



IBM Center for  
The Business of Government

# *Ten Challenges Facing Public Managers*

*Improving Public Management Through Research*



## Highlights of the IBM Center's Past Ten Years

The IBM Center for The Business of Government connects public management research with practice. Founded in 1998, the Center helps public sector executives improve the effectiveness of government through practical ideas and original thinking. The Center sponsors independent research by top minds in academe and the nonprofit sector.



**Research reports and books.** Since its creation in 1998, the Center has awarded nearly 300 research stipends to leading public management and business researchers in the academic and nonprofit communities, resulting in nearly 200 reports and books that focus on the major management issues facing government today.



**Radio show.** The Center produces a weekly radio show, The Business of Government Hour, where we have interviewed over 300 government executives. The show is a conversation about management issues. Many public sector managers have shared how they are changing the way government does business through innovation and promising practices in their organizations. Podcasts and transcripts of these shows are posted on the Center's website.



**Events.** The Center hosts periodic seminars, symposiums, forums, and lectures on topics of relevance to public managers, featuring prominent leaders in the field. These events bring together those in government who are striving to bring innovation to the front lines. They provide an opportunity to hear, first-hand, from high-level government officials their points of view, challenges, and goals.



**Magazine.** Twice a year, the Center publishes The Business of Government magazine. The magazine features topical issues facing government managers, and also provides summaries of our reports, radio shows, and events.



**Website.** We redesigned our website to make it easier to use and expanded its content to include more interactive features. New capabilities include a subject-based search, which compiles information from our reports, magazines, and radio shows; a key-word search; Really Simple Syndication (RSS) news feeds; Podcasting; downloadable two-page summaries to keep you abreast of today's topics; an email newsletter; and a more navigable homepage. Additionally, all our our publications and radio interviews are available for free. Our website is a popular destination with significantly more visitors every year. In 2007, the site saw hundreds of thousands of visitors. Visit the site at [www.businessofgovernment.org](http://www.businessofgovernment.org).



**Media Citations.** Our reports and our senior staff are regularly featured in publications read by government managers. In 2007, we were cited more than 200 times in more than four dozen different publications and on the radio.



Al Morales



Jonathan Breul

## What's Ahead

The IBM Center has earned a reputation for a deep understanding of public management issues – rooted in both theory and practice – with a 10-year history of providing government leaders with instructive ideas that inform their actions. We are a trusted source for practical ideas and original thinking from some of the best minds in academe and the nonprofit sector. We are seen as a respected and unbiased source of insights with a proven record for sponsoring salient research topics. In addition, we are looked to as a source for starting dialogues on a broad range of public management topics.

For the past ten years, the IBM Center for The Business of Government has studied the critical changes that are underway at all levels of government in the United States and around the world. Along the way, the Center has helped frame a number of significant management policy issues facing government.

For example, our case study on the Clinton Administration's President's Management Council contributed to its revival when President George W. Bush developed his management agenda. Our series of reports on the use of partnerships and collaborative networks have helped policymakers and program managers learn to work across organizational boundaries in ways that achieve broader outcomes. Our reports on managing for results, performance pay, and competitive sourcing have all contributed to a clearer understanding of the challenges, issues, and solutions government managers have encountered over the past decade. We

are now challenging agencies to develop new business models to exploit the advantages – and manage the risks – of new possibilities such as web-based social media like blogging and the 3-dimensional Internet.

However, the past is only the beginning. We remain committed to bringing independent thinking and practical insights to public sector managers. We need to constantly scan the horizons for the new challenges that will next face public managers. So while we celebrate our past decade, we look forward to the next. We have learned much during the Center's first decade, and we plan to continue doing so in the years ahead. Exciting change is happening throughout government, and we'll continue to document and share that knowledge so you can be inspired by, and learn from, the experience of others.

The following pages are snapshots of what we see as ten “big challenges” in the decade ahead. We look forward to working with you to bring more solutions to government and to the public.

*Albert Morales*      *Jonathan D. Powell*



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## **10 Challenges**

**Fiscal Sanity**

**Crisis of Competence**

**Information Overload**

**Governing Without Boundaries**

**E-Government Is Only the Beginning**

**Government by Contractors?**

**Results Really Do Matter**

**“Green” Leadership**

**Security and Privacy in a Flat World**

**Expect Surprises**



## Fiscal Sanity

The nation is at risk of drowning in debt – driven largely by federal commitments to support health care and retirement costs for baby boomers. What’s worse, rising health care costs are pushing state and local budgets into crisis as well. America’s current social insurance programs are both costly and antiquated. It is time to take a fresh look at reforming these programs to reflect current economic and budgetary considerations.

The next president must devise a solution to these issues. All routes to salvation at the federal, state, and local levels require reforming federal retirement and health care programs before they squeeze out other critical national priorities.

