and non-tangible impacts (such as effects on consumer confidence or national pride).

Applying these concepts to the example above, we could attempt (in this grossly simplistic way) to apply risk scores to the two attack scenarios. On a scale of 1 to 10, we might apply a 7 to the threat of a bomb attack on the Lincoln Tunnel, we could say that the bomb terrorists are capable of delivering to that target has a 50 percent likelihood of breaching the tunnel wall, and then estimate that the total consequences of such an attack in terms of lives lost, property and economic damage, and psychological tolls are \$2.0 billion. This would give the bomb scenario a risk score of 7 billion. Whereas we could score the threat level of the bioterror attack in Los Angeles as a 5, the likelihood that such an attack would infect 100,000 people at 25 percent, and estimate the consequences of such an attack would be 1,000 deaths and 25,000 long-term illnesses at a cost of \$5 billion, for a total risk score of 6.25 billion.

To answer our question about the relative value of the two proposed expenditures, we would need to estimate how each intervention would impact the overall risk. If the hardening of the tunnel wall would reduce the vulnerability from 50 percent to 25 percent, that would lower the tunnel risk score to 3.5 billion. If buying protective suits for first responders would reduce the consequences from \$5 billion to \$1 billion—that would reduce the risk score of the bioterror attack to 1.25 billion. Under this crude analysis, we lower the overall risk to the nation more with the expenditure on bioterror suits than hardening the Lincoln Tunnel. The concept of risk gives us at least some way to inform comparative judgments across dissimilar domains.



allocate funds according to a strategic plan to reduce these risks as cost effectively as possible. Of course, this is understandable in light of the way DHS came into being—moving from a presidential proposal to authorizing legislation to swearing in of the first secretary in about seven months.

As Cindy Williams describes in her paper for the IBM Center for The Business of Government, the annual budgeting process is supposed to begin with a threat assessment presented by the DHS Office of Intelligence and Analysis to identify emerging and declining threats. The planning process culminates in the preparation of the Integrated Planning Guidance, a memo from the secretary to DHS's components that discusses strategic goals, describes policy priorities, and provides fiscal guidance.

Our research confirmed Williams' conclusion that the front end of the planning, program, budgeting, and execution (PPBE) process "remains weak." The comprehensive threat assessment was not included as part of the planning process until the 2008 to guide development of the fiscal year 2010 budget. During that budget cycle, cross-component leadership meetings were held to review these threat assessments and establish departmental-wide priorities. These priorities were communicated to the components whose budgets are supposed to be responsive to the guidance produced during the cross-component meetings. Guidance from these cross-component meetings, however, was considered to be "one input among many."

In addition to these steps, DHS is developing a decision tool to attempt to inform its resource allocation process—known as Risk Assessment Process for Informed Decision-Making (RAPID). This program is being implemented by the Office of Risk Management and Analysis, created in April 2007 to develop a common framework across DHS to analyze and manage homeland security risk. This small office, located within the National Protection and Programs Directorate, was initially formed outside of the normal budget cycle with limited resources.

RAPID has identified 85 risk reduction areas (such as screening cargo for nuclear material) and mapped them against the priority goals identified in the DHS strategic plan. DHS's programs were then surveyed to identify the risk reduction areas that each program addressed. This tool is intended to provide a means to identify gaps in programming and allocate resources to programs when new strategic goals are developed or strategic priorities are shifted. It also provides a framework for program managers to justify their budgets in terms of how they contribute towards DHS risk reduction areas and strategic objectives. Although the program has been in development for over two years, it is not currently

delivering quantitative results that can be used to influence the strategic planning or budgeting process.

Strategic Risk Management Through Evaluation

One aspect of the risk management process that is given too little attention is program evaluation. There is often an assumption that the development of a new program, a change in policy, or expenditure of funds will reduce risk in the manner intended. One security function that has been rigorously evaluated is the effectiveness of airport screeners, and we have learned, over time, that increased professionalism, training efforts and technological improvements have not reduced the rate of illicit materials entering security efforts to the degree that policymakers expected or desired.

The vast majority of DHS security programs, however, have had no or virtually no rigorous, independent evaluation to determine effectiveness. One DHS official noted that the agency was "at a prototype stage on the way to a pilot stage" for developing measurements of program effectiveness. The RAPID program, for example, uses subject matter experts to opine on program effectiveness because program evaluations (and even the means to evaluate such programs) are lacking.

The inability of DHS to measure comprehensively the baseline requirements and the effectiveness of its programs is a major hindrance to effective strategic risk management. It is virtually impossible to allocate resources based on reducing potential harms from security risks unless it can be determined that programs in which resources are being invested will actually work.

Impact of Congress on DHS's Strategic Risk Management Efforts

Most discussions about DHS's difficulties developing strategic priorities and mapping resources against those priorities focus on deficiencies at the agency itself. It is important to recognize, however, that Congress plays an integral role in shaping the internal operations of DHS, allocating resources, and establishing legal mandates that DHS must meet, regardless of their risk reduction value. To better align DHS's resource allocations with their risk reduction value, therefore, Congress must be a risk manager as well.

The challenge will be to develop a jurisdictional and oversight regime that reflects the multi-disciplinary nature of DHS, while controlling the oversight burden and protecting the agency from overbearing congressional activities that divert the agency from its core priorities.

Findings and Recommendations

To the Executive Office of the President



Finding One: The concept of homeland security has not been clearly defined.

Recommendation One: The president should issue an Executive Order that defines the homeland security mission and allocates responsibilities across agencies.

Finding Two: The federal government lacks a cross-department risk reduction strategy.

Recommendation Two: The president should establish a Cabinet-level working group on domestic risk management to coordinate approaches towards risk.

Finding Three: Efforts to explain risk management principles to the public have been weak.

Recommendation Three: The president should discuss risk priorities with the American people.

To the Department of Homeland Security



Finding Four: The budget process provides few opportunities for cross-agency deliberation on priorities.

Recommendation Four: The secretary should establish a budget process that requires cross-agency deliberation over budget priorities.

Finding Five: The DHS strategic planning process does not sufficiently incorporate risk management principles.

Recommendation Five: The assistant secretary for policy should use risk management principles to inform strategic planning.

Finding Six: DHS lacks core analytic capability to execute risk management.

Recommendation Six: The undersecretary for management, the undersecretary for science and technology, and the assistant secretary for policy should propose budgets that build DHS's analytic capabilities for risk management. In addition, the department should clarify the roles and responsibilities between the DHS units that undertake strategic risk management.

Finding Seven: DHS does not systematically evaluate its programs.

Recommendation Seven: The undersecretary for management should require that program evaluations be incorporated into all major program budgets.

To the Congress



Finding Eight: Congress has enacted legislation imposing mandates on DHS without evidence that they reduce risk.

Recommendation Eight: Congress should enact legislation requiring risk management impact statements to accompany all homeland security legislation.

Finding Nine: Congress is frustrated that DHS has not articulated a risk-informed set of priorities.

Recommendation Nine: The chairmen of the Senate and House Appropriations Committees should convene an annual risk management summit between DHS and key congressional homeland security leaders.

Finding Ten: Duplicative and excessive oversight from congressional committees presents difficulties for DHS.

Recommendation Ten: The Speaker of the House and Senate Majority Leader should coordinate congressional oversight of DHS. ■

TO LEARN MORE

Strategic Risk Management in Government: A Look at Homeland Security
by David H. Schanzer and Joe Eyerman



The report can be obtained:

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

Rethinking the Role of Citizens in a Gov 2.0 World

By John M. Kamensky

What does it mean to be a citizen in a Gov 2.0 world?

Recent social, political, and technological changes are redefining the role of citizens from one of just being voters, or just being polled for their opinions, to a far more interactive role. Much of this redefinition is happening online, but not in all cases.

The Millennial Generation's expectation of being connected and networked at all times is an important social trend and one that has made the desirability of more politically engaged citizenry a reality. The Obama administration's emphasis on citizen participation, transparency, and open government is a major political boost to this expectation of being connected and engaged. Social media tools, such as Twitter and YouTube, and smart phones are important technological enablers that have facilitated this rising tide. Mark Drapeau, a web trends guru and an associate professor at George Washington University, notes that, as a result of these trends, the phrase "citizen 2.0" could well replace "government 2.0" in the next few years. Furthermore, he sees local governments at the cutting edge of engaging citizens in new and meaningful ways.

Both government and citizens will need to co-create these new roles if they are to be effective. But what are the elements of these redefined roles? These elements can be described along the lines of the three Obama Open Government initiatives: greater transparency, greater participation, and greater collaboration.

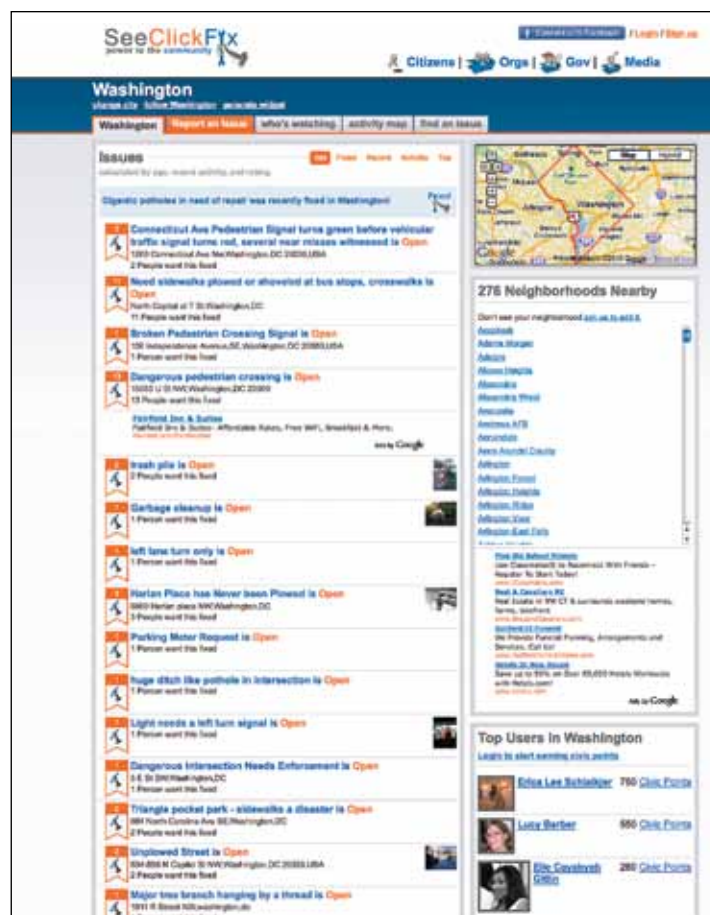
Rethinking Through Greater Transparency

Government's role: actively sharing data with citizens.

Governments at all levels can take the first step in changing the dynamic in citizen-government engagement by publicly sharing raw data on their websites. The District of Columbia piloted this several years ago, when Vivek Kundra, then D.C.'s chief technology officer, began to "democratize data" by putting the city's administrative data online. The data included restaurant inspections, pothole reports, and crime

reports. Today, the city regularly posts 428 data sets in its DC Data Catalog online. Citizens can then download the data and use it for innovative purposes—overlaying data onto maps to find crime hot spots, zoning violations, and recurrent service requests. Realtors use the data to help prospective buyers learn more about their potential new neighborhoods.

This approach has spread to the federal government, where Mr. Kundra is now the government's first chief information officer. There, he created data.gov, which allows citizens access to more than 170,000 data sets from across the



SeeClickFix website.



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federal government. Citizens are able to use these data sets to create new services as well as to better understand things as diverse as air traffic delays, wildlife migration patterns, and patent applications.

Both the federal and many state governments are also posting financial data. The federal government is posting data related to all grants, contracts, and loans. More detailed data are posted on the use of Recovery Act funds. Some states, such as Utah and Colorado, are going further by posting all financial transactions, putting their “checkbooks online.”

Citizens’ role: increased oversight and accountability.

A recent *CNNTech* article by John Sutter describes how Craig Newmark, founder of Craigslist, sends an electronic note to San Francisco City Hall via a mobile phone application called “SeeClickFix” to report an overheated train car. Sutter says this gives citizens “more of a say in how their local tax money is spent.” Cities all over the country are releasing public data to the web and mobile application developers are creating “mash up” applications to make it easy to use. Some say it “could usher in a new era of grassroots democracy.”

In the District of Columbia, the DC 311 iPhone app allows users to take photos of graffiti, potholes, etc., and send them to a city database that catalogs work requests. The photos are linked to a GPS location so officials can see the problems, and other citizens can as well. Other examples of “citizen posses” include the “Coalition for an Accountable Recovery,” which tracks the implementation of the Recovery Act.

