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Management Matters (For Them): Is There a New Normal for Federal Subcabinet Leaders?

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ABSTRACT

The jobs of politically appointed executives leading U.S. federal government agencies are typically seen as being mostly about policy and politics, not internal management and organizational performance. In this paper, we do in-depth interviews with ten subcabinet leaders identified by government experts as having done an outstanding job improving their agency's performance and a randomly selected "control group" of ten additional executives. We find evidence that, at least as of the beginning of this century, the proposition that subcabinet leaders are engaged only minimally in management is not generally true. Many, both outstanding executives and "controls," can discuss management issues at a high level of detail. For example, nineteen out of twenty could name at least one specific performance measure they personally followed (most could name far more than one), and all twenty could name a specific area where they had personally worked to achieve efficiency savings in the agency's budget.

We also find some evidence of greater attention to management among the outstanding executives than the others, though we are far less-confident about our findings showing differences between the two groups than on those showing similarities.

KEY WORDS: Political Executives; Internal Management; Management Matters; Performance Measurement; Cost Savings

The jobs of politically appointed executives leading U.S. federal government agencies are typically seen as being mostly about policy and politics, not the internal management of organizational performance. Most executives have a deep interest in their agency's policy area, while few are attracted to government service out of interest in management. Agencies cannot prosper without political support, and therefore gaining it must be central. The media cover politics and policy much more than management. Furthermore, Bernstein (1970: 516) notes

> the brief tenure of secretaries and agency heads…compared to the lead time, sustained effort, and investments… required to bring about significant improvements in management. …They also tend to be crisis-oriented and can hardly resist the apparent need to assign available manpower to emergency or high-priority tasks. Management improvement, therefore, is most likely to be a deferrable, residual concern that cannot compete …against the demands of substantive programs and insistent policy issues.

As early as the 1950's Bernstein (1958: 14), after discussing various jobs political executives need to accomplish, stated they are "apt to devote a major part of [their] time to external relations and to rely in varying degrees on subordinates to perform the other functions." Another early discussion (Mann 1965: 192) of satisfactions of service as an assistant secretary reported that interviewees "liked working closely with the key political figures of the day, taking a hand at fashioning government policy themselves, …[with] the exciting knowledge that they might be 'fashioning history.'" The first effort, the Nixon administration's Management by Objectives initiative, to get department leaders to use performance measures to lead their organizations "faltered because it addressed noncontroversial reforms that failed to maintain the interest of political executives" (United States General Accounting Office 1989: 75).

We agree with the worry of Pressman and Wildavsky in their classic <u>Implementation</u> (1973: 126-27) that such inattention causes performance problems for government:

> The view from the top is exhilarating. Divorced from the problems of implementation, federal bureau heads, leaders of international agencies, and prime ministers in poor countries think great thoughts together. But they have trouble imagining the sequence of

> events that will bring their paths to fruition. Other men, they believe, will tread the path once they have so brightly lit the way.

And we note there is some empirical evidence for the proposition that "management matters" for delivery of good organizational performance in government (e.g., Ingraham, Joyce, and Donahue 2003; Lynn, Heinrich, and Hill 2000; Meier and O'Toole 2002) and in firms (Bloom and Van Reenen 2007; Bloom et al.2013).

In this paper, we examine leaders of subcabinet agencies, the organizations actually doing government's work (such as the Food and Drug Administration or FBI[1]), as well as politically appointed functional leaders (such as a cabinet-level Chief Financial Officer). Our original question was whether we could add to evidence for the view that greater and more sophisticated focus on internal management relates to success in improving performance. We do find some evidence for this. However, we also find evidence that, at least as of the beginning of this century, the proposition that subcabinet leaders are engaged only minimally in management is not generally true. The degree to which many can discuss management, at a high level of detail, surprised both us and also Washington-based observers of government whom we showed a draft of this paper. For reasons we discuss at the end, we are far less-confident about our findings on <u>differences</u> between the two groups than those showing <u>similarities</u>. Thus, the two central results we wish to emphasize here are that, in general, "management matters" to these executives, along with information we have gathered about specific ways executives use techniques we examine.

We are inclined to believe today's subcabinet leaders have become more engaged than earlier ones in internal management, compared with those at the times earlier authors discussed this issue. We suggest three possible reasons: (1) With increased skepticism about the size of government, and increasing difficulty of creating majorities for new legislation, the importance

[1] The leaders of these specific organizations were not included in the research.

for a leader of crafting and arguing for legislation has declined, while executing existing programs has become more important. (2) Budgets have gotten tighter, increasing pressures for getting the best-possible performance from existing funds. (3) The Office of Management and Budget, in its government wide management improvement role, has shifted its interaction with agencies from simply demanding reports to helping create agency management capacity.

RESEARCH QUESTIONS

In an earlier paper (ANONYMIZED), one of us examined, through detailed interviews, differences in behavior between executives nominated as having successfully implemented an ambitious strategy requiring significant organization change, compared with ones who tried major change but failed, as well as ones in the same job in an adjacent administration. We found a number of differences between the two groups, including (but not limited to) that successful leaders were notably more likely to use a number of internal management practices such as strategic planning and performance measurement, thus adding to the body of research concluding management matters. In that paper, however, we counted only how many executives mentioned using a practice,[2] not how or how much it was used. We noted this as a limitation of the research.

In this research, we wished to use a similar methodology for obtaining nominations as outstanding executives and comparing them with what we call a control group[3] using in-depth interviews in a standard format. As in our earlier research, our intention was to look for differences between outstanding executives and other peers, this time focusing on internal management only rather than the broader set of behaviors examined before. We wanted to look at executives who were outstanding in improving their organization's overall performance, rather

[2] In response to an extremely open-ended question of how they developed and implemented their goals.