With creative and thoughtful solutions, and some tough choices from both the Executive and Legislative Branches, we can accomplish this goal. Focusing on fraud, waste, and abuse sounds tempting, but it won’t solve the problem. Nor can we simply grow our way out of this problem. This will take discipline and leadership. The sooner we get started, the better.

*Improving government’s ability to manage effectively will only succeed with long-term fiscal sanity.*

## Crisis of Competence

Many fear a crisis of competence in the federal workforce. “Generation Y” has a strong service ethic, but not necessarily in public service. Unlike Baby Boomers who may have spent their entire career in one job, the new generation doesn’t expect that to be the case. Key jobs in public service require substantial experience and training as the work of public servants has become more technical and service-oriented. For example, it takes four years to be certified as an air traffic controller. In recent years, more controllers have retired than are being hired and trained.

Finally, with the experienced middle career ranks thinning out as Baby Boomers retire, the role of contractors has increased. Some fear an over-reliance on contractors for key public functions. However, the issue isn’t always “who does the work” but rather “do we have the right talent at the right time doing the right job with the right level of accountability?”

While there are legitimate issues around contracting out the public’s business, decisions must be made on the kind of work – and how much – should be delivered directly versus contracted out, or even delegated via grants to states, localities and nonprofits. This will all hinge on the competence of the workforce needed to do the work.



*The majority of the baby-boomer federal workforce is nearing retirement and their chairs are at risk of being left empty.*





## Information Overload

Information overload is increasingly visible in daily life – cellphones, PDAs, email, and instant messages, for example. This overload is also happening in government – hundreds of surveillance cameras in airports, a flood of weather and climate information, increasingly granular Census data, and real-time news events.

The threats of information overload, and the possibility of missing important information needed to make informed decisions, has increased. However, breakthroughs in data capture, data standards, and data storage have created opportunities for large-scale analysis. These new systems can extract the knowledge needed to create strategy-based solutions. They can also be used to create predictive forecasts and models that improve governmental responsiveness to future events – even non-routine events such as natural disasters, crime waves, or terror attacks. The challenge will be to develop government-wide, as well as mission-specific, information and analytic functions.

*The opportunities of “on demand” information are offset by the threat of overload that can lead to missed information that results in bad decisions or even disasters.*





## Governing Without Boundaries

Government is currently organized based on a presumption that the world is relatively stable and predictable, and that government's work can be rooted in large-scale, repeatable routines. This hierarchical bureaucratic model was adopted in the mid-20th century from the corporate world. However, increasingly this does not reflect today's realities. The corporate world has been struggling with how to best organize to deliver services that are increasingly customized and unpredictable. This struggle is reflected in the public sector as well. The challenge on the frontlines of service delivery is to be able to combine knowledge and skills flexibly around changing tasks. Hierarchy and market-based mechanisms struggle with this.

As a result, government is increasingly turning to non-hierarchical ways of doing business, often called "collaborative networks" and "boundary-less organizations." However, these new models raise questions about how to govern effectively in a network-based environment. For example, how do you craft agendas and plans, set priorities, and allocate resources across boundaries that are then accepted as legitimate, credible, and trusted by all those affected?

*Government must transform itself to be less hierarchical and more collaborative and transparent.*

## E-Government Is Only the Beginning

Using information technology is no longer about doing the same things better. It is about recognizing the commonality between agency programs, eliminating redundancy and embracing a customer-centric view. Technology makes it easier to move, manage and manipulate information anywhere on earth. It makes everything more visible. The technology part may be difficult, but the really hard part will be working across different agencies to support the common customers of government.

In this second wave of innovation, we will be challenged internally to work across agencies and we will be challenged externally to redesign programs from the customer viewpoint. This is more of a cultural challenge than a technology challenge.

Public managers will need to embrace the long hard slog to standardize and integrate their operations. They will need to reframe service delivery around the customer. They must do this in an environment where all their actions are more visible and the nature of work and who does it is changing.



*Information technology is changing our daily lives. Over the next decade, it will change the role of government.*



*For the past decade, government has increasingly contracted out its operations with little or no overall strategy. It is time for realignment.*

## Government By Contractors?

The federal government currently depends more on contractors than at any time in its history. This stems from political limits on the number of government employees, a broken hiring process, and the need to ramp up quickly to solve immediate problems. Highly experienced federal workers are leaving faster than new ones are coming on board, while contracts are getting more complex. Those government employees who remain must contend with a toxic work environment, are under-resourced, under-supported, often under-trained, and blamed for any real or imagined program failure.

