

**Statement of
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before the

**Committee on Oversight and Government Reform
U.S. House of Representatives**

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Hearing on “Reinventing Government”

Good afternoon, Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to testify before the Committee on government transformation.

I would like to thank the Committee for its leadership on these efforts over the years. My past work experience at the Office of Management and Budget, where I spent over 13 years as a Federal employee and four years as part of the Senior Executive Service, and as the Chair of the Federal Advisory Committee chartered under FISMA to advise the Administration and report to Congress on security and privacy issues, intersected closely with the efforts of this Committee.

I am currently the Executive Director of the IBM Center for The Business of Government. The Center connects public management research with practice. Since 1998, we have helped public sector executives improve the effectiveness of government with practical ideas and original thinking. We sponsor independent research by leading experts in academe and the nonprofit sector, and host a weekly radio show “The Business of Government Hour” which presents in-depth stories on government executives and public managers who are changing the way government does its business.

My testimony will focus on how addressing the challenges that face government today can be a springboard for transformational change going forward, as well as what approaches can best achieve positive outcomes from transformation. None of these ideas will be easily implemented; government transformation is always a challenge given existing structures that are rooted in legal, policy, cultural, and budget pressures, just to name a few.

It is because of these pressures that an entity dedicated to bringing real and positive change to the public sector – like the Government Transformation Commission you are considering at today’s hearing – may be an effective means of achieving the results that I and the other witnesses will discuss.

Today I will focus on specific substantive areas on which a Commission, or similar process or organization, could focus in order to pave the way for sustained transformation in government.

Current Challenges Can Create Long-Term Opportunities

Numerous forces are converging on government, leading to a set of pressures unlike any combination of factors we’ve seen in the past. These pressures include:

- Significant fiscal constraints that are predicted to grow larger over time, given long term deficit projections.
- A citizenry that increasingly demands online, real-time service and improved performance, even in the face of austerity, and is used to taking its business elsewhere when providers don’t respond well to that demand.
- A set of social interactions over the internet that create coalitions of influence with far greater reach than ever before.
- The always-on, 24-hour information cycle that can turn small issues into large ones in seconds.
- The pace of technology and innovation that is increasing each year, in contrast to the relatively deliberate pace of government action.

Many of these factors have influenced headlines — as well as the attention of government executives — over the past year. They will likely continue to do so for the foreseeable future. While cost savings and day-to-day actions will be important in the near term, such considerations are only one part of a management improvement agenda that can transform how government operates. Public managers will have to turn to other strategies to transform.

Indeed, given these and similar pressures, leaders and managers across the public sector face unprecedented complexity in reaching their mission and program goals. The Center for The Business of Government has met with dozens of leaders about how best to meet this challenge over the past six months. We will soon issue a call for research into practical ideas for transforming government in the world that we see today, and will likely see for years to come.

These ideas fall into six drivers for change.

- **Developing Cost Savings Strategies That Improve Efficiency and Effectiveness.** Fiscal austerity will be an enduring challenge for public managers for the foreseeable future, but it can also create an environment and incentives to rethink traditional approaches to mission support and service delivery. Public managers can harness major technological shifts and adapt proven, public sector and commercial best practices to make their agencies both more efficient and productive, and to conduct operations and provide services with greater speed.

This may be the most visible near term benefit of transformation in government, and I will further elaborate on this topic in the latter portion of this testimony.

