

Improving Managerial Capacity of the Federal Government: A Public Administration Agenda for the Next President

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The reputation of a president can be enhanced or degraded depending on quality of federal management. This transition memorandum draws on insights of Fellows of the National Academy of Public Administration. It urges the next president to (1) set a tone and strengthen organizational infrastructure to promote effective management across government, (2) create an office to monitor potential major risks and assure adequate response, and (3) pass on to his successor more capable government than he found. Only then can the incoming administration create the basis for short term success and longer term effectiveness to implement the president's policy agenda.

Introduction

The new millennium has brought home a truth that the United States both learned and lost in the Twentieth Century: effective management of the federal government is essential if we are to cope with serious challenges that face this country. This review of how to increase managerial capacity of government draws on experience of Fellows of the National Academy of Public Administration (NAPA) and writings (Stanton and Ginsberg, 2004; Stanton, 2006a; and Standing Panel, 2007-8) of the NAPA Standing Panel on Executive Organization and Management. That panel consists of experienced federal managers and management analysts who frequently have helped federal departments and agencies to increase the quality of their organization and management. Charles F. Bingman, a seasoned former federal official and panel member makes the following recommendations for an incoming administration.

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The Importance of Effective Management for a Successful Presidency

For a president to make wise decisions and implement them requires capable federal management. When the president seeks to create a Department of Homeland Security, he needs information about the strengths and limitations of organizational options. When the federal government enacts a law to reduce the impact of the Alternative Minimum Tax, something that appears initially to involve lawmaking rather than implementation, the Internal Revenue Service must change forms and otherwise implement the change to make it effective. When the president calls for improved information sharing among intelligence agencies and with state and local governments, the presidential order can remain a dead letter unless he takes a strong management hand to assure that something actually happens.

For a president to translate his policy objectives into action, government must be staffed by capable individuals, supported with appropriate systems, and organized so that

relevant high-quality information flows to decisionmakers and decisions are implemented promptly and effectively. Government is constantly scrutinized; policies and procedures must be in place to balance the need for flexibility against the requirement that government decisions be transparent and accountable. Mistakes in transparency and accountability can cause poor relations with congressional oversight committees, reputational damage, and controversy that impede implementation of presidential policies.

Effective government is especially important in today's complicated world. September 11 and Katrina reflect low-probability high-impact events (Taleb, 2007) that called upon government to respond capably. September 11 proved that unhappy people around the world can turn their grievances into serious harm to the United States. Katrina was a natural catastrophe exacerbated by weaknesses in governmental decisions such as inordinate wetlands development and poorly designed levees and canals. Other areas where previously improbable events potentially could materialize with high impact include cyberattacks to bring down systems or steal critical information, and threats to the food supply.

Also – and both Katrina and the potential impact of a homeland security event are relevant here – dimensions of possible problems increasingly spill across the boundaries of individual federal agencies; effective response requires cooperation of potentially numerous federal, state, and local agencies, nonprofit organizations, and private companies. (Stanton, 2006b; Stanton, 2007). In this context, federalism, which too often has been used as a constitutional slogan rather than a source of strength for national action, becomes especially important if a president is to succeed in addressing major issues.

The administration of the next president may well face at least one major unforeseen catastrophe that requires effective management of federal, state, local, and private organizations. The reputation of that administration can be enhanced or seriously degraded depending on the quality of its managerial response. Former panel chair and former Chair of the NAPA Board of Directors Alan Dean points out, “In the long run, good management is good politics.” If a crisis comes at an awkward point in a president's term, good management can be essential for good politics in the short run as well.

Obstacles to Effective Presidential Management

The political culture of the United States presents significant obstacles to effective presidential management. The United States began as a nation in rebellion against what was perceived as a strong and unresponsive British imperial government (Corwin, 1957; Skowronek, 1982). Richard Stillman (1998) documents how the United States government began with a peculiarly “stateless” administrative framework, in contrast to the bureaucratic structures of the administrative states of Europe, and Great Britain in particular. In balancing the tension between effective executive administration and responsive political representation, the framers of the Constitution placed considerable political power in the Congress, and not merely in the executive. One legacy of those

constitutional decisions is a government of the United States that today exhibits what Ronald Moe (2004) calls “organizational disaggregation.”