An effective government needs a strong cadre of contractors supporting a strong cadre of government workers, each in an appropriate role. Government must align its roles and capabilities so its programs are more effective. In doing this, it will save billions, and avoid the problems that come when it asks contractors to take on a governmental role.

The government needs to take a strategic look at contracting, decide how to manage it, the appropriate roles for all parties, and the right contracting methods. Most important, it needs to invest the necessary resources to make working for the government more attractive.

## Results Really Do Matter

Focusing on accountable, results-oriented management can help government better position itself to meet the new challenges and opportunities of this century. However, federal departments and agencies are confronted with long-standing and substantial challenges to becoming more results-oriented. Solving these problem areas will require a performance-driven system that builds on crosscutting connections between agencies, levels of government, and the nonprofit and private sectors.

To become high-performing organizations, federal departments and agencies must transform their cultures to work closely with other governments, nonprofits and the private sector – both domestically and internationally – to achieve results. Government needs to stick with practices that work and stop those that don't. Part of this entails a reassessment of federal missions and strategies, and the entire mix of policy tools available to address national objectives. Because the public expects demonstrable results from the federal government, government leaders need to increase strategic planning, address management challenges, use integrated approaches, and enhance their agencies' results-orientation.

A focus on results, not just of the organization, but of its contribution to national goals, is essential. In establishing a results-oriented culture that can reach its full potential, the organization and its leaders must carefully select the best solution for the organization in terms of structure, systems, and processes.



*Technology is shifting government's focus from agencies and programs to services and results.*





## “Green” Leadership

Over the past decade, global warming from the burning of fossil fuels has moved from a high probability to a near certainty. Everywhere on earth the environment faces unprecedented stress from economic growth and increasing energy use. How we and the rest of the world address the environmental challenge will largely determine the quality of life for ourselves, our children, and generations to come.

Technology and markets will play a crucial role, but government actions will be just as critical. People have repeatedly demonstrated innovative approaches around limits to growth if the incentives are right, but this is not yet the case for energy and the environment. Markets on their own undervalue the environment and fail to encourage many energy conservation investments that are economically sound. Many environmental issues, like those resulting from green house gases, require a global approach since little is accomplished if reductions in one country are cancelled out by increases in another country.

Solving our environmental problems requires a blend of public policies and incentives that encourage technology and management innovations across the globe.

*Society is pushing the limits of what the environment can support. Government must lead the way in responding to environmental challenges.*

## Security and Privacy in a Flat World

Security and privacy issues need to be explicitly factored into any technology decision. The Internet, cheap data storage, wireless capabilities and a host of other technologies have helped fuel a decade of economic growth and governmental innovation. Yet, these technologies potentially carry many risks. Since we depend on them more, they matter more. Since they tend to be the same everywhere, vulnerability in one place tends to mean vulnerability in all places. Since they reach everybody, they require that we distinguish between who to let in and who to keep out. Finally, they make it hard to forget. As we use the Internet or text on a phone, we leave behind digital “crumbs” that others can follow

Risks need to be assessed and addressed. Policies need to be developed. In some cases, the most efficient solution must yield to the more secure solution. For security, this is primarily a need to resource and plan for known risks, and hedge against unknown risks.

Privacy issues raise concerns about the role of government. As a society, we have the choice of allowing technology to help the government watch over us (with all its good and bad connotations) or using technology to help us watch the government.



*Technology interconnects almost everyone on earth. We need to capture the advantages while managing the risks.*





## Expect Surprises

Government proved no match for Hurricane Katrina. The country can't afford any more fumbled responses to catastrophic or non-routine management challenges, whether caused by natural or human means.

In the coming years, public leaders can count on more than their share of catastrophic and non-routine management challenges – for example another breakdown in the food safety system, a pandemic, a West Coast earthquake, or bio-terrorism in a major urban area. Responding to such challenges with traditional management approaches will only produce the same results seen in Hurricane Katrina.

With the government facing an array of complex challenges and opportunities for improvement, a strategic, long-term view is critical. Government must carefully consider how best to design programs to manage effectively across boundaries and meet the nation's needs and priorities today and in the future. Policymakers will need forward-looking information to set the stage for early warnings about emerging threats and to make informed choices about effective government responses.



*A government designed for efficient, routine operations is increasingly expected to deal with unexpected, non-routine events.*



## Looking to the Future at the IBM Center

We have learned much during the Center's first ten years, and we plan to continue doing so in the years ahead. Exciting change is happening throughout government, and we want to continue connecting research to practice.

Improving government performance remains a complex and difficult assignment – both technically and politically. It is our aspiration to continue to serve as a trusted resource for government executives by providing them with practical insight and foresight on the transformation of government underway in the United States and around the globe.

We are excited about the next ten years and continuing to develop and communicate new ideas for improving the management and performance of government. It should keep us busy. Stay tuned!