- **Fostering Innovation and Transformation.** Innovation can be viewed as new ideas, or current thinking applied in fundamentally different ways, resulting in significant change in operating models, business processes, or products and services. Transformation refers to broader, and more systemic, changes within an organization. Both innovation and transformation initiatives rely on the use of a set of processes, tools, and culture. Which innovation models lead to true transformation is still unclear, and measures of what constitutes success have yet to be well-defined.
- **Aligning Mission Support with Mission Delivery.** Agency missions cannot be delivered without mission-support functions such as human resources, acquisition, information technology, and financial management. Over the past 25 years, these mission-support functions have been professionalized and oftentimes centralized, with their leaders often referred to as “chiefs” -- including Chief Financial Officers, Information Officers (CIOs), Technology Officers (CTOs), Acquisition Officers (CAOs), Human Capital Officers (CHCOs), Performance Improvement Officers (PIOs), and others -- and having statutory compliance, policy implementation, service delivery, and strategic advisory roles. Effective mission-delivery leaders can leverage the investment and infrastructure of the various mission-support functions to deliver mission results and improve program efficiencies; effective practices by the various “chiefs” in the public and private sectors can foster improved mission performance.
- **Making the Best Use of Performance and Results Management.** The federal government has placed sustained attention on improving performance and results for more than two decades. Its strategies have evolved from a focus on agencies and developing a supply of performance information, to a point where today the emphasis is more on selected goals and the effective use of data to inform real-time decision-making. New laws, technologies, and techniques make this possible, but the frontier still seems to be finding ways to integrate performance management into the culture of government, within—and, increasingly, across—agencies. Information about performance and results can be truly impactful in driving agencies toward programs and activities with greatest net benefit.
- **Managing Risk in a Rapidly Changing World.** Managing risk in the public sphere increasingly takes on new dimensions. These extend from national security risks, to economic risks from natural disasters, to budget and program risks, to privacy risk. Understanding the spectrum of different kinds of risks, developing strategies and tools to mitigate them—as well as incorporating them into decisionmaking—and developing strategies for communicating risks to appropriate target populations, will be a growing challenge for public managers in years to come.

- **Developing New Models of Public Leadership Within and Across Agencies.** Governments today face serious, sometimes seemingly intractable public management issues that go to the core of effective governance and leadership. These issues test the very form, structure, and capacity required to meet problems head-on. As a result, government leaders find it necessary to go beyond established parameters and institutional strictures, working across organizational boundaries in pursuit of multi-layered, networked approaches that are tailored to a specific challenge --often through “shared leadership” models. Since complex challenges confront people with the unknown and unpredictable, they also demand a different style of leadership—one that shapes vision and fosters alignment and commitment through collaborative action.

Individually, research into each of these areas will provide important knowledge about what tools and approaches works best for government managers. Collectively, they can point a pathway to making changes across a broad array of functions that can help the public sector keep pace with economic, technological, and citizen trends.

To illustrate this connection, consider an example of an entrepreneurial government leader who has taken a on a program that works across agencies to provide information and services, moving away from paper and toward the internet as the means. Innovation can point to the art of the possible, both in terms of performance outcomes and a more effective and efficient way to achieve those outcomes; the leader faces various risks (financial, security, legal/compliance) in making changes to the program that result from innovation, but can work with their CFO, CIO, acquisition, HR, and other functional partners to develop a risk framework that complies with government requirements; and a collaborative approach across agencies can foster shared incentives to best serve the citizen.

Government transformation does not usually happen by getting one thing right. Rather, it happens because committed teams within agencies, often working with the non-profit and commercial worlds that support government, put together a change strategy that starts with understanding mission objectives, and proceeds with a plan that drawn on multiple disciplines and reacts quickly to new conditions. This combination of factors is not easy to achieve given the day-to-day realities that command government attention, and an independent Commission or similar process may be a powerful influence in overcoming this challenge.

Strategies for Improving Efficiency and Effectiveness: Paths for Transforming Back Office Operations

As promised, I would like to discuss in greater detail a number of areas where, based on work done by the Center for The Business of Government, transformation can lead to real cost savings for government, which may help to fill out the roadmap for a Commission or similar process.

The first area emerges from the Center produced a report, *Strategies to Cut Costs and Improve Performance*, identifying leading commercial practices that, if applied in the federal government, could contribute to up to \$1 trillion in reduced costs of federal operations over a ten-year period; these findings were echoed in a related report from the Technology CEO Council, *One Trillion Reasons*.

My colleague from the IBM Center, John Kamensky, testified before this Committee in February in detail about how this research pointed to opportunities to transform government in seven different areas. I would like to echo today a basic premise from that hearing: mission-support costs in government – for enterprise activities such as personnel, contracting, and supply chain management – historically average about 30 percent of total operating costs. In the private sector, these costs typically average about 15 percent. While the precise numbers may not compare well, they do suggest that changing the way mission-support functions are operated to reflect best practices in the private sector may provide opportunities to transform government operations in the back office, and save significant costs going forward.