These examples do not offer the only vision of how citizens’ roles have changed. After all, we can’t become a nation of fault finders. There has to be a more positive view of the role of citizens than just conducting oversight. This is happening in other dimensions. For example, websites are popping up at the neighborhood level to create new ways of connecting among citizens, and not just with between citizens and government. These are being done via websites such as Every Block and Neighbors-for-Neighbors, which are becoming far

more interactive versions of the old “in person” community associations. And the new federal data transparency creates new ways to understand what is going on. For example, with the text of the Federal Register now searchable, non-profits, such as GovPulse.us, have created tools to use it in new ways. GovPulse provides visualization tools to search for information based on geographic location or topic.

Rethinking Through Greater Participation

Government’s role: increasing opportunities for informed discourse. Dialogue works best when both conversation part-



Neighborsforneighbors website.

ners learn. One example is the new online town hall format described in a new report by the Congressional Management Foundation. There, members of Congress are beginning to engage citizens in far more meaningful discussions of issues. The Obama Open Government initiative is encouraging agencies to use similar approaches. For example, over a five-week period in early 2009, two dozen major agencies, with the help of the General Services Administration (GSA), launched online public dialogue efforts to engage citizens around issues such as transparency and collaboration. In addition, individual agencies have sponsored similar dialogues. These include the development of the Department of Homeland Security's Quadrennial Review, and GlobalPulse 2010, which engaged citizens in more than 100 countries around the world to help inform priority-setting for the U.S. Agency for International Development and State Department.

Citizens' role: help frame public decisions. In some communities, such as Des Moines, Iowa, citizens became engaged in measuring the performance of city services and then were involved in helping set city budgeting priorities. Similarly, citizens in Washington, D.C., did the same when Tony Williams was mayor, via his citywide Citizen Summits that engaged each of the neighborhoods. At the federal level, several years ago Congress created a Citizens Health Care Working Group to engage citizens in developing recommendations for reforming healthcare. Some advocacy groups want opportunities for citizens to actually make decisions, but this step may require some careful thought, especially given experiences such as California's referenda being driven by special interest groups. This has resulted in the legislature not being able to make needed trade-offs and the state now faces fiscal challenges that may be difficult to address.

The more traditional manifestations of citizen participation via hearings will continue as well as a spectrum of other forms of engagement, including innovative forums such as President Obama on YouTube answering questions about his new budget, will continue to evolve.

Rethinking Through Greater Collaboration

Government's role: reach out for innovations and solutions. Sometimes people with different perspectives can solve problems that the experts have a hard time tackling. A prominent example is the increased use of crowd sourcing. This is where an organization sends a problem out to a group of people asking for contributions or solutions to a problem. One example is "Apps for America," where a nonprofit group sponsored a contest to find the best uses of government provided information. The Obama budget for FY2011 commits to expanding the use of contests and awards for innovations. The city of Montreal, Canada, regularly sponsors contests where citizens can help improve their community. Its most recent contest was for new designs for taxi stands!

Citizens' role: become empowered to solve their own problems. Too often, complexity creates a need for "middle men" such as tax advisors, lobbyists, and attorneys. Reducing complexity, providing information more openly, or using "plain language" to describe things can make a huge difference. The Open Data effort by the Obama administration is one step in this direction, and this is being replicated at the local level as well. For example, BlockShopper is a community-based resource that allows real estate agents to "mash up" data from different public sources to help home buyers understand the neighborhoods they hope to live in.

Ongoing efforts to use plain language in government writing are another approach to helping citizens solve their own problems. If you can understand the directions without hiring a lawyer or consultant, that's a big step forward! In addition, streamlining application processes to be more citizen-centered is also another approach. However, this seems to be a stronger trend in other countries. For example, in Canada and Australia, citizens can go to one website—or one office, or one phone number—to access public services as diverse as student loans, birth certificates, or business licenses.

Both government and citizen roles: co-deliver public services. Co-delivering services is more common at local levels, but a high-profile example at the federal level is called "peer-to-patent," where citizens help determine whether an idea is new and worth a patent. Citizen involvement significantly speeds the processing of the patent, and reduces the government's costs. Another is sponsored by the Library of Congress



Open.alabama.gov website.

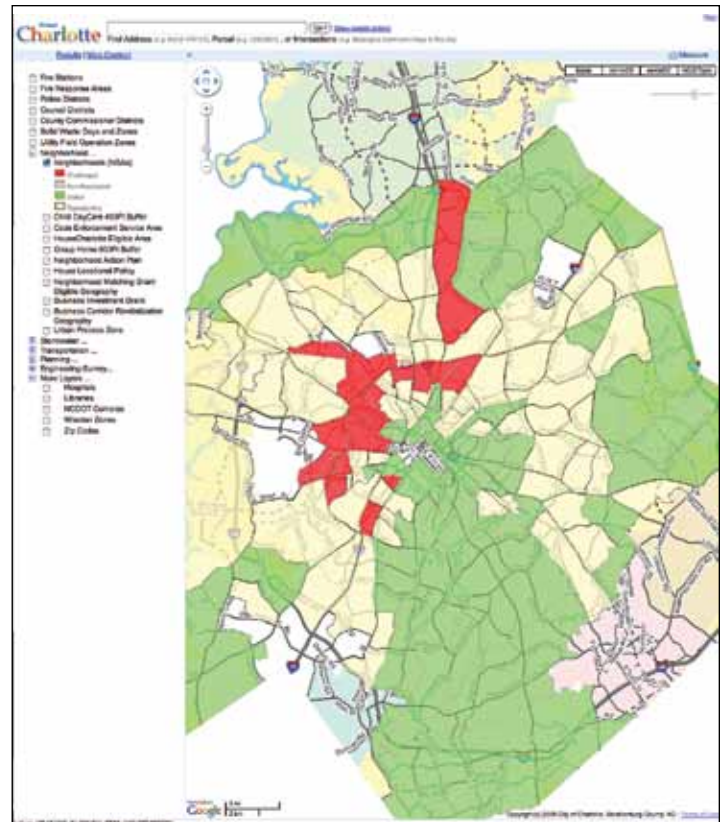
where users are encouraged to help index publications by tagging them online with topics other readers might use to look for them. At the local level, groups of tech-savvy citizens are gathering on weekends to help add details to local street maps via OpenStreetMap. These details include not only historical markers but also park benches and parking zones—at no cost to the local governments. These efforts not only save money, but also involve citizens in a direct way in government.

Why Is This Rethinking Important?

The popular media seem focused on the increasing incivility miring public discourse. In many cases, this perception is fostered by the very technology that makes more citizen engagement possible—the immediacy and persistent presence of news and social connections via the web. If this trend continues, it can damage the fabric of civil society, and democracy.

However, the web also has the potential to increase citizen involvement in their government in positive ways that increase public trust and restore the legitimacy of government to act on behalf of citizens. Actively engaging citizens in their government—at all levels in the federal system—has demonstrated benefits. Studies show that active engagement can reduce costs, and also reduce litigation over policy decisions where citizens feel they were not sufficiently involved in crafting. This has been especially the case in many zoning laws, eminent domain proceedings, and land use decisions in the West.

The Obama administration, and many states and localities, are piloting these promising new approaches. Yet these efforts may be simply catching up to the expectations of the rising Millennial Generation, which tends to be more engaged in social and community issues, as well as being “digital natives” in the use of social networking technology. ■



Virtual Charlotte website.



Working with the White House

By Thurgood Marshall, Jr.



For those who have answered the call to public service, there are many stakeholder groups you will encounter while in government. Understanding the relationship with each stakeholder will be useful in achieving your goals. This article focusing on working with the White House is adapted from a piece in Getting It Done: A Guide for Government Executives (Washington, DC: IBM Center for The Business of Government, 2008).

DC: IBM Center for The Business of Government, 2008).

One of your greatest challenges will be to balance the daily demands of your challenging job with the important task of making progress on your agency's long-term priorities and goals. One key stakeholder that can be of great assistance to you in accomplishing your agency's mission is the White House. The greater your ability to work closely and effectively with the White House, the more success your agency will enjoy. Your goal will be to have your talented team interact seamlessly with their White House counterparts, their colleagues in other executive branch agencies, and representatives in and out of government.

Working with the White House

It is important to have realistic expectations. It is highly unlikely that you will be "called" to the White House on a weekly basis. But you will have opportunities to interact with the White House throughout your tenure. Most of your dealings with the White House will be program or policy specific or because of some crisis. When a crisis arises you will be working with them intensely for a short period of time, then you will be off their radar screen until the next emergency situation.

Your job will be to make sure that your agency gets the most out of those interactions. You should get to know those in the White House who are assigned or interested in your agency. You and your staff must work to make sure that your agency is in sync with the White House.

Some direct familiarity with the White House will help to pave the way to a smoother working relationship when, as invariably occurs, you find yourself or members of your team presented with a project that calls for collaboration under pressure. Be prepared to lend some resources and staff to the White House. You must remember that the White House staff is lean and they are always seeking to augment their limited resources. Loaning a talented staffer to the White House will both improve the information flow between the White House and your agency and create goodwill for your agency.

Coordinating Your Agency Calendar with the White House

It will be incumbent upon you to build your agency calendar and process in parallel with the administration and the White House. With any administration, a series of action-forcing events fills the internal and external calendars. These events establish a rhythm that can help you to schedule actions and plan the announcement of good news and bad news. Internally, a blizzard of regular meetings can be expected to dictate the flow of events through the course of the day. Unexpected events will trigger other meetings, and your team may need to inject itself on occasion. Externally, a relentless and recurring series of events trigger activity at daily, weekly, monthly, and annual intervals. Those events can include regularly anticipated monthly reports such as economic updates, as well as breaking news.

Working with the White House Communications Office

Your team will need to be able to interact with many of the White House offices, some more routinely than others. You can expect daily contact with the White House Communications Office. With regard to the communications operation, for example, you will and should be expected to amplify the administration's message and its accomplishments in your meetings and speeches. By the same token, you will need to work with the White House to inject your policy initiatives and accomplishments into the message for the president,



as appropriate. Internally, your staff should be in the habit of tracking the on-record and off-record exchanges that the president's press secretary has with the press corps. In addition, you owe that office, for your sake and for theirs, a heads-up on noteworthy news involving your portfolio, whether it is good or bad, along with background material and suggested responses.

Be on the lookout for constituent anecdotes that highlight the positive impact that the president's programs administered by your agency is having so that those stories can be incorporated into the presidential message process. Get a sense of the rapid-response apparatus at the White House and have a

plan in mind for your office to plug into that process if a crisis arises. You should establish a pipeline of good-news deliverables that you can share with the president, vice president, and their spouses. They will significantly enhance exposure for your projects and bring more breadth to the press coverage of your agency.

Working with the White House Office of Legislative Affairs

Your congressional lobbying team ought to be performing their tasks in close tandem with your counterparts throughout

At a Glance: Key White House Offices

The Office of Presidential Advance coordinates all logistical arrangements for presidential visits.

The Office of Cabinet Liaison is the primary point of contact between the White House, cabinet members, and executive agency heads.

The White House Counsel's office advises the president on all legal issues concerning the president and the White House.

The Communications Office is responsible for the planning and production of the president's media events.

Intergovernmental Affairs serves as the president's liaison to state, local, and tribal governments.

The Office of Legislative Affairs serves as the president's liaison to the United States Congress.

The Office of Political Affairs ensures that the executive branch and the president are aware of the concerns of the American citizen.

The Office of Public Liaison promotes presidential priorities through outreach to concerned constituencies and public interest groups. This includes planning White House briefings, meetings, and large events with the president, vice president, and other White House staff.

The Presidential Personnel Office recruits, screens, and recommends qualified candidates for presidential appointments to federal departments and agencies.

The Presidential Scheduling Office is responsible for the planning, organization, and implementation of the president's daily and long-range schedules. All requests for appointments, meetings, or events with the president are directed through this office.

The Office of Speechwriting is charged with crafting the president's message in formal speeches and other remarks.

Adapted from www.whitehouse.gov.

the executive branch and the White House. They should be attuned to the relationships that the president has with members of the House and Senate who exercise authorization or appropriation authority over your agency. That can serve as an early warning system to opportunities or potential problems on the horizon. Make sure that you cultivate your own strong relationships with the House and Senate leadership on both sides of the aisle.

Working with the White House Policy Councils

Your ability to engage with the various policy councils and strategic planning offices will be an essential component of your job, and it will require your personal time, supported by the expertise possessed by your departmentwide team. As you advance your agency's agenda along and tackle a long list of presidential promises framed during the election campaign, keep in mind that significant action can be undertaken with the power of the president's pen. This power will be an especially welcome option during the first 100 days of the administration and during periods of harsh partisanship.