[3] A control group is usually defined as one excluded from a social-scientific treatment, which does not precisely describe our comparison group. We use the word "controls," though not precisely correct, because it is shorter and easier to use.. We are grateful to ANONYMOUS for pointing this out to us.

than just at executing strategic change. Also, we wanted to learn more about the specifics of how executives used management techniques, again looking at differences in how a technique was used between outstanding executives and others.[4]

Our interviews, however, produced unexpected results, which have become the center of this paper. We discovered that similarities between the two groups were more striking than differences. Both – particularly controls -- were more deeply involved in internal management than we expected. For example, nineteen of twenty interviewees could name at least one specific performance measure they personally followed (most could name far more than one), and all twenty could name a specific domain where they had personally worked to achieve efficiency savings in the agency's budget. We also found evidence for some differences, though there are reasons, which we discuss in the limitations section of the paper, for being cautious in interpreting them. But we believe our most-important (and defensible) results involve commonalities between the groups. Thus, our focus during the course of the research shifted from learning more about how management matters to an organization's performance to how management matters in a different way – to the behavior of executives in doing their jobs.

"Management" of course comprises many activities. We wanted our interview questions to focus on the same areas, to allow comparability in data analysis, and to involve management activities relevant across government. To make things tractable, we needed to limit the areas about which we asked. We chose use of performance measurement to drive organizational performance improvement as one because mention of using measures was one of the most-dramatic differences between outstanding executives and controls in our earlier study. The second area we chose was cost savings, since this was the highest-profile management initiative of the Obama administration. We asked both about efficiency savings (defined as getting more

[4] Conditional on whether the technique was used at all.

"bang for the buck" or reducing wasteful spending[5]) and program cutbacks in the agency budget (defined as reductions in activities that, while valuable, were not as valuable as others in a tight environment). Given our unexpected findings about the high involvement of controls as well as outstanding executives in management, we report only our findings on efficiency savings. Senior executives have always participated in budget formulation, which has a predominantly policy and political component, so finding both groups of executives worried about budget priorities would not have been surprising. By contrast, efficiency savings are enough "in the weeds" to make it easy for executives to delegate the issue to lower levels, while the overall topic of savings was visible enough to make it plausible for their leader involvement to have occurred.[6]

DATA AND METHODS

The Sample

To identify outstanding executives, we used a reputational approach, soliciting nominations from experts. We approached fellows of the National Academy of Public Administration (NAPA), a congressionally chartered honorary association (N=677), and Strategic Advisors to Government Executives (SAGE's) of the Partnership for Public Service, a group of former senior officials in information technology, contracting, financial management, and human resources (N=74). We also approached a small group of current and former senior officials with a government wide view ("luminaries"), including executives from the Office of Management and Budget and Government Accountability Office, congressional staff, and a journalist (N=16).

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[5] We thus used the word "efficiency" in its conventional meaning rather than the usage in economic theory.

[6] We also developed questions about leader involvement in the functional management areas of contracting/outsourcing and human resources management, but after our second interview realized that including these questions made an already long interview unmanageable, so we left them out of subsequent interviews in favor of the two general management activities of performance measurement and cost savings.

Potential nominators received a letter from us stating inter alia:

> We are asking for your help in identifying senior-level subcabinet executives who have served in the Obama Administration, and whose performance in managing and leading their organization has been outstanding. We are focusing in the first instance on individuals at the assistant secretary level, but these executives may also have titles such as Administrator, Commissioner, or Director. They could also be executives who are in charge of running a program or agency, as well as executives with cross-cutting management responsibilities (such as CXO's). … You may define "outstanding performance" as you feel appropriate, but we ask you to think about executives who have made a significant contribution to improved results delivered by their organization, without regard to whether you personally agree or disagree with the executive's substantive policy agenda.

After two reminders, responses were received from 38 NAPA fellows/SAGE's, a total of 93 nominations.[7] After follow ups, all 16 luminaries replied, providing 107 nominations. We determined a nominee would become part of our outstanding executive group based on one of these criteria: 1) two or more nominations from both NAPA/SAGE group and luminaries; 2) four or more nominations from luminaries, independent of NAPA/SAGE nominations; or 3) three or more nominations from NAPA/SAGE, along with one luminary. Based on these criteria, 11 executives qualified. However, one was eliminated since he led an organization of insignificant size. All nominees agreed to be interviewed.

Of the ten outstanding executives, four were either chief financial officers (CFO's) or chief information officers (CIO's). Another three had positions that (although titles varied) were basically undersecretaries for management in their cabinet departments. This left three who were executives in charge of mission programs.

[7] This is a very low response rate of 5% of those approached . The low response rate increases the risk of random noise, which if it is occurring suggests the possibility of missing "genuinely" outstanding executives who happened not to get nominated. However, all outstanding executives were selected based either based on three or four luminary nominations (which required no or only one NAPA/SAGE nomination). There was only one nominated individual with one luminary and two NAPA/SAGE nominations, meaning that the individual fell only one NAPA/SAGE vote short of being nominated as an outstanding executive, where randomness from small response rate might have played in.

As in our earlier research, we wanted to include a control group to avoid the problem of selection on the dependent variable (Lynn 1996). To select controls we used the so-called “Plum Book” (Committee on Homeland Security and Governmental Affairs 2008), and took positions with the titles Assistant Secretary, Undersecretary, Administrator, Director, and department-level (but not subcabinet) Chief Financial Officer, Chief Information Officer, and Chief Human Capital Officer (N=388). [8] We chose using a random number generator, splitting selection into two drawings, one for four CFO’s and CIO’s, the other for everybody else. Four individuals selected as controls declined to participate, so replacements were selected using the same procedure.

Five controls came to their positions from a previous job in the career civil service, compared with two outstanding executives. Five controls ran mission agencies, compared with three outstanding executives. The first difference might mean any divergence between the two groups is understated, on the argument career civil servants are more likely to attend to management than those with a political or policy background. The second difference might overstate divergences, if those running mission agencies are less likely to attend to management.[9] For some of our major questions, therefore, we separate results for the categories of political/career and mission/support. (We call those from mission organizations “agency heads.”)

The Survey

Interviews were conducted during the last year of the first and the first year of the second Obama term. Each respondent was interviewed in person (often more than once), typically for

[8] We included occupants of these positions in the military branches due to their large budgets We excluded assistant secretaries for Legislative and/or Public Affairs and general counsels, and those in positions responsible for a budget smaller than the smallest of any outstanding executive.