Our report identified seven strategies where government can transform its mission support functions by leveraging commercial best practices:

1. Consolidate IT Infrastructure
2. Streamline Government Supply Chains
3. Reduce Energy Use
4. Move to Shared Services
5. Apply Advanced Business Analytics
6. Reduce Field Operations and Move to Electronic Self Service
7. Monetize the Government's Assets

The Obama administration has already begun taking action on IT consolidation and best practice, shared services, and improper payment reduction. There are specific steps that could be taken in those and the other areas to reap the benefits of these actions in terms of savings, which could be counted within the budget; this would require that Congress and the Administration work together to determine where the savings can be realized, allocating the savings in budget and legislation across discretionary and mandatory programs, and reducing funding ceilings for those programs based on the expected savings. Indeed, to the extent that Federal agencies can work together to implement these management reforms and realize the savings accordingly, leveraging private sector best practices can also make significant inroads in helping to reduce fiscal pressures.

Strategies for Efficiency and Effectiveness: Fast Government – A Way to Measure and Incent Change that Leads to Effective and Rapid Services for Citizens

A new Center for The Business of Government report, *Fast Government: Accelerating Service Quality While Reducing Cost and Time*, edited by IBM managing partner Charles Prow, shows how leveraging different strategies and tools can help government achieve change quickly and cost-effectively – a key success factor in today's world.

Fast Government can be a useful guide for federal executives eager to achieve transformation by streamlining and improving performance in their program areas.

As Mr. Prow writes in his introduction, Fast Government examines the role of time in the bring value to the public sector, and focuses on process innovation, disruptive technologies, predictive analytics, and other ways that leaders can make government processes work faster. Public-sector agencies can begin to fundamentally transform their processes through a focus on cycle time reduction and elimination of non-value added activities.

“Fast government” includes a variety of approaches:

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

The tools at our disposal to reduce cycle times will be familiar to any student of government transformation efforts over the past several decades. At the heart of any effort to make government work faster will be a focus on three variables, people, process, and technology:

- **People.** People make government processes run. The most amazing technology in the world will not reduce cycle times and improve performance if the people who manage and support the processes imbedded in the technology do not know how to use the new systems or do not support their adoption. Stories are legion about employees who created manual workarounds rather than adopt new technologies —and about improvement initiatives that failed to deliver the predicted results because of resistance by employees. So one of the key elements in implementing fast government approaches is ensuring employees are provided the skills and capabilities to succeed, so they can see processes from end-to-end from the perspective of time and value.

Leaders must also share this perspective with employees so they too can see how their team contributes or connects to the efforts of others.

- **Process.** There are great examples of the power of fast government inside the processes of the federal government in areas such as claims and payment, supply chain, and emergency/disaster response. There are also great examples in the commercial sectors. The best practices, gleaned from these public- and private-sector examples of organizational processes, provide clear lessons in how to increase mission effectiveness at a lower price point, by making the variable of time the central governing factor in that transformational activity.
- **Technology.** When used appropriately, technology can streamline operations and allow employees to shift from a focus on transactional processes to strategic insight and customer service. It can also be used strategically to analyze service patterns to identify wasteful processes that can be streamlined and reduce time and costs, such as in grant application processes. Increasingly, analytics are being used in government agencies to predict and prevent problems that can lead to costly wastes of time as well, such as identifying improper payments in advance of making the payment and stopping them.

Make Time a Key Performance Metric. If managers include time as a key performance metric, they will look differently at their operations, and will be continually challenging employees to find ways to reengineer processes to remove tasks that do not add value to the customer of the service.

Former OMB executive Robert Shea notes in *Fast Government* that several initiatives in the Bush Administration set goals that used time as the driving performance metric, and that this focus changed thinking and behaviors. For example, agencies had previously been required to submit their audited financial statements six months after the end of a fiscal year. But when OMB set a goal of submitting them six weeks after the end of the fiscal year, agencies had to completely rethink their processes, not just speed them up incrementally.

Strategies for Fast Government. An important strategy for cutting time and improving services and quality is to have a high degree of employee engagement. This involves two elements. First, employees need to see that they have the ability to make a difference. This includes having fewer constraints from above on how work gets done, but—as former OMB and White House executive Frank Reeder notes—they must still focus on protecting against risks that can arise with increasing speed.