The unusual managerial framework of American government is complicated by fundamental differences between the public and private sectors. Political appointees coming into government, often including the president, may lack experience as federal managers. Those with experience as managers in the private sector may find their reflexes inappropriate for the governmental context. The problem can compound when political appointees, and indeed the president himself, come into their offices filled with the confidence that derives from a successful career in the private sector. (See also Finkelstein, 2003).

The problem is further exacerbated when political appointees fill top layers of an agency’s hierarchy. Short time horizons of many political appointees militate against longer term efforts to strengthen management capacity, in favor of shorter term initiatives that allow appointees to place their stamp on an idea before they leave. Some appointees without previous executive branch management experience may view longer-term perspectives of civil servants, and civil servants’ attention to details of rules and established policies as signs of disloyalty without appreciating differences in culture between appointees and civil servants. (Maccoby, 2006).

The federal budget process further complicates effective management. While private companies can generate revenues that serve as the basis for growth, federal agencies often lack an appropriate linkage between their expected performance and the resources needed to achieve that performance. Many face demands to increase their services at the same time that their budgets are constrained. As a NAPA report on the fiscal future of the United States (2005, p. 13) points out, “There are no easy solutions to the mismatch between what the American people expect from government and how much they are willing to pay.”

Sometimes capacity of an agency itself becomes a target of political attack. Sallyanne Payton (2003) suggests this in the administration of Medicare: “Actions affecting Medicare tend to be evaluated politically...for their potential to advance or retard the cause of national health insurance, for their effect in creating or tending to block the creation of an administrative infrastructure sufficient to allow the government to make a credible claim that it can administer a national health insurance system, and for their potential to push future development toward one model or another of government-sponsored health coverage.”

Strengthening managerial capacity may well cost money, even if the later result is greater effectiveness and efficiency; if so, federal budget constraints also militate against improving management infrastructure, except at the margins.

Even when a president makes major changes, he and the Congress may limit resources to implement those changes, regardless of the impact on development of an effective management infrastructure. Thus, the Administration (Bush, 2002) argued that creation

of the new Department of Homeland Security (DHS) “would not ‘grow’ government”; rather, “The cost of the new elements...as well as department-wide management and administration units, can be funded from savings achieved by eliminating redundancies inherent in the current structure.”

This ignored lessons from federal reorganization over many decades. As Harold Seidman (1998, p. 12) has written, reorganization can involve substantial additional costs to deal with potential disruption and the need to integrate people, processes, and systems. Some management shortcomings at DHS, and especially difficulties integrating the constituent parts of DHS, trace back to parsimony. The DHS Inspector General (2006, pp. 87, 90–1), not usually an advocate of spending more money, pointed to insufficient budget resources as contributing to FEMA’s weakness in responding to Katrina.

Government and its responsibilities are more complicated than ever before. Many organizations – federal, state, local, nonprofit and for-profit – may need to help deliver public services. Figure 1, below, prepared by Paul Posner, Director of the Public Policy Program at George Mason University, shows the diverse nature of organizations, included in what Lester Salamon (2002) calls “third-party government,” that channel federal resources to provide public services. Third parties include a burgeoning contractor workforce. The charts indicate that for the past 18 years the contractor workforce has been over twice the size of the civil service workforce while the gap continues to widen.

[Figure 1 here]

The contractor workforce is susceptible to diminished accountability for reasons including a decline in capacity of government procurement offices and an expansion of the nature of tasks that contractors now undertake (Guttman, 2006). While federal departments and agencies are technically prohibited from delegating so-called “inherently governmental” functions to contractors, this restriction is often honored in the breach. (Guttman, 2004).¹

The desire of the president and Congress to appeal to different parts of the country and to a variety of interest groups and constituencies often leads to confusion, contradiction, and waste. Figure 2, again from Paul Posner, shows how multiple kinds of state and local agencies receive first responder grant programs from various federal funding sources. As Mr. Posner testified for the Government Accountability Office (GAO, 2003), this confusion results in loss of effectiveness and fails to allocate funds to highest priority homeland security purposes. Fortunately the statutory framework has improved somewhat since 2003, although significant problems remain of overlap, duplication, and misallocation (at least according to criteria of highest risk and need).

[Figure 2 Here]

These then are major obstacles to effective federal management: our political culture, perspectives of the incoming president and thousands of new political appointees, the

potential disconnect between resources available and responsibility of a federal department or agency to carry out its missions, and delegation of functions to third parties outside of the federal government. Recommendations to improve presidential management must take realistic account of these factors.