Interacting with Other White House Offices

There are a number of process-oriented offices at the White House. They include the offices of Cabinet Liaison, Scheduling, and Advance. They will provide valuable information and opportunities. It will be important to keep those offices well informed on events within your department. Handled well, those individuals can act as surrogates for you within the White House operation to ferret out information and to advance your interests. When you and your team are asked to deploy in support of the president, be sure that the White House chief of staff is aware so that you don't find yourself working for a junior staffer rather than the president.

Important outreach offices will support your priorities and establish valuable bridges for your initiatives. Public Liaison and Intergovernmental Affairs are the foremost examples. Working in tandem with those outreach efforts will yield benefits in the short term and the long term by explaining the rationale underlying your agency programs and promoting them to important and influential stakeholders who can then build valuable support with key communities and interest groups. Similarly, your legal team should be well connected to the White House Counsel's office. In addition, you should make sure that you are regularly apprised of the priorities set forth by the Office of Political Affairs.

Don't Forget the Office of Management and Budget

Be sensitive to cues from the Office of Management and Budget (OMB). The viability of your programs will be at stake. In addition, a number of management cues will come from OMB through the President's Management Council, where you can expect that you or the deputy secretary of your department will have an important seat at the table to share your best practices and learn from others.

Every day will bring new challenges and fresh opportunities to harness the skills and expertise of your agency team in ways that will enable the president to serve with great distinction. Few jobs offer risks and rewards that can rival that.

Thurgood Marshall, Jr., is Partner, Bingham McCutchen, Washington, D.C. He served as Assistant to the President and Cabinet Secretary in the Clinton administration. He also served as Director of Legislative Affairs and Deputy Counsel to Vice President Al Gore. ■

Dealing with the Office of Management and Budget

By Bernard H. Martin



For those who have answered the call to public service, there are many stakeholder groups you will encounter while in government. Understanding the relationship with each stakeholder will be useful in achieving your goals. This article focusing on how to work with the Office of Management and Budget (OMB) is adapted from a piece in

Getting It Done: A Guide for Government Executives (Washington, DC: IBM Center for The Business of Government, 2008).

There is one certainty in Washington: You will be dealing with the Office of Management and Budget throughout your tenure as an agency head. Nearly every major issue you will face will pass through OMB.

If you are sending budget requests or legislative documents to the Congress, they must first go through an OMB review and approval process. If you are seeking to submit regulations to the public, they must undergo OMB scrutiny. Guidance on financial systems and procurement actions comes from OMB. Government-wide management agendas are also typically organized and supervised by OMB. Within the Executive Office of the President, OMB works closely on policy, serves as a central clearance mechanism, and is in constant communication with the National Economic Council, National Security Council, the Domestic Policy Council, and the Homeland Security Council.

You will have to work with OMB in a variety of areas, but the budget process is the main arena of engagement. What are OMB's central budgetary concerns and operating principles? What should incoming agency heads and other appointees know in order to develop a productive relationship with OMB?

Recommendation One: Understand the presidential perspective.

The expansion of the power of the presidency and the influence of the Executive Office of the President has been an integral part of the history of the federal government in the 20th and 21st centuries. OMB, as a central EOP staff agency, has been an instrument of that expansion. It has been intimately involved in policy direction, priority setting, program and management review, and budget development for an unbroken succession of presidents.

In the current fiscal climate with the new president inheriting substantial budget deficits, interest in eventually returning the budget to long-term balance makes it highly likely that the president will put agencies under tight budget constraints for all but his most essential priorities. The translation of such presidential guidance into agency-specific spending limits may result in lower targets than agencies believe appropriate. Agencies almost certainly will find themselves caught between OMB's insistence on adhering to presidential priorities, counter pressure from a variety of constituencies and interest groups, and the ever-present pressure of scarce resources.

Insight: *You must understand that OMB examines agency budget requests within a balanced framework of presidential policies and priorities. Even a proposal of great merit may not survive this balancing process.*

Recommendation Two: Get to know OMB staff.

Your lead OMB policy official for most budget and program policy matters will be the program associate director (PAD) with jurisdiction over your agency. OMB usually has four or five PADs. Each is responsible for several departments and agencies with related missions—for example, human resource programs. They may negotiate with congressional members and staff on appropriations and authorization bills affecting the budget, along with or independent of agency appointees.



The PADs review analyses of program issues by OMB career staff and work with the staff to develop solutions to policy and program disputes. They frequently represent OMB at the policy level on interagency groups established to formulate new administration programs or address crosscutting issues.

Each PAD usually has two Resource Management Offices (RMOs) reporting to him or her. A deputy associate director (DAD), a career member of the Senior Executive Service (SES), heads the RMO. Two or more branches report to the DAD; another career SES member, the branch chief, heads each branch. The branches are normally responsible for the analysis and examination of the budget and programs of an entire department or agency—for example, the Department of Education and several related agencies—and for review of legislative, regulatory, management, and other issues in conjunction with other OMB units. Branch staff can provide insights about agency strengths and weaknesses. They will often be asked by OMB program officials to develop alternative approaches to solving difficult problems, fresh ways of considering long-standing issues, and so on.

Insight: *It is essential that you establish good working relationships with OMB policy officials and career staff. This will not guarantee easy resolution of contentious policy, program, and budget issues, but it will normally make agreements more likely and negotiations more amicable. Ask your staff to schedule a get acquainted session with your PAD and DAD during your first month in office.*

A former OMB senior staffer recalls his introduction to an agency he was examining early in his career. An agency official said that he should ask about anything he wanted and they would get him an answer, because they were so confident about their proposals that “the more you know and understand, the harder it will be for you to say no.” And he was right. Although that attitude didn’t guarantee approval for every agency proposal, such proposals always receive serious consideration.

Recommendation Three: Understand the numbers—recognize that budget and policy are inseparable.

To those who have not been previously involved in its preparation, the federal budget can appear a bewildering mass of numbers. You must realize that the numbers are the reflection of policy decisions, program initiatives, performance goals, and management systems. Paul O’Neill, a former deputy director of OMB, chief executive officer of Alcoa, and secretary of the treasury, described the fundamental importance of the numbers and the budget process as follows:

One of the secrets only the initiated know is that those who labor here [at OMB] for long do so because the numbers are the keys to the doors of everything. Spending for the arts, the sciences, foreign policy and defense, health and welfare, education, agriculture, the environment, everything—and revenues from every source—all are reflected, recorded, and battled over—in numbers. And the sums of the numbers produce fiscal and monetary policy. If it matters—there are numbers that define it. And if you are responsible for advising the president about numbers, you are—de facto—in the stream of every policy decision made by the federal government.

OMB’s budget review is fundamentally policy and program based within a broad framework of fiscal and budget policy goals. OMB will ask questions such as:

- Is the proposal consistent with White House policy objectives?
- Does the program show convincing evidence that it is meeting its goals?
- How does it compare with other similar programs?
- How well is it being managed?
- What would be the impact of increasing, decreasing, or even terminating the resources provided to the program?
- Is there a reasonable basis for the design and goals of new initiatives? How effectively can the agency implement them?



Of central concern is a focus on program performance. This focus was described by a former senior career staff member at OMB:

In every administration, ... OMB is the institution that is most consistently focused on the results that programs and program managers achieve; consideration of these results is a required ingredient in the budget and policy decision-making process.

Insight: *You should not get mired in budget details but you must appreciate the policy implications of the numbers. Program performance should be at the core of your agency's justifications for initiatives and spending levels.*

Recommendation Four: Master the budget process—start early.

By law, the new president has to send up his or her first budget request to the Congress within a month or two of the inauguration. This puts enormous pressure on the agencies. In most cases, only a small number of policy officials have been named and confirmed. They have normally not had much opportunity to get to know all the programs or the career civil service staff they have inherited, but the budget process proceeds. New White House and OMB policy officials may suggest drastic changes on agency activities, sometimes with limited knowledge of agency or program history or capability.

This period can present opportunities for you. The long hours and intense deadlines can offer you a “crash course” in the programs you have inherited and the current policies you may wish to change. You can propose your own policy and program ideas for inclusion in the president’s budget. You can observe the White House and OMB officials and staff that you will have to work with in coming years, see how they operate under significant time constraints, and make some preliminary judgments about their strengths and weaknesses (and vice versa).

Even with the time pressures, agencies can appeal budget decisions to the director of OMB and, in limited cases, to the president. The appeals are serious matters and often involve millions or billions of dollars and major policy choices. A former senior career staff member in OMB recalls one appeal session:

The Secretary opened with a statement of his total desired increase. The OMB director countered with a much lower number. The Secretary promptly agreed to the lower number, throwing the OMB contingent, which was anticipating a tense negotiation, off balance. The director suggested that they move on to discussing the distribution of both the base and incremental resources across programs. The Secretary waved at [the] chief appointed and career budget aides and said, “No, let’s let these fellows figure all that out.” The meeting adjourned. And we did figure all that out.

Insight: *In the midst of the budget complexity and tension, you are a valued source of new thinking. New proposals won’t always succeed. But their reception and the resolution of budget appeals can depend on personal relationships and the confidence established between OMB and agency policy officials and staff. An agency head’s strategic and/or tactical sense can be crucial.*

Bernard H. Martin served as a senior career executive in the Office of Management and Budget for over 20 years. He spent a decade as the head of a unit which developed the president’s budget for, and reviewed the policies and programs of, several Cabinet departments. At OMB, he also headed the unit responsible for one of OMB’s core functions—the review and clearance of legislative documents sent to the Congress by executive branch agencies. ■



Understanding Certain Realities about Congress

By John J. Callahan



For those who have answered the call to public service, there are many stakeholder groups you will encounter while in government. Understanding the relationship with each stakeholder will be useful in achieving your goals. This article focusing on how to work with the U.S. Congress is adapted from a piece in

Getting It Done: A Guide for Government Executives (Washington, DC: IBM Center for The Business of Government, 2008).

There are many stakeholders you will face. While all are important, only Congress has the authority to enact laws and provide money to your agency. While OMB has to approve your agency's budget request and legislative proposals to Congress, it is Congress who ultimately decides how much funding your agency should receive and the legislation that it operates under. Thus, it is crucial for you to work well with Congress and to understand the dynamics of the congressional process both for appropriations and oversight.

In order to succeed in your position and to accomplish your agency's mission, you must understand certain realities about Congress. The tenure of some of your predecessors may have been shorter than they wished because they did not recognize these five lessons about working in Washington in a highly political environment.

Lesson One: Political and pragmatic power in Washington is shared between the Congress and the executive branch.

While it might sound like Civics 101, it is important that you understand that our political system is constitutionally one of separation of powers. The Congress under Article I of the Constitution is given preeminence in the legislative realm. That means only the Congress can enact laws and only Congress has the power of the purse. The Congress guards these powers very jealously. If you wish to formulate a new program, revise an existing program, or request money for your programs, you must get congressional approval. The

ultimate power for such actions rests with the Congress and not the executive branch. The president does not have the power to unilaterally start or fund new programs. So Congress is clearly going to play a major role in the success, or lack thereof, of your agency during your tenure.

Lesson Two: You must understand the oversight powers of the Congress.

If you are a presidentially appointed and Senate confirmed executive, you are bound by terms of your appointment to appear before congressional committees when duly summoned to testify. You cannot decline such an appearance. Political appointees that are not Senate confirmed may not be bound by such strictures, though it is in the best interest of the administration to let them testify before the Congress on their programmatic areas of jurisdiction. While all your written testimony is cleared by your department, coordinated with the rest of the executive branch, and cleared by the Office of Management and Budget, you will undoubtedly be asked further questions in a hearing and you must answer these questions as truthfully as possible, especially if you are testifying under oath.

Oversight hearings are conducted by both appropriations and authorizing committees. Appropriations hearings are concerned with your budget request and you will have to vigorously defend your agency's request. Additionally, there will be a large number of follow-up questions submitted to you and your budget staff that generally have to be answered within 48 to 72 hours. Failure to answer these follow-up questions can adversely affect your final budget approval.

Authorization oversight hearings are wide-ranging. Here Congress will also receive extensive testimony from congressional support agencies, such as the Congressional Budget Office and the Government Accountability Office, as well as various interest groups that may endorse or oppose your programs. Here again, you must be attuned to the programmatic concerns raised in the oversight hearing and mount an effective presentation that deals in a straightforward manner with the subjects raised.



Lesson Three: In addition to their concern about the national wellbeing, you must understand that Congress is also concerned about the impact of national policies on their political constituencies.