[9] We note below (p. xx) it is very possible CFO’s and CIO’s would not work on the management issues about which we asked in the interview.

three hours and sometimes more.[10] Interviews were recorded and transcribed. They followed a standard format, with mostly open-ended but specific questions. We asked questions such as:

> What are your organization's performance measures in which you are personally most-interested?
> Do you have regular meetings to discuss progress on the performance measures in which you are interested? (IF YES) What specifically was on the agenda of the last meeting you held?
> Have there been any occasions during the last three months where you have been dissatisfied with the organization's performance on a measure? (IF YES) What was the source of dissatisfaction? What if anything did you do to get performance back on track?
>
> At what point in your tenure did you start working seriously about trying to save money for your organization, whether through efficiencies or program cuts?
> How specifically have you gone about trying to locate efficiency savings?
> Do you track/follow up on efficiency efforts? (IF YES) How?

We asked highly specific questions for several reasons. First, we wanted to avoid the problem that, with general questions, interviewers might steer interviews for outstanding executives and controls differently. Second, we wanted to see evidence of respondent knowledge and engagement in these issues from factual answers to specific questions, rather than simply hearing generalized endorsements that might have been primed by the question itself.

Coding

The lead author developed an initial list of coding categories based on themes identified through preliminary reading of half the interviews. Codes were embedded in families, corresponding to themes addressed in the survey questions. All authors reviewed and revised these categories and definitions to reach consensus about the meaning of each code. Transcripts were coded by classifying relevant text into code categories and then totaling the frequency of text entries in each category. Coding was performed by the lead and the most-junior authors, the

[10] The interview length might be argued to produce a selection bias in favor of those interested in the topic of management. But no outstanding executives refused to participate in the interviews, and the four controls who did all did so before learning anything about its length. We did not get the impression that any interviewees was bored or trying to rush through the interview quickly.

latter assisted (for questions or clarifications) by the second author and a colleague, both serving as subject-matter experts. We used Atlas.ti Version 7.1.3.

We performed a first inter-rater reliability (IRR) test on two transcripts. Kappa agreement scores (*k*) were .40 and .42 for performance measurement and efficiency savings areas respectively. A *k* of .40 to .75 is considered fair to good agreement (Landis and Koch 1977). We had a very large number of codes (82 and 56 respectively); the rule of thumb is IRR tends to decline with number of codes (Sim and Wright 2005). To increase agreement, we had several discussions on results of the first test, reviewing each coded quote and discussing the meaning of each code. Based on a consensus from these discussions, we revised the code list and performed a second IRR on one transcript, obtaining somewhat higher *k* scores of .42 and .48.[11] Two authors proceeded to code remaining transcripts (the senior author coded 11, the junior one 6). Some minimal code reassignment took place when the senior author was analyzing coded quotes.

RESULTS

We present results for four questions:

(1) What was the general level of focus on the management issues about which we asked, combining outstanding executives and controls? We find levels were high, for both groups.

(2) Were outstanding executives more focused on management issues than controls? We generally find outstanding executives were somewhat more focused.

(3) In what specific ways did executives use performance measures and work to cut costs?

(4) Were there differences between the two groups in specific techniques used?

[11] The junior author was instructed to lean on the side of "over-coding," since unnecessary codes could be ignored when the senior author was analyzing the data. Many "disagreements" involved situations where the junior author gave a code and the senior one left the quote blank. Also, during data analysis the senior author noticed some overlaps among code categories that led to apparently inconsistent coding.

Results: Performance Measurement

While agencies have been measuring organization and program performance for decades, the practice received statutory attention with passage of the 1993 Government Performance and Results Act (Moynihan 2008). The Bush administration attempted to increase executive focus on the issue by making "performance improvement" one of five parts of a traffic-light management scorecard.[12] One of many scorecard evaluation criteria was if "[s]enior agency managers meet at least quarterly to examine reports that integrate financial and performance information" (OMB 2009a), the first suggestion senior officials should hold performance meetings. The Obama administration required deputy secretaries to run quarterly meetings about "high-priority performance goals" each department was required to establish (OMB 2009b); however, subcabinet agencies had no such requirement, and many had no official "high-priority goals."

Five outstanding executives (one of the three agency heads), but only one control, made a positive reference to performance measurement spontaneously, in parts of the interview not dealing with the topic. (All quotes below are from outstanding executives.)

> I was pleased [to discover when I arrived] all the ability to measure things, because what you can measure, you can manage and you can incent and you can reward and all that.
>
> It represents a certain organizational rigor around the activities associated with running this organization that I don't think has been here for a while. …We dug into it as we were starting a quarterly-review process, where we were really taking a disciplined, repeatable approach to looking at things. You know, we started at square one -- "What's the mission of these organizations? What is the structure? What are your goals? What are initiatives in support of those goals?" And it forced people to go through the discipline of actually enunciating that. And we began to learn an awful lot about the basic operational inputs and where the problems where, what the issues of the different operating entities were.
>
> I'm probably staying more focused on performance management now than anything else so we can incorporate new ideas and keep momentum. ...I'm literally looking at everything at least once a week. Where am I on schedule? Where am I on performance? Where am I on other parameters?

[12] See below, p. xx.

Of the twenty executives, we would characterize only one (a control) as on the whole skeptical of using performance measures to manage a government organization.

> I understand the intense interest in performance measures, but I find myself being more successful in being a little bit more of a pulse manager. By talking to people, maybe monitoring some performance measures, not having a matrix of performance measures. I feel like I can get a better sense of what's going on in the organization by listening to people and understanding where their pain points are. I am concerned that performance measurement can provide a significant amount of overhead to the organization when we struggle to keep up with our daily work.

Also, two controls (both agency heads who were politicals) stated their only interest in measures involved using them to show accomplishments in order to defend budgets. "I'm trying to figure out why it matters, because if I can use it to justify getting more money, great."

Initial Information Received about Performance Measurement in their Organization

We asked respondents what information they had received in briefings when starting their jobs about performance measurement in their organization. The two bookends were agencies already significantly using measures (three outstanding executives, three controls[13]), and where they weren't briefed on measures at all or that they asked questions and discovered little measurement was occurring (four outstanding executives, four controls[14]).