Overcoming the Obstacles to Effective Management

From the perspective of an incoming president, investing energy and resources in improving federal management must be weighed against likely consequences of failing to do so, as in the creation of DHS. Constraints on available resources are prevalent in the context of the current long-term imbalance between available federal resources and prospective demands for federal services (NAPA, 2005). Fortunately, many recommendations to strengthen management and organization do not require expenditure of significant budgetary resources compared to the size of programs that could be improved.

Creating a Climate Where Good Management Counts

Recommendation: The president should set a tone that promotes effective management of federal departments and agencies.

Comment: This is the single most important recommendation. Setting the right tone at the top is essential for federal management to receive the priority that it deserves. The president can set this tone by:

1. Requiring his policy assistants on the White House Staff to include management analysis as part of the handling of each policy issue. Possibly require each policy assistant to assign a staffer in his or her immediate White House office to analyze and make recommendations about the management part of each policy package.
2. Selecting political appointees for key positions who have a track record of effective management experience, preferably including service in federal, state, or local government.
3. Applying tools of performance management to increase the priority that federal agencies give to overcoming management weaknesses. These could build on the type of scorecard used in the President's Management Agenda of the current administration, the Government Performance and Results Act (GPRA), and possibly the Program Assessment Rating Tool (PART) (Breul, 2007; Frederickson and Frederickson, 2006).
4. Encouraging political appointees to work in partnership with career civil servants (Ink, 2006), and above all, by doing no harm: supporting rather than denigrating federal career civil servants and government generally. (Comarow, 2006).

Building an Effective Management Infrastructure

The federal government is a sprawling enterprise, with 2.6 million federal civilian employees (including the Postal Service) and 1.4 million uniformed personnel. The 15 cabinet agencies, 21 other major agencies, and myriad of smaller agencies each has one or more missions, backed by constituencies that have been strong enough to protect the organization and its programs from elimination despite serious budget constraints. The nation suffers when small and previously obscure agencies such as the Federal Emergency Management Agency (FEMA) or the United States Corps of Engineers malfunction, as became manifest during Katrina. Failures also pose significant reputational risk for the president.

The president cannot manage the far-flung government enterprise alone. Matthew Holden observes that presidents face major biological and psychological demands during their time in office (Holden, undated).² The president needs an organizational infrastructure to help assure that information flows up to him or another relevant decision maker, that decisions are carried out when they are made, and that information about those decisions and their consequences again flows upwards to the proper officials.

The Office of Management and Budget (OMB) is, at least on the domestic side of government, the most important institution to provide the support needed to help the President manage the federal government. For national security agencies, the National Security Council (NSC), in conjunction with the Joint Chiefs of Staff (JCS) for the armed services and OMB, at least in concept, is supposed to provide this support.³

Multiple program failures have brought into sharp focus the costs of hollow government and the neglect of the administrative capacity of agencies to carry out their missions. Many years ago, the Executive Office of the President (EOP) included an Office of Management and Organization (earlier a part of the Administrative Management Division), housed first in the Bureau of the Budget and then in the new OMB, with responsibility for enhancing the management and organization of government organizations and programs. That office had responsibility for enhancing the institutional capacity of the presidency and, by extension, the rest of the Executive Branch. (Redford and Blisset, 1981, p. 221).

The Office of Management and Budget today appears to focus much more on improving accountability of government agencies than on building their management capacity.⁴ NAPA's Executive Organization and Management panel has debated where management analysis capacity should best be located in the Executive Office of the President (See Bingman, 2007).

On the one hand, many Fellows of the Academy who are former OMB officials argue that organization, management and budget are inseparable; the design of programs and agencies must be accomplished with close attention to the resources that may be required. (DeSeve, 1999). Moreover, OMB has invested actively in management initiatives pursuant to President Bush's Presidential Management Agenda. (Breul, 2007). Other Academy Fellows see a fundamental conflict between management and budget functions. In their view the primacy of budget constraints at least since the 1980s has meant

inevitable dominance of the budget function over OMB's responsibilities for improving organization and management. They urge that the organization and management function be located in an office separate from OMB. (Moe, 1999; Jasper, 1999). While the budget function requires OMB to wield power to constrain resources that agencies and programs would like to have, the organization and management function is more supportive in nature and calls for collaborative working relationships with agency officials that could be jeopardized by budget conflicts. Yet other Fellows suggest that a new Office of Executive Management be created within the Office of Management and Budget to replicate some of the important functions that the Administrative Management Division once carried out within the former Bureau of the Budget. (Ink, 2008).