Congress may share the executive branch view that a new or revised public policy has a broad base of public need. However, members of Congress have an obligation to understand the impacts of these national policies on their respective state and local constituencies. As an example, a Senate chairman of the Energy and Water Appropriations Subcommittee may well support a well-intentioned national energy research policy, but if such a senator happens to be from Tennessee, the senator will also wish to ensure that it benefits agencies such as the Tennessee Valley Authority and the Oak Ridge National Laboratory, which are located in the senator's home state. Thus, you must work closely with your management team to fully understand the state and local impact of the new or revised policies or programs that you propose to the Congress.

Lesson Four: In addition to the Congress itself, you also will be working closely with other oversight organizations.

The Congress is served by a number of organizations that provide continuing oversight of the executive branch. Upon congressional request, the Government Accountability Office (GAO) can begin an oversight investigation of the activities of your agency. GAO has subpoena power that can compel the submission of evidence for their report to Congress.

Your own departmental inspector general (IG) has similar powers that can be activated by congressional request as well. The Congressional Budget Office, the Joint Committee on Taxation, and various other congressional appropriations and authorizing committee staffs often provide deep subjectmatter expertise to the Congress that can often prove a match for some of your own executive branch staff expertise. All these instrumentalities and staff will, at some point, interact with you in matters of congressional oversight. You should pay significant attention to them and work to develop effective working relationships with these organizations and staff.

Lesson Five: You should not regard Congress as an adversary.

Congress and the executive branch share a joint responsibility to make sure that government programs serve the public interest. Congress need not be your adversary and certainly should not be your enemy. You and the members of Congress have a responsibility to make government work for the public interest. Appropriations bills have to be enacted annually. Budget resolutions occur every year. New programs have to be authorized or old ones reauthorized. These actions ultimately require positive interactions between Congress and the executive branch.

An example of the two branches working closely together is the Budget Reconciliation Bill of 1990. The comprehensive budget bill was hammered out in an executive-legislative summit, sometimes held at Andrews Air Force Base. High-ranking executive branch and legislative personnel and their respective staffs engaged in an arduous exercise to find a bill that the Congress could pass and the president could sign. Ultimately, a five-year, \$500 billion budget deficit reduction bill was enacted into law. Compromise and a sense of shared executive-legislative responsibility for reducing the deficit was the order of the day.

Finally, you must always remember that both the executive branch and the Congress have to work together, day in and day out, to ensure that legislation and funding will be available for the executive branch to implement the constitutional duty of the executive branch.

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Taking the Media Seriously

By Lawrence J. Haas



For those who have answered the call to public service, there are many stakeholder groups you will encounter while in government. Understanding the relationship with each stakeholder will be useful in achieving your goals. This article focusing on taking the media seriously is adapted from a piece in Getting It Done: A Guide for Government Executives (Washington, DC:

IBM Center for The Business of Government, 2008).

Two centuries ago, philosopher Edmund Burke labeled the media “the fourth estate,” one that jockeyed for influence with the clergy, the nobility, and the commoners of France after the revolution. The term took root in America, nourishing an image of media power that you would be wise to take seriously.

The media are here to stay, and they will be a big part of your professional life. You can’t wish them away. Nor should you try to work around them, for that’s a strategy doomed to failure. They are too powerful, with too many ways to shape public opinion to your detriment. As Mark Twain said, “Never pick a fight with someone who buys his ink by the barrel.”

Instead, you need to: (1) understand who they are and what they require, and (2) hire the right people and create the right process for interacting with them.

Understanding the Media

With the information revolution of recent years, media come in greater variety than ever. They are newspaper, magazine, and wire reporters, columnists, and editorial writers; TV and radio anchors and producers; and online reporters and bloggers. They reach different audiences, they need different kinds of information, and they face different deadlines.

Your relationship with them will be adversarial—inherently so. They will want to know everything that’s happening in your agency, especially the very things you may want to keep out of the public sphere, and they will want to know it

before their competitors do. They will look for negative stories, which will more likely get them on page one or on air in a news broadcast.

Stiffing them will not work. That will just anger reporters, who will then go out of their way to portray you negatively. They can always find someone to say something bad about you, whether a congressional aide, a lobbyist, or even a jealous colleague from within the administration.

Instead, you should accept the media as a given and work with them as effectively as possible.

Working with the Media

Hire the right communications director. You can’t be the day-to-day “go to” person for the media; you’ll be too busy running your agency. You need a communications director who will be your spokesperson. You need someone whom you trust, someone with whom you can work closely to ensure that he or she is disseminating your message. Hire a professional, someone who has done similar work in the past or someone from the media who wants to make a career change—that is, someone who understands how the media work, what they need, how they develop stories, and so on. If possible, find someone who understands the substance of your agency’s work. A communications director who can explain your agency’s work will garner greater respect from the media and will let you concentrate on your own job.

Empower your communications director. Your communications director needs to know as much as possible about what’s happening in your agency. Only then can he or she make the right judgment, in consultation with you, about how to accurately portray the agency’s business. Allow that person to attend as many of your meetings as possible. Let him or her speak “on the record”—that is, with that person’s name and title identified publicly—sending a strong signal to the media that you trust your communications director to speak on your behalf.



Empower yourself and your top senior staff. Your communications director can't do it all. You will want to, or have to, speak with the media from time to time. If you have a large agency with many issues, you may need other senior members of your team to do the same. You should rely on the communications director, however, to coordinate all such conversations or e-mail exchanges, ensuring that one person is tracking all media interactions.

Coordinate your communications activities. Neither you nor your communications director will work in a vacuum. Your agency probably sits within a larger department, but even if you run a stand-alone agency, you are part of a new administration. The administration will want to coordinate the timing of news-making announcements by departments and agencies. You and your communications director should keep your counterparts—in the department and, if appropriate, in the White House—apprised of major communications activities that you want to undertake, such as a press conference to launch a new initiative. When it comes to intra-administration coordination, the rule is: no surprises.

Protect the career staff. You should not expect career staff to speak with the media (except at the direction of, and supervision by, your communications director). They are civil servants; they were hired for their jobs before you arrived and many will still be there after you depart. Although they manage federal programs at your direction, they were not hired to promote the political agenda for any particular administration, including yours. You should not ask them to do so. Instead, you should make clear that when career staff receive calls or e-mails from the media, they should send them to the communications director.

When opportunity knocks, don't be shy. When important issues arise, your communications director may suggest, or the media may demand, that you speak to reporters (one on one or in group settings such as press conferences). You should be prepared to do so and you should work with your communications director to decide what other top staff should speak as well. Also, you should consider mechanisms of regular com-

munication with key media, such as weekly roundtable discussions, through which you can educate reporters about your work and draw attention to your most important initiatives.

When problems arise, don't be shifty. "Trust is the coin of the realm." Your credibility takes time to establish but a mere moment to destroy. From time to time, things will go wrong. You will make a mistake or one of your staff will break the law or a watchdog group will write critically about one of your programs. In speaking with the media, you will be tempted to shade the truth or hide some information. Don't. Instead, explain what went wrong and what you're doing to prevent it from happening again. Otherwise, the media will likely learn later that you were less than forthright, and they will never trust you again.

Know the rules. The media operate under rules that define how they use information. Unless otherwise noted, you must assume that when you speak to the media, you are "on the record," meaning they can identify you and use everything you say. You may, however, want to speak "on background," which generally means they must hide your identity (for example, "an administration official"); on "deep background," which generally means they can use your information but not attribute it to anyone at all; or "off the record," which generally means they can't use the information at all. But because these terms are ambiguous, you should pin down the ground rules with the media before you start any conversation with them.

Set your message. The best people and the best process can only go so far, however. You need to decide: What do you want to tell the media, and what should your communications director say on your behalf? What are your highest priorities? Your most important initiatives? Only you can answer these questions. It's your agency—and your message.

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Performance Reporting: Insights from International Practice

By Richard Boyle

This article is adapted from Richard Boyle, "Performance Reporting: Insights from International Practice" (Washington, DC: IBM Center for The Business of Government, 2009).

Recent years have seen a growing emphasis on the reporting to politicians and citizens of the outputs and outcomes of government programs. Yet there is limited information on what outputs and outcomes are actually reported, in practice. The purpose of this article is to examine the reporting of outputs and outcomes in four countries. What types of indicators are actually being reported? Does the reality match the rhetoric?

Marked Differences in Performance Reporting Practices

The research focused on a content analysis of performance indicators in a sample of performance reports produced in four countries: Australia, Canada, Ireland, and the United States. Some key findings emerge from this analysis:

- There is a clear preponderance of output and outcome indicators as opposed to activity and input indicators, suggesting that the emphasis on outputs and outcomes in government programs is being reflected in practice. But the United States' experience is very different from those of the other countries examined. Eighty percent of indicators reported in the U.S. performance reports examined are outcome indicators. In the other countries examined, output indicators are predominant.
- Canadian and U.S. performance reports contain a majority of quantitative indicators. For Australia and Ireland, the majority of indicators are qualitative in nature.
- Three-quarters of the reported indicators surveyed in the U.S. performance reports are aspirational in nature and beyond the direct control of the agency. In Australia and Ireland, achievement of around 80 percent of the indicators can be attributed to the agency. Canada sits in between.

- Virtually all of the reported indicators in the U.S. performance reports have targets associated with them. Overall, there is very little use made of targets in Australia, Canada, and Ireland. It is the norm in Australia, Canada, and Ireland to present data just for the year under scrutiny. In the United States, the norm is for multiyear trend data to be included, with between three and five years of data being commonplace.
- Nearly all of the indicators reported in the U.S. reports meet the SMART (specific, measurable, achievable, relevant, time-bound) quality criteria. Canada performs next best against the SMART criteria, with Australia and Ireland displaying some limitations. Fewer than three-quarters of the Australian and Irish indicators examined, for example, are classified as specific or measurable.

There is, therefore, a clear distinction between the U.S. performance reports and the others examined. On the whole, indicators contained in the U.S. reports are more likely to report on outcomes, be quantitative in nature, meet data quality criteria, and have associated targets and multiyear baseline data.

Governments are under increasing pressure to publicly demonstrate the results achieved by expenditures on government-funded programs. At the same time, a shift from ex ante to ex post controls has resulted in a steady increase in the volume of performance information, with a focus on outputs and outcomes. Many countries have developed reporting frameworks for parliaments, giving increased emphasis to output and outcome reporting. A recent IBM Center report by Burt Perrin described the movement in governments across the world toward a greater focus on outcomes.

Yet, despite this increase in activity, unease with what is actually being achieved is evident. Questions have been raised as to whether politicians actually find useful the output and outcome information reported to them. And the quality of the performance information provided has been questioned, sometimes as the result of national audit office scrutiny.

Much discussion and deliberation has gone into why output and outcome reporting may be having only limited impact. But little of this discussion is based on empirical information on the actual output and outcome information that is reported. There is surprisingly limited information on the nature and quality of the output and outcome indicators that are actually used and presented in performance reports for politicians. And there is an almost total lack of information on cross-national comparative practice with regard to output and outcome reporting. Much of the discussion is founded, instead, on the performance reporting frameworks produced by central agencies, which themselves often rely on hypothetical examples of output and outcome indicators to illustrate reporting requirements.

The aim of this article is to provide empirical evidence of what is actually happening in output and outcome reporting by government departments. Examples of reporting from four countries regarded as among those at the forefront in discussions on output and outcome reporting provide cross-national comparative data on good and poor practice and enhance the potential for lesson learning. The article aims to:

- Share good practices across countries
- Assess the state of performance reporting
- Be directly relevant and of assistance to program managers in both central and line agencies

Methodology

The research focuses on a content analysis of performance indicators in performance reports produced in four countries. The countries and reports reviewed are:

- Australia—departmental annual reports
- Canada—departmental performance reports
- Ireland—output statements
- United States—performance and accountability reports

These countries are all ones which have explicitly advanced an output and outcome reporting agenda for a number of years, as the box *Performance Reporting Requirements and Reports Examined, by Countries Studied* illustrates.

The performance indicators in the reports were analyzed against a number of criteria. In particular:

- Whether the indicator focuses on outcome, output, activity, or input
- Whether the indicator is quantitative, qualitative, or measures a discrete event
- Whether changes in the indicator are attributable to the agency/program, or if the indicator is aspirational in nature

Criteria Definitions

Activity reflects the things done by people in the course of delivering services or programs. For example consultation meetings held, visits to sites.

Achievable means that the required performance associated with the indicator can be accomplished. It is possible, and it is not too far in the future. Achievable means that it is appropriately limited in scope.

