

Management Matters

Fixing the Future

By Donald F. Kettl January 16, 2008

With a new administration taking office a year from now, it's time to peer ahead at its fundamental dilemma: It will face problems that can't be ignored, and it won't have enough tools to solve them.

Some efforts will continue in some form - such as the Bush administration's performance management push. The stoplight grading system isn't perfect; its focus on individual programs hasn't produced a true cross-program, cross-agency connecting of the dots, and many of the measures are embryonic. But it did grab attention, and the idea of linking a program's results with its budget must expand.

Other recurring ideas should be pursued, but probably won't. One is to radically reduce the number of political appointees to end the revolving-door whiplash. Another is to revamp the human resources system, which is so broken that agencies such as the Internal Revenue Service and the Federal Aviation Administration leap at the chance to escape it.

But this combination - focusing on things that are under way and holding off on those that ought to be done - won't work. Government's performance record has not been stellar - with tainted toy imports, mind-boggling airport delays and, most of all, the Hurricane Katrina recovery debacle. We can't afford more of the same.

Moreover, the next administration can count on some surprise management crisis: perhaps a breakdown of the food safety system, an air traffic meltdown, mega-overruns on defense contracts, a West Coast earthquake or East Coast hurricane, or a dirty bomb. Facing such a challenge with more of the same management strategies will bring more of the same results.

The new president will need a two-track plan: forging ahead with positive reforms from the Clinton and Bush administrations, and looking to lessons from the past to determine what government ought to do differently.

The review must begin with the Government Accountability Office's high-risk list, the compendium of federal programs especially prone to waste and mismanagement. The 27 programs on the list provide a roadmap to diagnosing government's toughest problems, from modernizing air traffic control and transforming the Homeland Security Department to defense modernization and improving food safety. They point to common weaknesses in managing contracts, leveraging complex networks and building human capital - getting the right people with the right skills in the right places. The next president can be sure the costs of failing to tackle these problems will become ever more Katrina-esque for three reasons. First, crises increasingly appear with little warning, affect more people and demand a quick response. There might be few political rewards in preventing bad things from happening, but the political costs of fumbled reactions are soaring.

Second, the nation risks drowning in public debt, driven largely by the health care and retirement costs

of the baby boom generation. What's worse, GAO found, rising health care costs also are pushing state and local budgets into crisis, so the feds won't be able to offload their burdens to those governments. There will be no alternative but to force more productivity improvements to keep programs from failing and further straining budgets.

Third, the government will face a crisis of competence as the baby boom workforce retires. Over the next decade, 60 percent of all federal employees and 90 percent of senior executives will become eligible for retirement.

These three megatrends frame big problems the next president won't be able to escape. Most of the presidential campaigns, however, have paid little attention to them. The hopefuls with management proposals often are aiming at the wrong place. For the most part, they focus on reducing the body count: the number of contractors (for Hillary Clinton) or the number of federal employees (for Rudy Giuliani).

These targets seem tempting, but they won't solve the Ty Ziegel problem. Ziegel, 25, is a Marine sergeant disabled in Iraq by a suicide bomber's attack two years ago. Like thousands of veterans wounded in Iraq, he will need decades of care. But he already is struggling to get the help he needs. He requires care from a complex of agencies that must work well together: the Defense Department and Veterans Affairs, state agencies, and private and nonprofit providers. But the system is plagued by friction among its interlocking pieces.

Problems like Ziegel's are just like those of Katrina. They don't fit neatly inside any one agency. Failures ripple quickly. Successes will have to be sustained for decades. Solving them will require a performance-driven system that builds on crosscutting connections among agencies, levels of government, and the nonprofit and for-profit sectors.

Policy planners have tended to approach this problem by contracting out for more goods and services. But the government doesn't have efficient systems for managing these programs. Contracting can work, but only if agencies have the capacity to be smart buyers. In recent years, moves by both parties - the Republican privatization push plus the Clinton administration's radical downsizing of the civilian workforce - have left government without enough contract managers who have the right kinds of skills.

Procurement staffs are good at running sealed-bid price shootouts. But they are far less equipped to manage the new breed of contracts, in which lead systems integrators - the Halliburtons, Boeings and Lockheed Martins - design and operate the long supply chains that produce everything from logistical support in Iraq to emergency housing for hurricane victims. Procurement officials lack the capacity to oversee complex contracts such as Blackwater Worldwide's security role in Iraq.

The new administration will have no alternative but to address these issues. Solutions will require six steps:

1. Ask the basic questions. Some positions that should have been privatized, such as airport screener, have been governmentalized. Other functions that should have been governmentalized, such as Homeland Security policy planning, have been privatized. Government must spend much more time getting this right.
2. Reshape contracts. The government has moved past the question of whether it ought to contract out but hasn't focused nearly enough on how to structure contracts to get what it needs. It's time to create a procurement strategy that streamlines and speeds the process while producing good results in an accountable system.
3. Leverage networks. The government needs top-level capacity to leverage the complex networks -

among contractors, state and local governments, and federal agencies - on which service delivery increasingly depends. That means pushing aggressively on the Office of Management and Budget's efforts to focus on crosscutting programs. It means officials need that kind of leverage as their core competency. No one, least of all former Federal Emergency Management Agency chief Michael Brown, went to New Orleans intending to create the biggest administrative disaster in America's history. But that's just what happened because managers - at all levels of government - failed to connect.

4. Build the workforce. Some presidential contenders are debating further cuts in the federal workforce. The debate is not whether government has too many workers but, rather, whether it has the right ones. The workforce isn't equipped to manage during an era when much of the work is done by contractors and through multiagency partnerships. The real task is to define and train the kind of workers needed in exchange for shrinking the parts of the workforce that aren't. As contracts grow and boomers retire from government, this is a critical step.
5. Redefine performance. It's time to shape the next steps in performance management: to use measurement to drive crosscutting results and to link programmatic success with employee appraisals. That frames perhaps the toughest problem of all: integrating the strategies of OMB and the Office of Personnel Management, the budget management with the people.
6. Ensure fiscal sanity. Management progress won't matter without long-term fiscal sanity. All roads for escaping the asylum, at the local, state and federal levels, run through reform of retirement and health care programs. The next president's second term won't be worth serving without a solution to these issues.

This six-point plan won't send the hearts of swing-state voters aflutter. But as soon as the new president is sworn in, the realities of wicked problems, no money and a government struggling to deliver results will set in. Without a fresh management strategy, the new president can count on being trapped between unmet promises and a public more determined than ever to punish anyone who fails to make its government work.

Donald F. Kettl, director of the University of Pennsylvania's Fels Institute of Government, is author of The Next Government of the United States (W.W. Norton), coming in 2008.

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