Recommendation: The president must strengthen the organizational infrastructure needed to promote improved agency management capacity and more effective management across government.

Comment: A strategic organization and management capability in the EOP is needed to support agencies and programs across the Executive Branch, from a stronger National Guard and armed forces Reserve system to improving procurement capabilities, to an improved delivery system for federal housing programs to any of a number of other major government commitments that are not well implemented.

The office must have a staff capable of concentrating in a sophisticated way on important responsibilities (See, Moe, 1999; Jasper, 1999):

- **Government Organization:** Review government wide organizational structure on a continuing basis, periodically reporting to the president and Congress on the state of government organization and proposals to improve the performance and efficiency of federal programs and the capacity of federal agencies.
- **Cooperation and Coordination:** Facilitate interagency and intergovernmental cooperation and assist in developing effective coordinating mechanisms throughout the government.
- **Systems Improvement:** Provide leadership for improving agencies' administrative and program delivery systems, including those that can help to make GPRA a success. Administrative systems include personnel, procurement, and information resources, for example.
- **Early Warning:** Analyze agency capacity and operations, e.g. with respect to national homeland security, public health, or financial vulnerabilities, to detect potentially damaging gaps and shortcomings.

- **Special Organizations:** Oversee the overall operations and management of government corporations, government-sponsored enterprises, quasi-governmental entities, and other institutions with a governmental interest.
- **Reorganization and Management Legislation:** Develop criteria and standards to be met prior to the submission of legislation to establish new or reorganize existing government corporations, enterprises, and other entities with a government interest; provide advice on the workability of proposed programs and legislation as they are being developed.
- **Fostering Management Analysis Capacity:** Help departments and agencies to develop internal management analysis capabilities.

These functions are intended to support rather than displace management capacity at individual agencies. True, individual agencies bear the primary responsibility for effective management of their programs. However, when an agency faces constraints, such as serious resource limitations, lack of analytical capacity, or the need to collaborate across organizational boundaries to be effective, then support from the EOP may be essential.

Building and strengthening such capacity in EOP would greatly add to the president's capacity to address across all of the agencies and programs of government the critical issues of organization, management, and coordination that have become a national priority if government is to carry out its responsibilities effectively.

Addressing Areas of Major Vulnerability

The world manifests increasing complexity and this in turn creates increased vulnerabilities for the people of the United States and our government. Serious lapses can be found in virtually every realm of government: intelligence and national security, Katrina, failures to protect imported food, drugs, and toys from toxic components, and inadequate protection of the financial system from concatenations of risk expanding from the mortgage market, are recent prominent examples.

The next Administration is likely to face the prospect of similar national vulnerability from a variety of directions. An urgent priority is for the new president to create capacity in the Executive Office of the President to monitor the horizons for potential risks and to assure that government has the capability and direction to prepare to meet the challenge of such risks. The Bush Administration's planning for possible outbreak of Avian Flu or other pandemics may be an example, albeit untested, of the type of monitoring and preparation that is called for.

Recommendation: The president must create an office with responsibility and authority to work with federal agencies to monitor externally for potential major risks and internally within government to assure that the capacity and mandate exists to address those risks proactively. This office should seek added authority from the Congress to call

upon resources of federal agencies and reallocate them to deal with major emergencies that cut across agency responsibilities. The office also should assist with development of useful organizational plans to assure an effective crisis response. (Ink, 2006; Ink, 2007).

Comment: This EOP office should focus on anticipating major risks and vulnerabilities. Individual agencies should conduct their own monitoring and report to the office. While organizations traditionally have had difficulty anticipating and dealing with low-probability high-impact events (Ripley, 2006), a lesson of the Bush Administration is that such events can permanently impair the reputation of the president and responsible federal agencies and officials while causing inordinate damage to the country. The president will need to provide high priority support to this function.

Building Management Capacity for the Longer Term

The federal government is in transition. As Harold Seidman has written, the old principles of hierarchical management no longer apply to many important tasks of government; on the other hand, neither public administration academics nor practitioners have yet developed effective new working principles. (Seidman, 2004). John Kamensky (2007) points to an absence of a common perspective as to what constitutes good public management. Ronald Moe (2007) writes about the “competing paradigms of management” of the federal government.