Aspirational means that achievement is out of the direct control of the agency/program.

Attributable means the organization/program itself is capable of bringing about a change in the indicator value.

Baseline refers to whether or not a baseline level of performance for previous year(s) is specified against which change can be assessed.

Discrete event refers to a once-off event: an example would be “produce a policy paper by dd/mm/yyyy.”

Input covers the resources consumed for a particular activity, such as budget absorption, over/under spending, and the number of people working on a program.

Measurable means that the required performance can be measured, that the source of the data is identified and accessible, and that the performance indicator is valid and meaningfully reflects the desired performance, condition or state. Measurable means that it is numeric or descriptive of outcomes, quantity, quality, time-performance, or cost.

Outcome focuses on what happens as a result of the delivery of the output; the events or changes in conditions/behavior/attitudes that arise.

Output refers to the products or services directly produced by an agency/program.

Qualitative means that the indicator is descriptive based on some quality rather than quantity.

Quantitative means the indicator is subject to numerical measurement.

Relevant means that the required performance will materially contribute to achieving the organization’s objectives and goals.

Specific means that the indicator, associated description, or associated objective/goal is concrete, detailed, focused, and well defined. The nature and the required level of performance can be clearly identified.

Target assesses if there is an associated reference point against which indicator performance can be judged.

Time-bound means that there is a deadline or specified time-frame, that the deadline or time-frame is reasonable, and that the time-frame is relevant, i.e., the deadline is not beyond the point at which achieving the goal loses its value.



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- Whether a target is associated with the indicator
- Whether baseline data giving the previous year(s) performance are associated with the indicator
- Whether the indicator meets SMART (specific, measurable, achievable, relevant, time-bound) quality criteria

The definitions used for this analysis (output, outcome, attributable, aspirational, etc.) are presented in the box on page 83. In addition to this analysis, a more qualitative analysis of the content of performance reports was undertaken to identify good and bad practice and to facilitate the drawing of lessons from practice, to date.

Analysis of Reported Performance Indicators

Understanding the Breadth of the Data

As a relatively crude starting point, it is interesting to look at the number of indicators reported, as shown in Table 1. There are clear differences across the countries, with the U.S. performance reports focusing on a relatively small number of indicators, i.e., roughly 30-40 per report. By way of contrast, the Australian performance reports each have over 100 indicators. Canada and Ireland fall in between. There are no clearly discernible sectoral differences.

In moving on to consider the focus of reported performance indicators—to what extent they focus on outputs and outcomes

—some interesting variations occur, as Figure 1 illustrates. Overall, there is a clear preponderance of output and outcome indicators as opposed to activity and input indicators, suggesting that the emphasis on outputs and outcomes is being reflected in practice. But the U.S. experience is clearly different

Figure 1: Focus of Performance Indicators

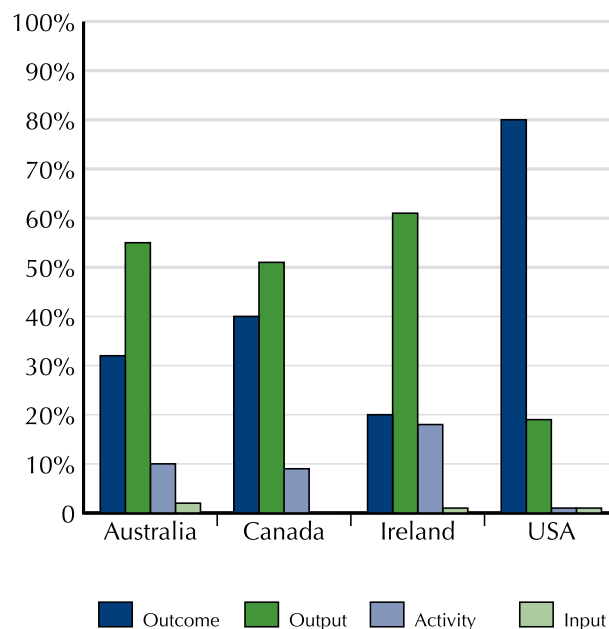


Table 1: Number of Performance Indicators in Performance Reports

	AGRICULTURE	HEALTH	TRANSPORTATION
AUSTRALIA	142	103	128
CANADA	88	87	8
IRELAND	41	98	77
UNITED STATES	32	40	36

Performance Reporting Requirements and Reports Examined—By Country

Australia

The Australian government introduced an Outcomes and Outputs Framework as the basis for budgeting and reporting for public sector agencies in 1999–2000. Among the main elements of the framework are:

- Specification of what the government is trying to achieve (outcomes);
- Specification of how actual deliverables will assist in achieving the outcomes (outputs); and
- Annual performance reporting of agencies' contribution to the achievement of outcomes and the delivery of outputs. Annual reports to Parliament detail the degree to which plans for the coming budget year are realized and targeted performance is achieved.

The reports examined in this study are:

- Department of Agriculture, Fisheries and Forestry *Annual Report 2007–08*
- Department of Health and Ageing *Annual Report 2007–08*
- Department of Infrastructure, Transport, Regional Development and Local Government *Annual Report 2007–08*

Canada

Canada has had an Improved Reporting to Parliament project running since the 1990s. Thirteen broad Government of Canada outcomes are specified, and agencies must develop clearly defined and measurable strategic outcomes that link in to these over-arching outcomes. Departmental performance reports are intended to provide a comprehensive but succinct picture of departmental performance, as it compares against the strategic outcomes, through the reporting of program activities linked to the strategic outcomes. An effort is being made to refocus reporting away from governmental outputs to higher-level outcomes that show how agencies make a difference to citizens.

The reports examined in this study are:

- Agriculture and Agri-Food Canada *2007–08 Departmental Performance Report*
- Health Canada *2007–08 Departmental Performance Report*
- Transport Canada *2007–08 Departmental Performance Report*

Ireland

In Budget 2006, the Minister for Finance indicated that the government had decided that, starting in 2007, individual departments would publish an annual statement on the outputs and objectives of their departments, and from 2008, the actual out-turns. These statements (named output statements) are presented to the relevant parliamentary committee along with the department's annual estimates. Guidance from the Department of Finance suggests that, with regard to reporting on performance, a small number of high-level goals per department—each with a macro level outcome indicator—should be complemented by a small number of more detailed output indicators which should, where possible, be quantitative in nature; otherwise, qualitative.

The reports examined in this study are:

- Department of Agriculture, Fisheries and Food *Annual Output Statement 2008*
- Department of Health and Children *Annual Output Statement 2008*
- Department of Transport *Output Statement 2008*

United States

The Government Performance and Results Act of 1993 requires federal agencies to produce strategic plans, annual performance plans, and annual performance and accountability reports (PARs). These are aimed at establishing a system of accountability whereby agencies articulate what they are trying to achieve, how they will accomplish it, and how Congress and the public will know if they are succeeding. Goals and objectives need to be stated as outcomes, and performance indicators must be valid indicators of the impact on outcome goals.

The reports examined in this study are:

- Department of Agriculture *2008 Performance and Accountability Report*
- Department of Health and Human Services *FY 2008 Citizens Report*
- Department of Transportation *FY 2008 Performance and Accountability Report*

Figure 2: Type of Performance Indicator

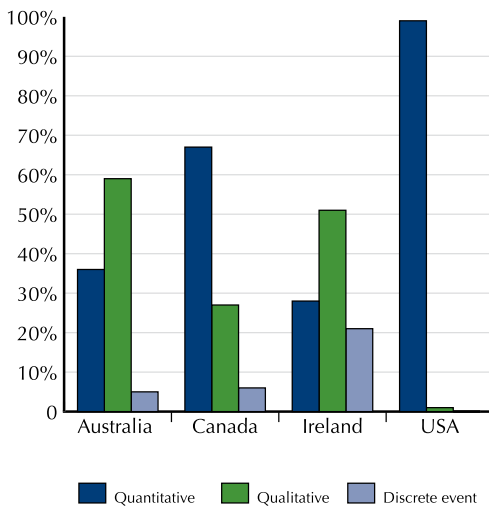
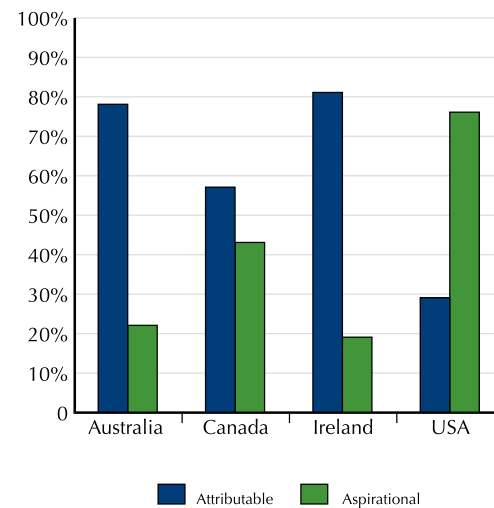


Figure 3: Attributable or Aspirational Indicators



from the other countries examined. The vast majority of indicators reported in performance reports in the United States (80 percent) are outcome indicators. In the other countries examined, output indicators are predominant, accounting for over 50 percent of reported indicators in each case. Ireland has a particularly high proportion (18 percent) of activity indicators.

The main reason for this difference in practice appears to be a difference in focus on whose performance is reported in the section of the report that deals with program performance.

Figure 2 shows the type of performance indicator reported. The clear preference in the guidance for performance reports is that indicators should be quantitative in nature. In practice, the United States achieves this objective, with almost all of the reported indicators being quantitative in nature. The picture varies for the other countries examined, however. Canada also has a majority of quantitative indicators, with two-thirds of its indicators being quantitative in nature. But, for both Australia and Ireland, the majority of indicators are qualitative.

An interesting issue is the extent to which changes in the reported indicators can be directly attributed to the agency/program. If the change cannot be attributed to the agency/program, it is described here as aspirational in nature: i.e., achievement is outside the direct control of the agency/program. A clear difference emerges between the United States and the other countries on this criterion, as Figure 3 illustrates. Three-quarters of the reported indicators surveyed in the U.S. reports are aspirational in nature. In Australia and Ireland, around 80 percent of the indicators are attributable in nature. Canada sits in between.

The reason for these differences is linked to the extent to which outcome indicators are reported. Another significant issue is whether the reported indicators have targets and baseline data associated with them.

Ensuring the Quality of Reported Indicators

Apart from the number of indicators in different categories—such as output/output, quantitative/qualitative—it is important to assess the quality of the indicators used. It is of little use, for example, having a lot of outcome indicators if they are of poor quality and consequently of little use. One means of assessing quality is to rate the indicators against the commonly used SMART (specific, measurable, achievable, relevant, time-bound) criteria.

In terms of the challenges associated with setting good quality performance indicators, many indicators were set out as broad objectives, which are in practice unspecific in nature and incapable of being measured or monitored in any meaningful sense.

Varying Practices

Overall, a focus on output and outcome indicators being used in performance reports to politicians is discernible. Also particularly noteworthy are the variations in practice between the countries examined:

- The United States stands out, focusing strongly on outcomes, using quantified and good quality indicators, by and large. Reporting against targets and baseline data covering previous years are the norm.
- Australia and Ireland focus more on reporting against output and activity indicators. There are significant variations in the quality of indicators used, and limited use is made of targets and baseline data.

- Canada falls somewhat in between. There is a greater focus on outcome and quantitative indicators than in Australia and Ireland, and a higher quality of indicator measured against SMART criteria. But little use is made of targets and baseline data.
- There are also some sectoral variations, notably the greater use of outcome indicators in agriculture and of quantitative indicators in the health sector.

Key Attributes of Preparation

Key Attribute One: Having a consistent, comparable, and structured approach to underpin the indicators reported.

While practice has been found to vary somewhat from the central advice and guidance issued on producing performance information, there is no doubting the benefits of a cohesive and comprehensive approach underpinning the development of output and outcome indicators in performance reports for politicians.

Key Attribute Two: Having a good performance story to accompany the indicators.

The majority of the performance reports examined contain narrative sections that spell out in more detail information on performance. These performance stories serve an important role in giving the reader a fuller picture of the implications of the outputs and outcomes reported.

Key Attribute Three: Having clearly specified outcome indicators and paying attention to detail.

Despite the challenges in identifying and specifying outcomes for public programs, all of the reports in the countries examined contained at least some examples of good outcome indicators. A focus on outcomes is possible in many areas of work.

Key Attributes of Presentation

Key Attribute Four: Having information on both targets and baseline data combined to guide performance assessment over time.