Tools for Fast Government. In addition to putting the right strategies in place, there are a number of tools that can be used to speed government initiatives. One tool is the use of deadlines. Former chair of the Recovery Accountability and Transparency Board Earl Devaney says that in his more than forty years of government service, the statutory requirement that he create the Board and set up two money-tracking websites within six months was “when I got my first big dose of Fast Government.”

He said he met the deadlines, but it was by leveraging cutting-edge technology and analytic techniques that were adapted from the intelligence community. As a result, he was able to track the spending patterns of \$840 billion in Recovery Act monies and use predictive techniques to prevent waste and fraud. And even as time went on, his team was able to speed its analyses, reducing the time it took to identify questionable spending from five days to under five hours.

Other technology tools are also making it possible to rethink how government can deliver faster. For example, Tom Suder -- a commercial sector executive and co-chairman of the Advanced Mobility Working Group with the American Council for Technology and Industry Advisory Council -- sees that the intersection of mobile technology and open data initiatives can speed both government operations and public services. Suder notes that when the National Agricultural Statistics Service moved from paper-based surveys to the use of iPads to collect data, they not only sped the release of their data, but also saved \$3 million.

Tackling Red Tape. While some plea for a reduction in red tape as an element of transformation, this may be a wrong emphasis for government, where process (i.e., red tape) is often associated with a safeguard, not a barrier. Many procedural constraints are intended to remove risk from a process or program; in those cases, it may be appropriate to reconsider emphases in order to speed delivery.

Setting time as a priority means government needs to be willing to rethink existing constraints and processes. If government managers focus on strategies and tools that support time as a metric to manage, then the speed becomes another tool to improve program delivery in a way that government managers can address. As Mr. Devaney noted in reference to his Recovery Board work, this requires a shift in paradigm.

Conclusion

The world around us is demanding better, faster and cheaper service in every interaction, bolstered by the advent of new technologies that foster such change but constrained by fewer resources to implement change. The citizens who are served by government can quickly move to another option, or can report on things that propagate across the globe in real time. Government leaders and their employees who are looking to solve problems in this environment must develop a strategy and action plan that can bring multiple positive tools of change to the fore, in ways that can best be integrated to produce real and lasting transformation. A Commission devoted to government transformation that is dedicated to this proposition, or similar process or organization, may be highly effective in generating such results.

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Dan Chenok is Executive Director of the IBM Center for The Business of Government. He oversees all of the Center's activities in connecting research to practice to benefit government, and has a special focus on technology, regulation, budget, and acquisition issues. Mr. Chenok previously led consulting services for Public Sector Technology Strategy, working with IBM government, healthcare, and education clients. In addition, he is the Chair of the Cybersecurity Subcommittee of the DHS Data Privacy and Integrity Advisory Committee, Vice-Chair of the Industry Advisory Council Executive Committee, CIO

SAGE with the Partnership for Public Service, Chair of the Policy Coordinating Committee for the National Strategy for Trusted Identities in Cyberspace Identity Ecosystem, Fellow of the National Academy of Public Administration, and generally advises public sector leaders on technology policy.

Before joining IBM, Chenok was a Senior Vice President for Civilian Operations with Pragmatics, and prior to that was a Vice President for Business Solutions and Offerings with SRA International.

As a career Government executive, Chenok served as the Branch Chief for Information Policy and Technology with the Office of Management and Budget. He led a staff with oversight of federal information and IT policy, including electronic government, computer security, privacy and IT budgeting. Chenok left the government in 2003.

In 2008, Chenok served on President Barack Obama's transition team as the Government lead for the Technology, Innovation, and Government Reform group, and as a member of the OMB Agency Review Team.

Chenok has won numerous honors and awards, including a 2010 Federal 100 winner for his work on the presidential transition.

**Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)**

Name: Daniel J. Chenok

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

None.

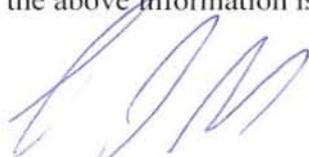
2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I am testifying on behalf of the IBM Center for The Business of Government, which sponsors academic, non-partisan studies of the operations of government. I am the Executive Director of the IBM Center for the Business of Government and a Partner in IBM's Global Business Services.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

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