That said, important recommendations can be made. Deferred investment in government management, as with any infrastructure, can contribute to harmful and costly events. EOM panel members have identified numerous significant shortcomings of the federal government to correct so that government can effectively carry out its responsibilities to the American people.

As Ronald Moe has pointed out, the question of the range and extent of governmental functions is a political one; by contrast, the president is responsible for management and bears responsibility to assure that government has the capacity to carry out the functions that it has been given. From a constitutional perspective, this responsibility can be seen in the mandate of Article II that the president “...shall take Care that the Laws be faithfully executed....” (United States Constitution, Article II, Section 3).

Recommendation: The president should strengthen the longer term managerial capacity of the presidency as an institution. The goal should be to pass on to his successor a more capable government than he found.

Comment: Critical longer term areas deserve the president’s attention:

1. Assuring that the EOP has the capacity to produce high quality organizational proposals, both to address crisis situations and for longer-term improvements in governmental capacity.

- Dwight Ink and Herbert Jasper point to numerous examples from the Bush and Clinton Administrations, such as the organization of the Department of Homeland Security, reorganization of the national intelligence function, and reorganization of the U.S. Agency for International Development and U.S. Information Agency, that in their view were poorly conceived. A poorly designed organization can greatly hamper the ability of even the most capable managers to implement their programs. (Ink and Jasper, 2007).
2. Assuring that the EOP has the capacity to support management improvements across government.
 - Charles Bingman (2007) notes that the federal government currently manages some 1,000 significant public programs: “There is no ‘manual’ for thousands of program managers and their staffs, and often issues that arise in the implementation of these programs prove to have high level implications which may reach the President and require his attention and decision....the President needs some resource at his disposal to assist him in meeting such needs.”
 - Management improvements are especially critical in areas such as technology absorption, contracting (Guttman, 2006; Guttman, 2007), asset management (Stanton, 2003), and fostering collaboration across organizational and intergovernmental boundaries (Stanton, 2007; McDowell, 2007).
 3. Assuring that federal managers have skills needed to carry out their responsibilities effectively.
 - Strategic human capital planning is needed to address impending waves of retirements of federal civil servants and the need to hire and train replacements who possess new skills in areas such as technology, financial management, and project management. Senior executives and other current federal officials also should be trained in the new skills.
 - Michael Maccoby (2007) points out how the information age has brought a growing need for effective collaborative management in both the public and private sectors. Effective collaborative management can potentially help to improve the flow of information to key decisionmakers and can help policymakers to devise better early warning and response systems and solutions to complex problems than might be possible with a rigid hierarchical approach. Federal managers need to be trained in effective collaborative management and incentives need to be put into place.
 4. Assuring that the federal government has the capacity to manage the third parties that carry out the predominant part of its work.

- Lester Salamon (1981) was perhaps the first to point out the dependence of federal managers on the broad range of third parties – contractors, grantees, and numerous private institutions such as government-sponsored enterprises, commercial lenders, and insurance companies, among others – that carry out public programs. Each of these types of third party requires different forms of accountability to assure the quality of performance and protect against mismanagement (Posner, 2005).
- The EOP should have the capacity to review the forms of third-party implementation across government programs and to establish standards, foster exchanges of promising practices, and otherwise assure that third-party government does not get out of hand. Cuts in administrative budgets of federal agencies in areas such as procurement have led to significant problems that an effective central capacity in the EOP could help to detect and, by working with the Congress, perhaps avoid. (Guttman, 2007; and Moe, 2007).
- The EOP needs to establish and oversee implementation of policies to assure that government departments and agencies properly allocate responsibilities so that government officials carry out inherently governmental functions while contractors and other third parties carry out only functions that are not inherently governmental. (Guttman, 2004).

Conclusion: “Muddling Through” is no Longer Enough

The new president needs to hit the ground running. The incoming administration must deal with serious threats at home and abroad. Too many programs lack leadership, management, staffing, systems, or organization needed for effective performance. A new president could well stumble if he tries to call upon incapable organizations to address emerging threats or implement major new policies. Panaceas used by past administrations such as constraining agency staff and contracting out have been overused and misused to the point that they have become part of the problem rather than the solution for many programs.

It is not surprising that incoming presidents often look to government as a vehicle for carrying out immediate policies rather than concerning themselves with strengthening the management infrastructure of the presidency and the management capacity of government. Yet, a longer view is also needed. To succeed in office, the president must make capable management a high priority. Only then, as these recommendations suggest, can the incoming administration create the basis for short term success and longer term effectiveness in carrying out the president’s policy agenda.