The U.S. performance reports are ahead of the other reports when it comes to presenting established targets and baseline data in the reports. Target levels of performance for the year under scrutiny are clearly established for nearly all indicators. And baseline data for previous years' performance (up to five years being the norm), are presented alongside the indicator.

Key Attribute Five: Ensuring good presentation and effective use of technology.

With regard to presentation, poor practice in the performance reports surveyed often related to unclear, partial, and overly long performance information being presented in the report. Sometimes, the information required was not present at all. At other times, the information was there but was hard to find without searching for it.

Key Attribute Six: Providing output and activity indicators as well as outcome indicators when discussing agency performance.

The U.S. approach to performance reports has been to focus almost exclusively on outcomes. As we have seen, this approach differs substantially from the other countries examined, where the majority of indicators in the performance reports focus on outputs. In part, this can be attributed to differences in emphasis as to what the performance reports are there to do.

Good Practice in Presentation: A Well-Designed Outcome Indicator Report

Performance information for Outcome 1 Administered Programs	
Administered Funding – Population Health Programs	
Including: 1.1 Chronic Disease – Early Detection and Prevention; 1.2 Communicable Disease Control; 1.3 Drug Strategy; 1.4 Food and Regulatory Policy; 1.5 Immunisation; and 1.6 Public Health.	
Indicator:	Effective screening programs delivered in accordance with a sound evidence base and with responsiveness to new and emerging trends.
Measured by:	Breast cancer and cervical screening rates for women in the target age groups, and participant rates in the National Bowel Cancer Screening Program.
Reference Point/ Target:	Participation rates in breast cancer and cervical screening programs increase, and participation rates for bowel cancer screening.
Result: Indicator met.	
Breast Cancer	
The latest available data through Queensland Australia on breast cancer screening rates for women in the target age range indicate that participation rates remained stable at 56.2% in 2004-05 compared with 55.6% in 2003-04. In 2004-05 participation of women in the target age range was significantly higher in outer regions (59.3%), inner regional (58.0%) and remote areas (57.8%) than in major cities (54.7%) and in very remote areas (45.9%). The participation rate for Aboriginal and Torres Strait Islander women aged 30-69 years, 35.8%, was much lower than the non-Aboriginal and Torres Strait Islander rate of 55.9%. However, the rate for Aboriginal and Torres Strait Islander women has increased significantly from 31.8% in 1999-2000 to 35.8% in 2004-05.	
Cervical Cancer	
For the first time participation in the National Cervical Screening Program was reported using two-year, three-year and five-year participation rates. In 2005-06, the two-year participation for women aged 20-69 years was 40.8%, a small reduction from 2004-05 when two-year participation was 43%. However, three-year participation for women in the target age range in 2004-05 was 71.1% and five-year participation was 35.9%. The three-year participation rate compares favourably with 49% for England and 64% for Wales. The five-year participation rate was higher than England (29%), Wales (25%) and the Netherlands (27%) but lower than Finland (50%), which has the highest five-year screening rate in the world.	
Bowel Cancer	
As of 30 June 2006, the crude participation rate for the National Bowel Cancer Screening Program was approximately 9%. This figure is based on the number of completed faecal occult blood test kits received as a proportion of the number of people invited. This is an increase from 30 June 2007, when the participation rate for the program was 35.8%.	

Source: [http://www.health.gov.au/internet/annrpt/publishing.nsf/Content/3C6696A0554501F1CA2575A5008138F0/\\$File/Full%20Report%20of%20the%202007-08%20Annual%20Report.pdf](http://www.health.gov.au/internet/annrpt/publishing.nsf/Content/3C6696A0554501F1CA2575A5008138F0/$File/Full%20Report%20of%20the%202007-08%20Annual%20Report.pdf), p. 42

Recommendations for Improvement

Drawing from the six key attributes of a good system for outcome and output reporting, it is possible to identify six corresponding recommendations for actions aimed at getting better performance reports.

Recommendation One: When developing performance measurement systems, use a consistent, comparable, and structured approach to performance information across all agencies and programs.

Recommendation Two: Include a good performance story to accompany the indicators.

Recommendation Three: Specify outcome indicators, and fully explain the results reported against the indicator.

Recommendation Four: Provide both target and baseline data.

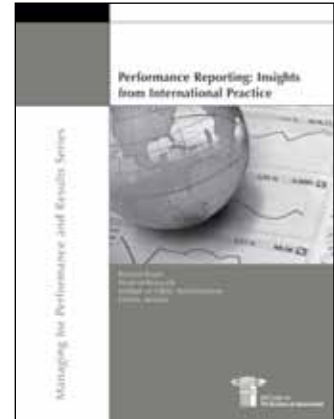
Recommendation Five: Ensure effective use of technology in presenting the performance data collected.

Recommendation Six: Present agency performance information which includes output and activity indicators in addition to outcome indicators. ■

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Using Geographic Information Systems to Increase Citizen Engagement

By Sukumar Ganapati

This article is adapted from Sukumar Ganapati, "Using Geographic Information Systems to Increase Citizen Engagement" (Washington, DC: IBM Center for The Business of Government, 2010).

Geographic Information Systems (GIS) are technological tools to depict spatial information visually and to conduct spatial analysis. GIS is commonly defined as "a system of hardware, software, data, people, organizations and institutional arrangements for collecting, storing, analyzing, and disseminating information about areas of the earth." There has been significant growth since the 1990s in the adoption of GIS by local governments across the United States and in many other countries. In parallel with that growth has been the effort to apply GIS methods to citizen-oriented public services. Indeed, Public Participation GIS (PPGIS), which broadly refers to citizen participation in enhancing public services and decision making using GIS, is a major theme of GIS research. This article examines the future of citizen-oriented services in local e-government due to recent advances in GIS technology.

GIS technology has rapidly evolved since the 1990s in three broad technological waves: the traditional desktop GIS, the Web GIS, and the Geospatial Web 2.0 platform. GIS software across all three waves is both proprietary and open source:

- **First wave:** The traditional desktop GIS encompassed stand-alone GIS applications running on personal computers. These GIS applications offered powerful methods for producing maps on the fly and for conducting spatial analyses.
- **Second wave:** With the advent of Web GIS (also referred to as Online GIS or Internet GIS) in the 1990s, GIS became integrated with the Internet. Web GIS maps broadened GIS accessibility to anyone with a computer and Internet connection.
- **Third wave:** The Geospatial Web 2.0 platform is the adaptation of Web GIS to the Web 2.0 environment, wherein spatial data can be overlaid on existing map servers through application programming interfaces. For example, Google Earth, Google Maps, Microsoft's Bing Maps, and

Geographic Information Systems

Geographic Information Systems (GIS) are technological tools to depict spatial information visually and to conduct spatial analysis. Although there are different accounts of what GIS is, the common definition is "a system of hardware, software, data, people, organizations and institutional arrangements for collecting, storing, analyzing, and disseminating information about areas of the earth" (Dueker and Kjerne, 1989, 7-8).

GIS integrates spatial data such as polygonal areas (e.g., states, counties, cities), lines (e.g., rivers, streets), and points (e.g., buildings) with attribute data of the spatial elements. For example, choropleth maps use thematic colors, shades, or patterns to depict attributes (e.g., population distribution, land use) of spatial elements such as cities and states. Route maps interactively provide the most efficient path to reach a destination from a user's location. GIS simplifies the visual depiction of geographical data that may otherwise be too complex to describe in narrative prose or in an explanatory table.

Yahoo Maps provide a base platform on which other spatial data can be added.

The focus of this article is on the prospects of the Geospatial Web 2.0 platform for citizen-oriented public services.

The traditional desktop-based GIS was accessible only to technical experts and professionals, because expertise was needed to use the highly technical software running on a desktop computer. With the adaptation of GIS to the Internet through Web GIS and Geospatial Web 2.0 platforms, GIS became increasingly accessible to lay users. With the newer generations of "smart" phones [equipped with both GIS and global positioning system (GPS) capabilities], social networking sites such as Facebook, and microblogging sites such

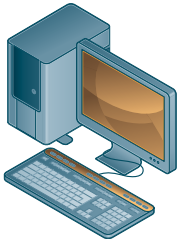


as Twitter, the Geospatial Web 2.0 platform has the power to harness public participation in real time. For example, citizens can use Geospatial Web 2.0 platforms to report the locations of potholes, water leaks, accidents, and other events that should be addressed by municipal agencies. The recent advances in GIS technology hold great potential for citizen-oriented services.

Four substantive areas of citizen-oriented services for GIS applications are reviewed:

- **Citizen-oriented transit information.** In terms of transit information, the Geospatial Web 2.0 platforms can take advantage of the Internet to provide real-time reports on traffic conditions, directions, and transit options based on the user’s origin and destination.

- **Citizen relationship management (CiRM).** With the integration of nonemergency citizen service requests through centralized call centers (e.g., 311), CiRM has become crucial to the routing of such requests to the appropriate departments and the tracking of their fulfillment. Integrating CiRM with the Geospatial Web 2.0 platform allows the geographic tracking of citizen demands.
- **Citizen-volunteered geographic information (VGI).** VGI refers to “the explosion of interest in using the Web to create, assemble, and disseminate geographic information provided voluntarily by individuals.” Web 2.0 developments and GPS-equipped devices have enabled participatory GIS by allowing amateur citizens to generate and share geographical information quickly

Evolutionary Waves of GIS

WAVES	MAIN FEATURES	ILLUSTRATIVE SOFTWARE
<p>FIRST: DESKTOP GIS</p> 	<ul style="list-style-type: none"> • Software installed on desktop • Agency’s GIS professionals develop and use maps • Maps not accessible to general public users • Superior spatial analytic capabilities • Steep learning curve for developers and users 	<p><i>Proprietary software:</i> ArcGIS; Bentley Map; GeoMedia; IDRISI Taiga; Manifold; MapInfo; Maptitude</p> <p><i>Open source software:</i> GRASS; MapWindow; Open Source Software Image Map; Quantum GIS</p>
<p>SECOND: WEB GIS</p> 	<ul style="list-style-type: none"> • Software installed on public agency’s servers • Agency’s GIS professionals develop maps • Maps accessible to general public users via Internet • Maps cannot be edited by public • Limited spatial analytic capabilities • Flat learning curve for users 	<p><i>Proprietary software:</i> ArcIMS; ArcGIS Server; Manifold IMS; Maptitude for the Web</p> <p><i>Open source software:</i> CartoWeb; GeoServer; MapGuide; MapServer</p>
<p>THIRD: GEOSPATIAL WEB 2.0 PLATFORMS</p> 	<ul style="list-style-type: none"> • Web 2.0 platforms • Agency and nonagency GIS professionals are map developers • Maps accessible to general public users via Internet • Maps editable by public (mashups using application programming interfaces) • Limited spatial analytic capabilities • Flat learning curve for users 	<p><i>Proprietary platforms:</i> Bing Maps; Google Earth; Google Maps; MapQuest</p> <p><i>Open source platforms:</i> OpenLayers; OpenStreetMap; World Wind</p>

This table highlights the main features of these three waves of GIS technology and provides GIS software products illustrative of each. The GIS products in the three waves are not necessarily mutually exclusive; indeed, some of the products span across the waves. ArcGIS and Manifold, for example, feature both desktop and Web GIS versions.



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over the Internet. Local governments can take advantage of such real-time information to increase their efficiency in service delivery.

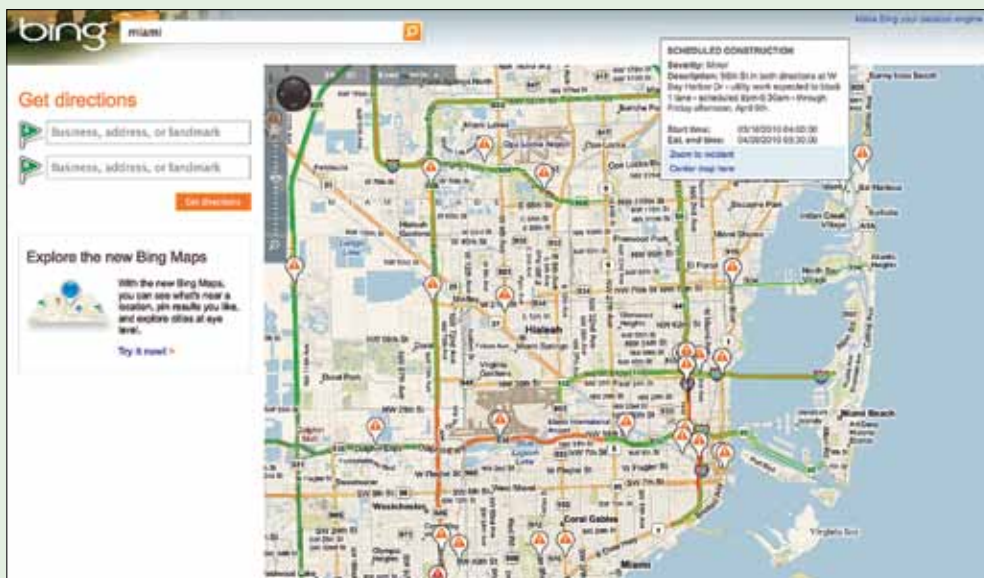
- **Citizen participation in planning and decision making.** The Geospatial Web 2.0 platform could enhance participatory planning and decision-making processes. It is a supplementary tool for including geographical information in online deliberative mechanisms. While there is substantial growth in the use of Geospatial Web 2.0 applications in the three areas noted earlier, there also is considerable opportunity for growth in its adoption to increase citizen participation. Despite GIS's technological simplification and broader accessibility by lay users, meaningful participation in local e-government decision-making functions remains a lofty ideal. With the technological simplifications, the barriers to GIS adoption for public participation are less likely to be related to technology, and more likely to be organizational and

institutional issues. In this respect, the organizational culture of the public agency must transform to value participatory decision making. Institutionalizing GIS for citizen-oriented services requires significant commitment, and leadership that recognizes the technology's potential to increase government interaction with citizens.