> I got briefed on their metrics. How many payments exceeded ninety days? How much interest have we paid on late payments? What's the average answer time for a [customer] call to [an agency call center]? …(So) for the most part knew that I was walking into a good organization. (outstanding executive)

> [This agency] had traditionally been good at this. We do a lot of things that are production-style, and with a lot of nerds and engineers, we're good at measuring these things. All of that stuff gets counted, measured, and it's very tightly wound into the performance-appraisal plans of the employees. [outstanding executive]

[13] Two of these outstanding executives were agency heads, along with two of the controls. For one of the controls we coded as the agency already significantly doing performance measures, the agency had a history of doing performance measurement, but had eliminated measures due to criticism measures were distorting results.

[14] One was the third outstanding executive who was an agency head, two of the controls were agency heads. Two controls had been promoted from deputy positions within their organizations, so they received no initial briefings at all. For one of these, performance measurement was already occurring in the organization, for the other not.

But other executives received no materials or concluded the organization was doing little.

> No, I don't remember anything particularly. I don't recall getting any [material] with regard to the GPRA goals. (outstanding executive)

> It's one of the first questions I asked: "Why don't you just show me all your performance metrics?" The answer was, "Well, we don't publish any." (outstanding executive)

> We had to do a report once a year. It was not used as an active management tool at all. (outstanding executive)

> It was a paper process, to be quite honest. (control)

Several executives complained existing measures were insufficiently challenging.

> The goals that were set were what I call zero-management goals. The example I give is my dog Benny. Look, any goal where my dog Benny can manage that goal isn't a goal because you can get rid of all managers and still meet it. So what we tend to do is we've got this production model, and into the model you put how many [professionals] you have and their tenure and their [grade] level and the kind of technology they handle, and it spits out a number that says, "Based on all this stuff that you put in as assumptions, here is what the agency is going to achieve," and the team than takes this and says, "That's our goal." Well, no, that's not our goal. That's what happens if my dog Benny is running the agency, because that's just what's going to happen if we don't do anything. And so one of the things I've been very adamant about is that goals are what happens when leaders cause things to change in positive ways. (outstanding executive)

> I got the brief [about measures]. Well, most of these things are things people would be doing anyway. ... So that wasn't really a performance measure. (outstanding executive)

> Our tendency was to base our response on what we were capable of doing, and that's what we measured ourselves against. I wanted to make the [measure a target of what was needed successfully to deal with the problem]. People said, "It can't be done." I'm like, "It doesn't matter what you can or can't do. What matters is you're not going to change the outcome. So maybe you need to think differently on how you're going to do this. Just because you're not capable of it doesn't mean it's not what has to happen. …When you look at Strategic Air Command's performance, it was held to standards that were seen as unattainable, but that was considered normal." (outstanding executive)

What Performance Measures Did They Themselves Personally Follow**?**

All respondents (except one control, an agency head who was a political appointee) were able to name at least one performance measure they themselves followed. However, the mean number of measures outstanding executives gave was considerably greater than for controls (6.3

versus 3.9 for the nine controls naming at least one measure, 3.5 including the one who didn't).[15] Two outstanding executives named nine measures they followed; one control mentioned eight. Table One divides measures into inputs, outputs, and outcomes. Respondents were considerably more likely to emphasize input and output, as opposed to outcome measures.[16]

[Table 1 here]

Quarterly Performance Reviews

All ten outstanding executives organized reviews to discuss performance data, compared with six controls. An additional two controls (both agency heads who were also politicals) had traditional weekly staff meetings typically featuring updates – generally informational, rather than the "data-driven" meetings OMB has called for -- on operational metrics as part of a larger agenda. Two controls (one a political agency head) held no meetings. Thus, four of five controls who were agency heads, as well as four of five controls who were politicals, either held regular performance meetings or discussed performance data in traditional staff meetings.[17]

[15] This difference seems to be mostly accounted for by the lower number of agency heads among outstanding executives: among agency heads only, outstanding executives followed an average of 5.7 measures each, controls 4.7, a small gap. For outstanding executives who were previously civil servants, the average number of measures followed was 7.5, for controls only 3.6, so the larger number of former civil servant controls does not narrow the gap.

[16] Dividing lines are not always agreed-on, so we list here examples of measures we characterized under each: (1) inputs: workforce training, how long it takes to fill a position, unobligated balances, reduction in headcount; (2) outputs: response time for beginning an agency action, percentage of the public submitting important agency forms electronically, improper payments, application processing backlog, public access to services, number of cyberattacks, speed of FOIA responses, tons of pollution reduced, cost savings; (3) outcomes: American Customer Satisfaction Index score, accidents/injuries. The percentage of measures controls followed that were outcomes was more than twice as large as for outstanding executives. This larger percentage was driven by one control, who mentioned four. Controls also were more likely to cite output measures than outstanding executive, though this difference was again driven by a (different) respondent who mentioned four output measures.

[17] Note that one control who was a careerist and an agency head held regular meetings, as did one political control who was not an agency head.

Five outstanding executives held meetings quarterly, as prescribed by OMB for meetings involving the Deputy Secretary, and five monthly (compared with two of six controls who held meetings). Two of the three agency head outstanding executives held monthly meetings, while no civil servant controls held them monthly, so these do not account for the differences observed. Nine of ten outstanding executives (five of six controls) chaired meetings themselves.