ENDNOTES

1. For a thoughtful example of the attempt to apply limitations to the scope of work that contractors may perform, see, Department of Defense (2000), applying both the test whether a particular intelligence function is inherently governmental and whether, even if not inherently governmental, contractors should not perform the function because of risk to national security.
2. “Decisional problems are the source of headaches and other ailments. That is why we can see their consequences in the physical deterioration of public persons. The public photographs of political leaders, over a series of years, are profoundly indicative. Chief executives may be more highly motivated than the rest of us, but not physically stronger.” (Holden, undated, 16).
3. John Deutch, Arnold Kanter and Brent Scowcroft (2001) have recommended creation of a Deputy National Security Adviser with authority to direct agency investment and program priorities in interagency areas, backed by OMB enforcement.
4. William Clinger, formerly Chairman of the House Committee on Government Reform and Oversight, has written (2001, 2) that, “In my years in Congress I witnessed the erosion of presidential authority, interest, and capacity in management with dismay...Major issues, such as today’s concern about the future of Medicare organization and administration, are being left to the vagaries of subcommittee politics. When asked how the new Medicare proposals should be organized and administered, the Executive Office is silent. The truth is that the President has little in-house capabilities to frame an answer to organizational management issues. He is forced by the vacuum in management capacity and knowledge to become a defensive and reactive player. Presidents nonetheless are going to be held responsible for how well the Medicare program works (whichever variation is adopted) without having much ability to shape the administrative issues in advance.”

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Sidebar

Recommendations for the Next President

By Charles F. Bingman

1. Recognize and accept responsibility for the effective management of the federal government.
2. Use the transition period between election and inauguration to develop a positive program for managerial improvement.
3. Recognize that initiating such a program of management reform and improvement early in the term of office substantially enhances the likelihood of success.
4. Where management improvements such as reorganizations will require the approval of Congress, take the lead in proposing these improvements out of the White House or departments. Recognize the substantial involvement of the Congress in important management matters and take the lead in informing and educating Congressional leadership.
5. Recognize the need for the strongest possible institutional support in the Executive Office of the President, and make the upgrading of that support a first priority.
6. Use the power and influence of the Office of the President to lead and direct the improvement of management across the entire federal

government. Accept the concept that management enhancement must be comprehensive and go beyond a few specific projects.

7. Recognize also that any management reform initiatives will take time to accomplish and that therefore presidential support must be continuous and seriously maintained. Too many reforms of the past have been given early support, but as presidential interest has waned, so too has the reform effort.

8. Similarly, the management initiatives of the previous administration should not automatically be abandoned as has often happened in the past. Rather, the Presidential transition should be used to identify those projects or reforms that should be continued and brought to fruition.

Source: Bingman (2007)

Figure 1

The True Size of Government (Fiscal Years 1990 and 2002)

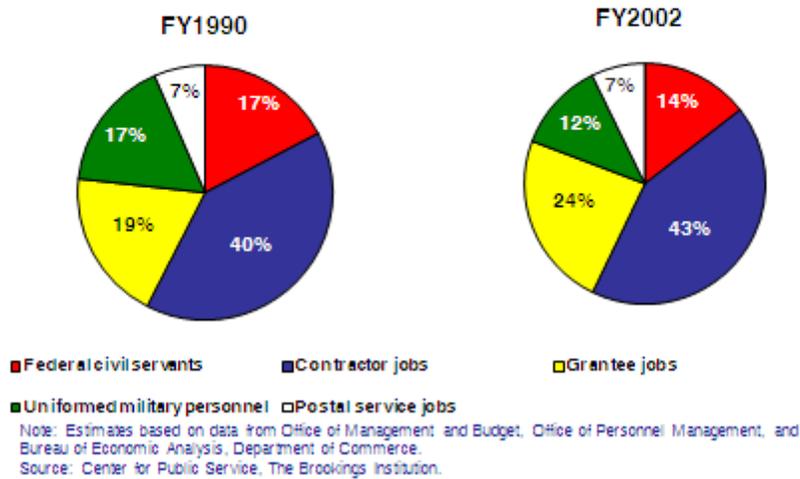


Figure 2

Federal First Responder Grant Programs (As of 2003)