Looking Ahead: Future Trends

The growth of Geospatial Web 2.0 platforms provides opportunities for local governments to enhance their citizen-oriented public services and to seek greater participation. As this article describes, entrepreneurial local governments have begun to take advantage of these opportunities. In principle, GIS should particularly benefit those public services that have spatial dimensions. The transit agencies, planning departments, 311 call centers, and real estate agencies have been among the early adopters of GIS. A number of additional agencies—including public safety, emergency management,

Traffic and incident report using Bing Maps: Illustrative example from Dade County, Florida



MapQuest, for example, provides thematic maps of traffic for 85 metropolitan areas that are updated every five minutes. Bing Maps uses Clearflow technology (an artificial intelligence tool that employs predictive models to estimate traffic flows on surface streets) to provide traffic-sensitive directions (e.g., avoiding congestion) in over 70 metropolitan areas.

parks and recreation, environmental protection, property appraisal, and housing, among others—have adopted GIS. These agencies can take advantage of the Geospatial Web 2.0 platforms for enhancing the citizen orientation of their services. Three trends showing how local governments can adopt Geospatial Web 2.0 platforms to enhance citizen-oriented public services are described below.

Trend One. Transparency: Making an Agency’s Geospatial Data Public and Machine-Readable

Local government agencies are vast repositories of public information. If the geospatial data are made publicly available in standardized formats, they could be used by citizen groups and private agencies to enhance citizen-oriented public services. Instances of such use are already evident with the standardized General Transit Feed Specification data made available by public transit agencies. Washington, D.C.’s Open 311, which allowed access to the city’s public data feeds for its “Apps for Democracy” contest, generated 47 innovative and useful applications for public use. Access to public domain data from other cities and local government agencies could similarly enhance their citizen-oriented public services. For example, the City and County of San Francisco established DataSF (<http://datasf.org>) as the central clearinghouse for its data sets. Over 25 Geospatial Web 2.0 applications have been developed using the data.

Trend Two. Engaging Citizens: Tapping Citizen-Volunteered Geographic Information

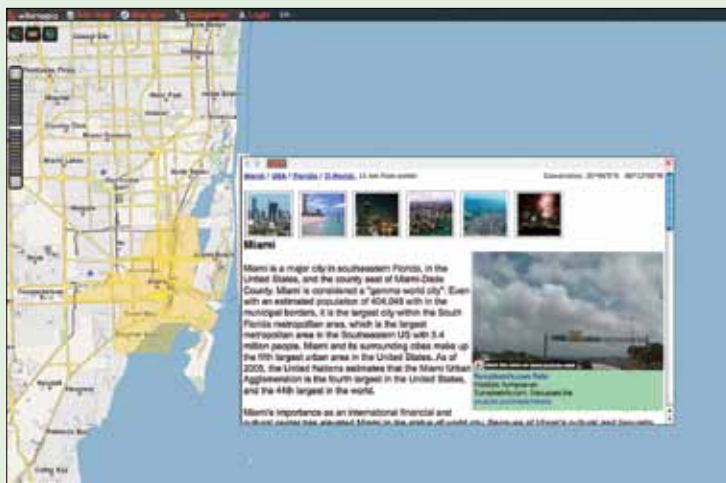
Geospatial Web 2.0 platforms have enabled ordinary citizens to voluntarily create, assemble, and disseminate geographic information. With GPS-enabled devices, amateur citizens can generate and share geographical information quickly over the Internet. Smart phones and cameras with GPS devices can document events and incidents that then can be shared quickly using social networking. As Goodchild has argued, citizens are intelligent sensors who can provide useful information about the environment in which they live. The PPGIS efforts of citizen volunteers widen the domain of mapmaking beyond professionals and facilitate democratization of GIS tools. At a time when mapping agencies are facing budget crunches, there are cost advantages to be had from citizen efforts to provide geographical information. Local planning and zoning agencies can support the voluntary mapping efforts of new neighborhoods that are not yet formally included in maps. For example, OpenStreetMap.com has organized online mapping parties to clean up the U.S. Census TIGER data, and has undertaken mapping expeditions in over 50 cities in the United States. Of course, such voluntary efforts need to follow the standards and protocols for geospatial information. Citizen-volunteered geographic information can be useful in a range of areas: planning, disaster management, environmental monitoring, and so on.

Virtual Charlotte



The City of Charlotte’s Virtual Charlotte (VC) system provides a first example of the integration of the Geospatial Web 2.0 platform with other citizen services. It was the winner of the 2009 Exemplary Systems in Government competition conducted by the Urban and Regional Information Systems Association. The system provides visualization of 311 calls and other information related to the location, such as traffic accidents, construction projects, permits, street maintenance services, and vehicle locations tracked with automated vehicle-location technology.

Place description in WikiMapia



Prime examples of the user-generated geographical content are the open-source Wikimapia and OpenStreetMap. Wikimapia is an “online editable map allowing everyone to add information to any location on the globe” (<http://wikimapia.org>). It is a “mashup” of Google Maps with a wiki, where any person can upload a description of a selected spot in the world, including links to other sources.

Trend Three. Participation: Using GIS to Enhance Citizen Participation in Decision Making

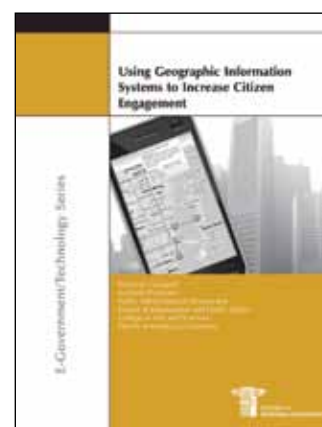
The use of Geospatial Web 2.0 platforms for meaningful participation in planning and decision-making processes is limited. Meaningful public participation entails involvement, collaboration, and empowerment, wherein citizens know that they can make a difference in the decision-making processes. The use of Geospatial Web 2.0 platforms in democratic processes has not yet been fully developed.

There is clear potential for the use of the Geospatial Web 2.0 platform in online deliberative mechanisms in which geographical issues are crucial to decision making. The Portland, Oregon, Metro’s “Build-a-system” tool, built upon Google Maps to plan the region’s High-Capacity Transit System, provides a guide to how the Geospatial Web 2.0 platform could be a useful tool to support public participation in decision making. Enhancing the Geospatial Web 2.0 platform’s use in participatory decision making is not only a technological issue; rather, it is also an organizational and institutional issue. In this respect, the organizational culture of a public agency must itself value participatory decision making. Organizational impediments, such as the lack of financial, technical, and personnel capacities, as well as concern about letting non-specialists interpret public data, are also relevant to the current limited use of Geospatial Web 2.0 platforms. Enhancing its use in participatory decision making requires collaborative organizational networks to facilitate user-friendly technologies that can bridge experts and ordinary citizens.

Overall, the growth of Geospatial Web 2.0 platforms provides opportunities for local governments to enhance their citizen-oriented public services and to seek greater participation. We’ve identified entrepreneurial local governments that have begun to take advantage of these opportunities. While agencies such as transit authorities, planning departments, 311 call centers, and property appraisal offices have been among the early adopters, Geospatial Web 2.0 platforms are also useful to enhance citizen-oriented services for a number of additional agencies, including public safety, emergency management, parks and recreation, environmental protection, and others. ■

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Moving to the Cloud: An Introduction to Cloud Computing in Government

By David C. Wyld

This article is adapted from David C. Wyld, "Moving to the Cloud: An Introduction to Cloud Computing in Government" (Washington, DC: IBM Center for The Business of Government, 2009).

What Is Cloud Computing?

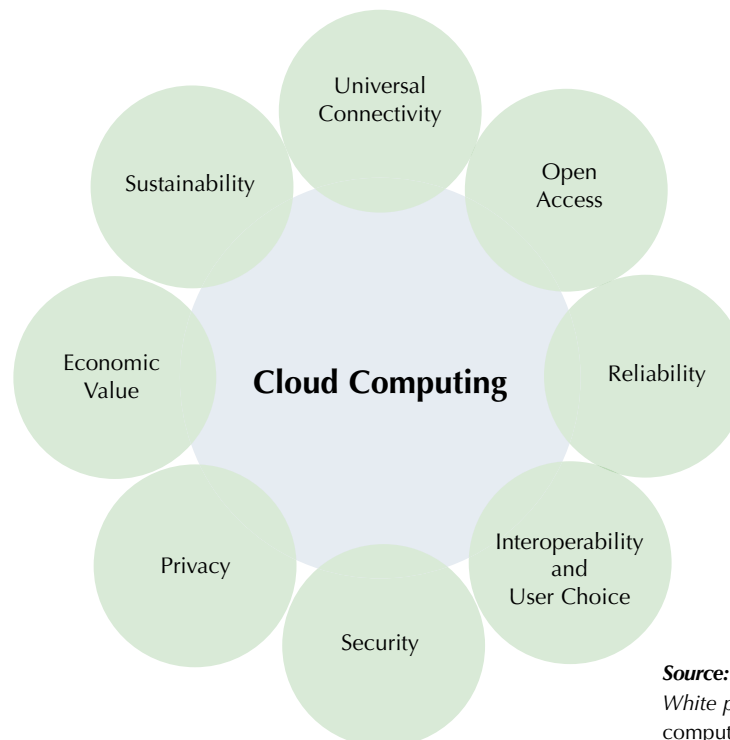
Cloud computing is an emerging concept. It has many names, including grid computing, utility computing, and on-demand computing. Indeed, one of the hindrances to the development and adoption of cloud computing is the lack of understanding of what it is—and isn't—among both private- and public-sector leaders.

The term "cloud computing" has at its core a single element: computing services are delivered over the Internet,

on demand, from a remote location, rather than residing on one's own desktop, laptop, mobile device, or even on an organization's servers. For an organization, this would mean that, for a set or variable, usage-based fee—or even possibly for free—it would contract with a provider to deliver applications, computing power, and storage via the web.

In a nutshell, the basic idea of cloud computing is that computing will become location- and device-independent—meaning that it increasingly will not matter where information is housed nor where computation/processing is taking place. This enables computing tasks and information to be available any-time, anywhere, from any device—so long as there is access to the Internet. The cloud concept also means that, for individuals and organizations alike, computing will increasingly be viewed as an infinite, not a finite, resource. This is because

The 8 Fundamental Elements of Cloud Computing



Source: Based on Rayport and Heyward (2009). *White paper:* Envisioning the cloud: The next computing paradigm, a marketspace point of view.

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computing is taking on an on-demand, scalable form, as additional network bandwidth, storage, and computation capacity can be added as needed, much as people simply use—and pay for—more (or less) electricity as their energy needs change. For this reason, many—even in the industry—refer to this as the utility model of computing.

If industry analysts are correct, we are at an inflection point—a true paradigm change—in the evolution of computing. The history of computing consists of a series of such shifts, from the era of the mainframe to the advent of the personal computer (and now, to mobile devices and netbooks), from the client-server model to the networked model, and from the age of isolation to the age of the Internet. While there are many uncertainties regarding the speed and ultimate reach of cloud computing, one thing that does appear very certain is that “business as usual” is soon going to be very different in our work and personal lives because of the advent of cloud computing.

What Are the Benefits of Cloud Computing?