> Every month we have a meeting, which is one of the funnest meetings of the month, and the team brings the stat pack, which is 75 pages, and it's all charts, no words at all. It's everything that's going on. It's like the life blood of the agency, and I spend an enormous amount of time with them. We crawl through everything. Every single datapoint, whether it seems to be going good or bad, we talk about it, how do we get more of it, how do we get less of it, is this okay? [Beyond that], virtually every meeting I had, no matter what, I demanded the team bring in the metrics. (outstanding executive)

> By having the quarterly-review process, it made it harder for people to play the traditional bureaucratic game of trying to hold your breath in hope the problem resolved itself before you had to come and tell anyone it was a problem. Anyone coming into [a senior] job now, the most likely briefing material they would get would be their quarterly performance numbers. (outstanding executive)

> We went from a year in review, just for compliance, to quarterly reporting. And that was a huge change here to get people to, "Hey, we're going to look through stuff quarterly." (outstanding executive)

> [Compared with informal discussions of performance the way we used to have], it's less anecdotal at the quarterly reviews. We really want to focus on the metrics. Not at the exclusion of the stories. I like a good story as much as anybody, but we try to minimize the anecdotal. Another thing that wasn't done in the past was that the follow-up was awful high-level, and stuff was falling through the cracks. (outstanding executive)

A control who had performance measurement as part of a regular weekly meeting said:

> Weekly, I talk about what’s going on from my perspective about priorities, get an update from everybody in the room, people can pass if they don’t have anything to note. That’s where I look at dashboard and ask questions, usually without a headsup about what the questions will be. Then quarterly, I may or may not have in-person briefing on metrics, or may have memo.

The organizations of four outstanding executives (two controls) were already holding performance meetings when the executives arrived. The other six outstanding executives began holding meetings some time before the 2010 OMB memo requiring such meetings for "high-priority goals." By contrast, all but one control holding meetings began them after the memo.

Recent Performance Meetings and Interventions

All outstanding executives—as well as all those controls who held some form of regular performance meeting—were able to recall things that had happened in the most recent meeting, as well as present an example from the previous three months where they were dissatisfied with a particular performance metric and took action about the problem.

Some comments about the most-recent meeting were:

> It didn't go well. I had gotten preliminary briefings, but didn't understand what the data were telling me, "I don't get what this tells me about where we are." People said, "This is what we collect." I said, "This isn't good. You need to send me data that will help me, otherwise it's a waste of my time. Their metrics were how long will it take for the paint to dry, not when will the room be ready. So I stopped the meeting. I'm not a yeller and screamer, but they need to work on how to make the data meaningful. (outstanding executive)

> Because of my interest in [a customer-service issue],and the need for this to be improved because it's so fundamental, we had hired a new staff person to oversee [this]. So this was actually [the staffer's] in-detail presentation to me. So I was asking a lot of questions. Now that we've done this good drill-down, what does staff intend to do, and what is appropriate for me to do? (control)

> We were kind of resting our laurels a little bit about improving our improper payments rate, because we'd just had a major reduction. And [staff] really didn't want to come up with another reduction target and a plan to hit it. So I worked with the Deputy Secretary to keep adequate pressure on them to start getting new targets, new corrective actions. And we actually made that a high-priority performance goal. (control)

Table Two shows followup actions executives reported taking when they were dissatisfied[18] – as can be seen, outstanding executives were more likely to make process changes.

[Table 2 here]

[18] In several cases, executives cited more than one action, so percentages add up to more than 100%.

(1) Trying to identify the root cause of the problem/making process changes

We had a fast-track system, where those wishing to use [an agency service] could pay a fee in exchange for a commitment to disposition within a certain timeframe. Before participating the first time, users needed to petition to be accepted. We promised to get applicants their first action in [a certain time], and found we were making that commitment, but just barely. When I probed the metrics to find out what was going on, we found the petitions …were taking [almost all the time available] to get granted. This was a great example of silo thinking and lack of consideration for the system where each silo is acting. So I had to work with the petition people to get their cycle times down to half of where they started, to create enough room so we could easily beat the timeline in most cases. (outstanding executive)

We saw they had been working on hiring people for the procurement organization for years, we were tracking this, and they just weren't getting people hired. We then identified this as a problem, and we learned that direct hiring authority was a solution. Within 75 days of making this a priority, we got that authority. (outstanding executive)

[One unit] came in at the bottom of all our subcomponents in the Employee Viewpoint Survey. I said they needed to come back with an action plan for improving their score. They started doing a pulse survey, disaggregating responses by workteam, looked at places where people unhappy, and experimented with specific actions. This was the classic you measure, you see where your problems are, you take action, then you measure again. [This unit] launched themselves into top quartile. They had the largest increase of anyone in the history of the Employee Viewpoint Survey. (outstanding executive)

I now monthly get a report on [the service performance of a regulated entity]. I have hired a staff person to oversee quality of [the] service. Based on that, because I was unhappy about trend at one [regulated entity], I sat down with the COO. It's not about blame, it's about understanding the root causes. (control)

(2) Various forms of holding people accountable

I finally motivated my staff to where they should have been a year ago, which is if you have a laptop that is not encrypted on October 22, we will disconnect from the network and you will no longer be able to work until it is encrypted. (outstanding executive)

You know, you said you would do this. This is the third time you said you'd do it, and you still haven't got it done. It's going to affect the program. When are you going to get it done? What's the date? (outstanding executive)

I love my regional administrator. But she failed. She retired. The deputy? He failed. He went to another position he's better suited at, because he's career. (outstanding executive)

(3) Developing a more-meaningful measure

> Our data center consolidation measure was are you closing down centers? I was dissatisfied with the metric itself. I sat down with our CIO and said it feels like this is a real estate metric. I said we need to expand the scope of the measure, to document costs of operating centers, and track how we are reducing costs. (outstanding executive)

> In a licencing operation like ours, it's easy to measure throughput. Our measures showed a success rate that seemed very high, but industry said we were gaming it. So I did a deep dive to how we measured it, and we came up with a more accurate way to evaluate ourselves. (control)

> We measure an agreed-to date with customers, and we monitor the percentage of time we meet it. I had discussions with our top executives, looked at some data, and we saw some offices said they were issuing a report to meet the agreed-to date, but our customer has asked us to hold off the report because there was something else they wanted. We're doing these metrics to find out what's happening in reality, they are not a goal themselves, so if the customer wants it, forget the metric. (control)

<u>Deputy Secretary Involvement in Quarterly Performance Reviews</u>

For nine outstanding executives, deputy secretaries participated in performance meetings; this was also true for five of seven controls who held some form of performance review and where the organization had a Deputy Secretary (one led an independent agency).[19]

> Well, we have to go explain and justify, and they sometimes push back. I think part of our challenge was we were perceived as problem children. But as we demonstrated competency, they gave us greater time to do thing. So it's less about supervising us as much as more of a collegial relationship where, "Are we fitting in with the secretary's overall goals and objectives? Are we fitting with the administrative goals and objectives? And are we incorporating that in our performance measures? (outstanding executive)

> [The Deputy Secretary] was bought on already to the idea of quarterly performance because he had come from a publicly traded company. He had also been General Counsel of the [department] in the Clinton administration. So he said, "This joint will never do this. People can't even get their head around it." The principle was undebatable to him. The concept was hard for him to grasp within the context of [this department], so we had to prove we could deliver something of value. And basically the feeling was I'll give you a few hours of my time, but if you waste it, you're done. (outstanding executive)

> On Friday [the Deputy Secretary] got a book with 500 metrics in it, and he'd take it home over the weekend. Then on Monday we'd have the monthly performance review, and the meeting would consist of him flipping through and asking questions of everybody around the room. (outstanding executive)

[19] For two outstanding executives, the Deputy Secretary attended meetings irregularly, and for one outstanding executive and one control, the Deputy Secretary was briefed in writing only.

> [The Deputy Secretary] is very, very much engaged, to an extent the career folks have never seen before, which both can be a blessing and a curse, but certainly it keeps me motivated, which allows me to keep the staff motivated. (control)

> We have six metrics we review every quarter. The Deputy Secretary knows all of them. (control)

Problems Developing Measures

Interestingly, given their general enthusiasm about measures, outstanding executives were notably more likely than controls (five vs. one) spontaneously to bring up problems with their measures, in particular difficulties developing outcome measures. Their high level of interest seems to have made them more conscious of problems and limitations.

> We're still not measuring all the right things, and we're probably measuring too many things. (outstanding executive)

> The ultimate performance is outcome measures to [reflect the organization's mission]. But those aren't terribly useful for day-to-day decision-making, and so we back off to input measures largely, which are not always very satisfying, but they're the best we have. My sense is we try to go to the middle ground, and it tends to produce measures that are useless. (outstanding executive)

> So the role has really been trying to move the culture from one that wants to measure what's easily available to measure to what's really important. If we can't afford to do everything, what's really important, and what's really having an impact? So a good philosophical question is, is there a benefit continuing to invest in [one program], or would there be a bigger benefit in [another]? Our performance measures today don't yet tell us that. We know how much money we're spending and what that means to jobs created or preserved, but that doesn't tell me what the impact really is. (control)

Aligning Measures to Strategic Objectives

Four outstanding executives, two of them agency heads (no controls), spontaneously discussed aligning measures to the agency's strategic objectives.

> [Our agency high-priority performance goals] are the Secretary's top three priorities. Up until last year, we had more than that, but when we got a chance to redo those, we got them in line. So we only have three right now.

> What I'm really trying to measure is a set of measures that align really with our [IT] strategic plan and where we're trying to go. So, like rationalizing our infrastructure, measures around our ability to run and deliver our major IT programs. We don't have a strong customer-satisfaction model yet, although it's one of the things I'd like to be put in place, but we do have some measures around customer satisfaction. Finally, measures around functional integration of the department. So it really goes back strategically to what are we trying to do and then setting measures to measure our progress against those.
>
> There are four overarching things I'm trying to accomplish. You just can't keep dozens of performance measures in your mind and try to achieve them all. You got to have a couple in each strategic area. Of course, you get buffeted day in and day out with the tactical. I've got to answer that, but every day I think about my moving the ball forward in those four strategic areas because that's my job.

Communicating with Staff about Performance Measures

All nine[20] outstanding executives, and six of nine controls using measures, were able to cite a specific technique they used to communicate measures to frontline staff. Most-common were town hall or other general staff meetings (four outstanding executives, three controls), having senior career managers communicate measures down the chain (five outstanding executives, four controls), emails/ newsletters/blogs (five outstanding executives, one control).

> The first meeting that I had with folks I said, "Here's what I will do as your leader," and one of the things I promised I would do is set priorities and goals, and we would talk about them, and one of my other commitments was we will have quarterly town hall meetings, and we have a pattern that we use in those meetings, and one of the things we do is review the priorities and goals, and they're empowered to ask any questions or raise any issues that they think might be there. (outstanding executive)
>
> I'm not a believer in personal savior management. I want people to hear from frontline supervisors, that's the most meaningful way to communicate importance and relevance of performance metrics. Typically, the senior managers have staff meetings just after our weekly meetings, they push down what we've talked about. (outstanding executive)
>
> We have a monthly newsletter. The final piece is on a revolving set of metrics we want to make frontline people aware of. I see our measures weekly. Sometimes I just send an email to all employees about these. (outstanding executive)
>
> There is a nationwide all-hands meeting. We use video teleconferencing, so people can see me, I can see them, and we have discussions around what I believe performance is. And so if the performance is wrong, this is the data, and I'm getting this data from you

[20] One, in a matrixed arrangement, did not really have frontline employees working in the organization.

> guys, right? At the onset there was a lot of pushback. What I see now is an understanding of how I get to where I get to in my thinking and some acceptance of that. (control)

General Observations about Using Performance Measures to Manage their Organizations

Many respondents, in the course of the interview, made comments suggesting they had thought fairly deeply about issues involved in using performance measures to manage.