Cloud computing offers a number of benefits, including the potential for:

- Rapid scalability and deployment capabilities (providing just-in-time computing power and infrastructure)
- Decreased maintenance/upgrades
- Improved resource utilization—elasticity, flexibility, efficiencies
- Improved economies of scale
- Improved collaboration capabilities
- Ability to engage in usage-based pricing, making computing a variable expense, rather than a fixed capital cost with high overhead
- Reduced information technology (IT) infrastructure needs—both up-front and support costs
- Capacity for on-demand infrastructure and computational power.
- Green-friendly—reduced environmental footprint.
- Improved disaster-recovery capabilities

All who are working in government IT—and in government itself—need to be aware of cloud computing and consider the possibilities it holds, along with the people, technology, procurement, and governance issues raised by its advent. Cloud computing undoubtedly changes how we individually and collectively will approach IT.

We already use aspects of cloud computing in our personal lives, and we are migrating to the cloud model in our work lives. The shift to cloud computing will also change how perhaps billions of dollars of IT spending are directed. The challenge, as the chief information officer of the United States, Vivek Kundra, has framed it, is to have the government IT work as well as IT does for ourselves in our own personal lives.

Challenges in Moving to the Cloud

The Economist stated in 2008, “[T]he rise of the cloud is more than just another platform shift that gets geeks excited. It will undoubtedly transform the IT industry, but it will also profoundly change the way people work and companies operate. It will allow digital technology to penetrate every nook and cranny of the economy and of society.”

IT executives must decide whether the cost savings and flexibility/scalability to be gained through shifting data and functions to the cloud are worth the trade-off in terms of control and security. One analyst points out that many IT executives in both the private and public sectors have been reluctant to jump on the cloud computing bandwagon due to “traditional corporate computing concerns like the security of data, reliability of service and regulatory compliance.”

Indeed, many public-sector IT executives like the idea of shifting data and applications to public clouds, but control, access, security, and interoperability issues will need to be resolved before their organizations could make use of public clouds.

Following are 10 major issues facing government leaders in the shift to using cloud computing:

The Need for Scalability. In today’s environment, IT resources will need to become more flexible, agile—in other words, scalable—for all organizations. Cloud computing turns the economics of IT on its head, due to an unprecedented elasticity of resources.

The Need for High Reliability. Cloud providers invest a great deal in their systems to provide for reliability and assure that their services—and user data—will be available on demand. However, even for private-sector IT executives, there is a reluctance to shift core, mission-critical data storage or applications to public cloud environments, even if the cost savings and efficiency arguments are there, over concerns about the reliability and security of cloud offerings.

The Need for Securing Data in the Cloud. IT executives stridently believe that their own hosted systems are far more secure than cloud-based resources and public sector IT managers stridently believe that their internal operations are more secure than those that a private-sector vendor could provide. However, analysts have stated that one of the benefits for small companies is that they may, in fact, be able to raise the level of their computing security by moving more data and applications to the cloud. This is simply because cloud providers will have more resources to spend on security for their operations than most individual firms.

The Need for Open Standards and Interoperability. One of the primary concerns regarding cloud computing that government IT executives consistently express is a fear of being locked into vendors, due to the high switching costs—both in dollars and in time and effort—that would be incurred when switching between cloud-computing providers. One of the principle ways that government can help foster the overall growth of cloud computing is to support the establishment of standards that will ensure common architectures and portability of data and files.

The Need to Revise Procurement Practices. Some have suggested that, with federal contracting currently not geared toward purchasing IT on an “as-needed” basis, it will be incumbent upon cloud providers to educate lawmakers as to cloud computing’s benefits and the changes in contracting rules that will be necessary to facilitate such procurements. Current federal guidelines are not geared toward purchasing computing on a pay-as-you-go, as-needed basis.

The Need to Resolve Potential Legal Issues. Congress will need to streamline decades-old electronic privacy and data protection regulations to conform to today’s computing realities—and to prepare for tomorrow’s. As Bernard Golden points out in his article “Cloud computing meets Washington: Lots of data security and privacy questions” in the March 26th 2009 edition of CIO, inaction will not only inhibit governmental use of cloud computing, but wider adoption of cloud-based models in the private sector as well.

A Sampling of Cloud Computing Definitions

Author/Organization	Definition
The <i>Open Cloud Manifesto</i> Consortium	The ability to scale and provision computing power dynamically in a cost-efficient way and the ability of the consumer (end user, organization, or IT staff) to make the most of that power without having to manage the underlying complexity of the technology.
The University of California, Berkeley Reliable Adaptive Distributed Systems Laboratory	Cloud Computing refers to both the applications delivered as services over the Internet and the hardware and systems software in the Data Centers that provide those services. The services themselves have long been referred to as Software as a Service (SaaS), so we use that term. The Data Center hardware and software is what we call a Cloud.
Gartner	A style of computing where massively scalable IT-related capabilities are provided “as a service” using Internet technologies to connect multiple external customers.
Michael Brown	A data-processing infrastructure in which the application software—and often the data itself—is stored permanently not on your PC but rather a remote server that’s connected to the Internet.
Jaeger, Lin, Grimes, and Simmons	An emerging model of computing where machines in large data centers can be dynamically provisioned, configured, and reconfigured to deliver services in a scalable manner, for needs ranging from scientific research to video sharing to e-mail.

Ten Predictions for the Cloud-Enabled Future of Government

1. Cloud computing will take off at the local and state levels through mostly rogue, “under the radar” initiatives over the next few years.
2. At the federal level, there will be a coordinated move to cloud computing, but with inevitable tension between agencies.
3. There will be two to three incidents a year worldwide with potentially massive security breaches, involving much media attention and attendant calls for greater regulation and oversight of cloud providers.
4. There will be much cooperation between private sector firms (seeking to be cloud service providers) and government agencies, with far more data and applications than expected today transitioning to the cloud over the next decade.
5. Budget pressures will continue to drive more and more government IT to hybrid and even public clouds, as more and more former internal IT functions—and assets (hardware, software, data, and support personnel)—are outsourced, with billions in procurement dollars shifting to the cloud.
6. There will be greater use of cloud computing, in everything from healthcare and education to the military and national security.
7. Free cloud offerings—even beyond the e-mail, storage, and application functions found today—will be a significant part of IT portfolios in most governmental agencies.
8. The spillover effect of government use of cloud computing will include faster agreements among major cloud providers on standards and cloud interoperability protocols.
9. There will be significant legal action arising out of governmental uses of cloud computing, and legislation addressing both IT and business needs and consumer fears and protections will be a major focus over the next decade.
10. The “democratization of technology” brought about by cloud computing will impact the quality of our individual online lives, the growth of businesses, and the pace of innovation, benefiting us all.

The Need to Regulate the “Cloud Market.” Consolidation in the emerging cloud-services industry could be harmful—even threatening—to the economy, and, as such, must be monitored by governmental interests.

The Need to Redefine the Roles of the IT Workforce. The nature of IT jobs and the skills required to perform them will change markedly over the next decade. There will be less manual work needed, both in data centers (“racking and stacking”) and in the field (doing installations and upgrades). At the same time, there will be a greater emphasis on the negotiation, conceptual, and people skills needed to manage contracted cloud services. This will, of necessity, lead to changes in how IT and IT managers are evaluated for their performance.

The Need to Assess the Return on Investment of Cloud Computing. Most analysts have projected that cloud computing can deliver cost savings by outsourcing IT operations—perhaps as much as three to five times more cheaply than in-house data centers and hosted applications.

The Need for Government Cloud Coordination. As federal agencies establish their own private cloud environments, analysts have forecast that we are likely to see agencies sharing data centers and cloud services to facilitate collaboration and to share costs. It is vital that cloud adoption be government-wide, and not done on a piecemeal basis, in order not just to prevent more information silos from developing, but to provide the scale that will make the concept work even better than in an agency-by-agency framework. ■

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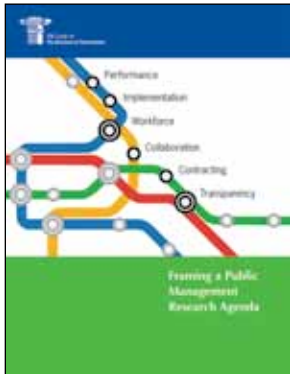
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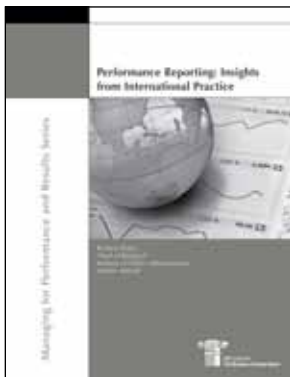
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The IBM Center for The Business of Government hosted a forum in November 2009 to examine the Obama Administration's themes for a high-performing government and to frame a public management research agenda. The forum was an effort to help bridge the gap between research and practice, and to collectively develop a research agenda that would help government executives move things forward. To inform participants in the forum, the IBM Center invited four scholars to each prepare a discussion paper providing context and issues related to one of these priorities. In addition, participants helped develop a series of research questions they thought would be useful to both researchers and practitioners over the next few years.



Performance Reporting: Insights from International Practice

Richard Boyle PhD

In this report, Richard Boyle provides cross-national comparative data on good and bad practices in performance reporting, shares good practices across these countries, assesses the state of performance reporting, and provides directly relevant assistance to program managers in both central and line agencies. He identifies six key attributes for those involved in providing better output and outcome information and offers six corresponding recommendations for producing better performance reports.



Moving to the Cloud: An Introduction to Cloud Computing in Government

David C. Wyld

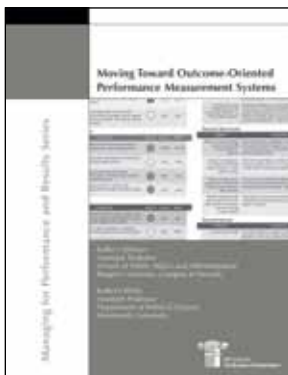
This report begins with a definition of cloud computing. Dr. Wyld explains how the term, "cloud computing" has come to mean many things to many people, but the National Institute of Standards and Technology has developed a commonly accepted working definition. The study then inventories a number of applications where cloud computing has been implemented in government and shows how these have changed people's interactions with government and their expectations of technology. And finally, Dr. Wyld describes the roadblocks impeding the cloud computing revolution that need to be addressed by managers.



Managing Risk in Government: An Introduction to Enterprise Risk Management

Karen Hardy

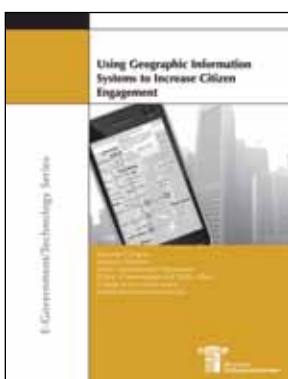
This report explores how federal chief financial officers (CFOs) and financial managers can help guide their agencies to take a more holistic approach to risk management by implementing an Enterprise Risk Management (ERM) system. This approach helps reduce the total cost of compliance, while helping agencies achieve greater value from their risk management activities.



Moving Toward Outcome-Oriented Performance Measurement Systems

Kathe Callahan and Kathryn Kloby

The authors describe a shift taking place both within government and through independent community indicator projects devoted to developing broad, outcome-oriented indicators of how well a community is doing. They also describe the challenges public managers face in making sense out of the data they collect to inform their decision-making and also inform the public. This report provides examples of outcome-oriented performance measurement systems in place around the country, describes the authors' findings from these case studies, and offers practical recommendations on how to develop useful outcome-oriented measurement systems that other communities—either sponsored by government or community indicator projects—can act upon.



Using Geographic Information Systems to Increase Citizen Engagement

Sukumar Ganapati

Professor Ganapati traces the evolution of the use of Geographic Information Systems (GIS) in government, with a focus on the use of GIS by local government. The current third wave (Geospatial Web 2.0 platforms) has seen a dramatic increase in the use of GIS by citizens, such as obtaining transit and crime information. Professor Ganapati presents several case examples of how GIS is now being used by local governments across the nation. Of special interest to Professor Ganapati is the potential use of GIS in reaching out to citizens to increase their participation in planning and decision making. He concludes that, while progress has been slow in this area, there is great potential for government and other groups to use GIS to increase citizen participation.

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Transforming State Government Services through Process Improvement: A Case Study of Louisiana

Vickie Grant

This report is a first-hand story of commonsense management, using basic process management techniques to re-design a vital element of service delivery. Author Vicki Grant describes step-by-step processes used by a front-line agency leader to make a huge difference for thousands of beneficiaries of Louisiana's public healthcare system. In the process, she shows that, while technology helps, it is leadership that matters.

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Moving to the Cloud: An Introduction to Cloud Computing in Government
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