> I learned this, actually, at [my previous organization]. We had 50 performance measures. [So] something would always be going up. So people had a tendency to say, "Oh, look, that's going up. We're doing well." But "Yeah, but 49 others are going down." And if you're not careful, you could think that the one that's going up is equal and, therefore, offsetting to the one that's going down. But if the one that's going up is mean distance between failures of a certain bus and the one that's going the wrong direction is fatalities, that's a big problem. (outstanding executive)

> It's the end of October, and I have my monthly report for October. I don't want to talk about August. That's way too long ago. You got to do this stuff in real time. It's got to be urgent. So this whole thing of reporting once a year after the fact, that's totally a loser philosophy in my view. (outstanding executive)

> When you tell me you can't measure something, what I'm hearing is you're lazy. It means you haven't thought deeply enough about what you're dealing with. You can find a way to come up with a thoughtful measurement for anything. You just need to give it thought. (outstanding executive)

> I spent lots of time saying, "What is the real nugget of what we should be looking at and having conversations about?" Each business unit had a quarterly business review, stacks of 16 pages. So I said, "Let's get the quarterly stacks down to five pages," which helped everybody, because we had lots of people working on these. (outstanding executive)

> For a lot of folks, just going through the process of having to articulate an outcome and how to measure against it has done more to improve performance than the actual measures would suggest. I think it just goes back to if you're not looking at something, it's easy not to pay attention, and you get better by elevating and tracking it in a peer-review process where there's other folks in the room with other program areas looking at your presentations. The initial ones were quite bloody. People didn't like the self-examination because they saw it as too critical of them. (control)

> [One of my senior executives] said, "Maybe we should create a Performance Improvement Officer." And at the end of it I said, "You know what? I'm not going to do that because we've already got a Performance Improvement Officer. I'm the Performance Improvement Officer." (control)

Results: Efficiency Savings

Underlying the drive for cost savings were various targets from the Office of Management and Budget for cutbacks in discretionary spending (OMB 2009b; 2010a; 2011a; 2011c). A presidential executive order (White House 2011b) directed a 20% reduction in "administrative" expenses, and various documents discussed savings areas such as printing, duplicative IT, space utilization, and conference spending (OMB 2009b; 2011a; 2011b; White House 2011b).

Several respondents expressed spontaneous enthusiasm for cost savings work:

> You know, the sole reason I'm in government is that I view government as highly inefficient, and I enjoy applying what I learned in the private sector to try to increase that efficiency. I don't like paying taxes any more than anybody else, and the thing I can contribute is to try to figure out how could we take one corner of the government and just make it run more efficiently. (outstanding executive)

> We got plenty of fat in our budget. Congress is being irresponsible and cutting more than we had fat, but we owe it to ourselves to cut the fat. (outstanding executive)

<u>Early Awareness of the Need for Cost-Cutting</u>

We asked respondents at what point they had started "worrying seriously about trying to save money for your organization?" Virtually all – nine outstanding executives, seven controls – stated they began to do so as soon as they started their jobs,[21] though budgets were at the time going up because of the economic stimulus package. Some emphasized a view that overall budgets would soon decline, others their own inclination towards penny-pinching.

> I knew from history this wasn't going to last, walked into it knowing the country had fiscal problems, knowing I was working for an administration that had non-defense goals as well as defense goals -- a nice way of saying this wasn't a Republican I was dealing with. (outstanding executive, defense organization)\

> I brought that with me from [my previous job in a large city]. And we were, with the financial crisis, late 2008, scrambling. (outstanding executive)

[21] Only one of the 20 respondents, a control, stated he still did not feel a need to save money.

> This was something I was focused on before I joined the department, felt it needed to be a big part of where I put my attention. Most of us could see we were in a very difficult, financially difficult time. When the Secretary came on board, she pushed that, based on an initiative she targeted [in a previous elected position]. (outstanding executive)
> I think it was the first day I got here in the sense we had more work to do than we had workforce capacity. It got pretty quickly on the screen, only because I'm a little bit of a tight SOB anyway. I hate waste. It goes against my DNA. (control)

> It has always been on my screen since I joined the [Senior Executive Service]. Before we even elected President Obama, I saw smaller budgets coming. (control)

Five outstanding executives (two controls) spontaneously mentioned they took early action to save money -- there was no question about this in the survey.

> It wasn’t in vogue to cut costs because this was 2009, and there wasn't a mandate to have cost savings. You know, I submitted a budget that said, "We're gonna take a couple hundred million out of operating costs and reinvest it over here. (outstanding executive)

> The first thing we did was a grassroots initiative; we asked employees to submit ways to save money and kept track of which suggestions were adopted. What we didn’t have was the strong organizational initiative to figure out how to do our business. It’s fine to say print on two sides of paper – that’s the kind of thing employees suggested -- but we weren’t doing the things we subsequently did to challenge conventional wisdom about how we spend. (outstanding executive)

Areas Where Respondents Sought Efficiency Savings

All twenty respondents were able to mention at least one specific example of something they had personally done to achieve efficiency savings. The mean number of categories of actions cited by outstanding executives was larger than for controls – 3.0 (vs. 2.1 for controls).[22] Taking the total number of actions,[23] the gap widens (4.4 vs. 2.6). Table Three shows kinds of measures respondents took. 43% of actions outstanding executives cited were formulaic in nature, following areas OMB had enumerated for possible savings (vs. 35% for controls). 30% of

[22] Among agency heads only, outstanding executives gave an average of 4.7 (vs. 2.4) categories of action, meaning the gap was wider.
[23] If the respondent mentioned two examples of consolidation, we code two “consolidations,” not one.

actions outstanding executives cited (12% for controls) involved tailored efforts to save money by changing agency-specific, typically mission-related practices.[24]

[Table 3 here]

(1) Consolidations/restructuring

I live right over in that building over there, so I walk my dog around the [agency] campus at night. Shortly after I got here, I noticed that anywhere where there's lights on, you can see in. And I began seeing book libraries all over the place. So I asked my chief of staff, "How many libraries do we have?" We had 23. At [the company where the executive had previously worked] we had a lot of libraries at one time. We got rid of them all. (outstanding executive)

(2) IT/business process re-engineering

We had had a warehouse with hundreds of thousands of feet of floor space devoted to collections of literature from a union agreement when we moved from paper to digital files, which we eliminated. (outstanding executive)

We had legacy software systems using hardware that could only be bought from one vendor. We forced our folks to develop on open-source, saved 90% -- a gift that keeps on giving. (outstanding executive)

[In temporary field operations] we would often find ourselves turning on cellphones, satellite phones, putting in data lines. We found we were paying bills [from a long time ago] to places we had established lines that nobody turned off. So we came up with an idea of instead of IT being centrally funded, we would bill everybody for what they were using. That resulted in initial savings of several million just turning off cellphones no longer being used. (outstanding executive)

[A part of the organization decided] they should use bigger containers shipping stuff overseas that turned out to be more efficient. (outstanding executive)

(2) Personnel cuts/position restructurings

We had a lot of GS-15's in program offices. "Do a desk audit. If that position no longer requires a 15, downgrade it when it's vacant to a 12." (outstanding executive)

[24] However, one of the three examples a control cited involved an efficiency-promoting, dramatic change in the organization's core activity.

(3) Strategic sourcing

Software licenses -- oh, that's been huge. We've documented hundreds of millions of savings on consolidating software licenses. (outstanding executive)

(4) Real estate/space

We asked GSA to help us identify space needs. One thing we found was that, on a given day, if you just went through our spaces, you had a 25% vacancy rate -- travel, vacation, whatever, but about 25%. So we said, "Would it be possible to build a more flexible workspace with hoteling and other tools to reduce our footprint, and combine that with more aggressive use of telework?" As we ran the numbers, we found we could move from nine buildings to four. I can have offices, cubicles, and doors, or I can have staff. Pick one. (outstanding executive)

We had offices that were too big, even by the government standard. People always used to think they were kind of special and entitled to bigger offices. We shrunk offices down. (control)

(5) Efficiencies involving new ways of doing the organization's mission

Many of these involved more risk-based approaches to a compliance mission:

We have been trying to advance a risk-based approach to [regulation], some more collaborative approaches, engaging [employees of the regulated party] much more aggressively, getting away from the old-fashioned command and control. There's a lot of science that shows why this is the direction to be going. (control)

I came from [a self-regulatory body]. My view was let [them] have all the little guys, we'll just do the big guys. Why are we spending time examining a three-person shop in Des Moines? Let [the self-regulatory body] do that. They've got an office near there. They can do it more efficiently. (control)

We saved in our fleet management by asking inspectors to do a little higher level of preplanning in routing decisions. We never do anything that hinders rank-and-file inspections. You know, that's kind of a sacred cow. But we are asking them to get maximum value out of miles driven. (control)

(6) Miscellaneous

[Employees] could actually have a box. All of their mail would go into that box, and they'd be able to put stuff in the box. We ran our own private post office! There were thousands of these things at one point. Like anything in the government, once someone's doing it, they're happy to just keep doing it forever, until someone steps in and says, "Uh, wait a minute." (outstanding executive)

> We had a data center, and by doing something different with the configuration of the electricity, we saved $250,000 a year. We got rid of the shuttle bus we ran out there. There's a zillion of those things in every organization. And some of them are really simple. Do we really need 30 subscriptions to The Wall Street Journal for [top executives]? Can we print on two sides? (control)

Processes for Locating Efficiency Savings

Five outstanding executives (two controls, two of the three outstanding executive agency heads) set up a unit– or had a series of targeted meetings – to discuss efficiency initiatives. Additionally, one outstanding executive (one control, both of them agency heads) used a longtime career civil servant who “knew where the bodies were buried” to take charge of locating cost-cutting opportunities. Two controls brought in consultants, and one of these also used an advisory council of other senior federal executives.

> [Our efficiency unit] is not a big bureaucracy. They're all detailees. They come and go, so people are coming in with fresh ideas. Many of the people we get are people who have made great suggestions from the field. (outstanding executive)

> We would have meetings, where we’d say, "Let's come up with all the ideas we can about where we can find savings." You know, during the peak, I'd do two hours every week. I'd say, "I like this, I don't like this, we're not gonna risk this, and I have this idea," and then they'd come back with a different list. So it was iterative. (outstanding executive)

> One of the first things I did was get someone here who knew where the skeletons were buried financially. He was a retired career person. [I found out about him] from other trusted people here and folks in D.C. He was so feared here that his nickname was Darth Vader. (outstanding executive)

> The [career executive] who used to run the field operations got promoted, so he knew where all the bodies were buried. He's considered a turncoat now by his former colleagues, but [he] has really done a tremendous job in identifying those opportunities for efficiencies. (control)

> One outstanding executive, and two controls, said lower-level staff helped with ideas.

> In the beginning it took some pounding the table. People were not used to offering ideas. I had a few meetings where I'd just sit there and stare at people until they started to speak. (control)

Five outstanding executives (two controls, only one of each an agency head) reported getting information from outside the organization for efficiency savings. The two most-commonly cited were think tanks/academics and commercial databases; one respondent mentioned another government office, another the organization's constituency groups.

> There's an old saying, "You don't ask a dog about dog psychology." …That was one of our big revelations, "Let's look outside of the [department] for data about [us]." So we used the Office of Personnel Management retirement database and their hiring database to help us understand attrition rates. (outstanding executive)

However, the units specifically designed to provide cost-savings information, the Government Accountability Office and agency Inspectors-General, were not seen as useful sources for savings ideas. In response to a question, only two outstanding executives and two controls thought the IG was helpful locating cost-savings ideas; one control gave a response we characterize as intermediate; three outstanding executives and three controls said GAO helped.

> They were no help at all. Half the time my personal view was they had gotten the issues wrong. They took beatings from me for missing issues. Programs did have issues, but their reports didn't point them out. (outstanding executive)

> They are hurtful. On a 0 to 10 scale of helpfulness, they are negative 25. They have diverted energy from improving our performance to babysitting them. They are knuckleheads looking for political dirt. (outstanding executive)

Deputy Secretary Involvement in Cost-Cutting Efforts

Seven outstanding executives (five controls[25]) reported Deputy Secretary – and in many cases Secretary -- involvement in efficiency efforts.

> This gets visibility at the Secretary's level. She wants to know what have they done around efficiency. She grills them pretty good. (outstanding executive)

> [The Deputy Secretary] was very focused on efficiency. …I definitely engaged both [him] and [the Secretary] for major cuts. I was given lots of leeway to run it, pretty much just got support from the department. But I would periodically send a memo [to them] and tell them what I was doing. (outstanding executive)

[25] Of nine, one headed an independent agency.

Tracking Savings

Eight outstanding executives (two of the three agency heads) had regular meetings to track savings. Only one control did, while an additional four used other ways to track savings (mainly written reports).

> When you do business process changes or try to cut back on operating costs, you got to watch it every day because it otherwise won't happen. It's like pushing a very heavy brick across sandpaper. It's not inertia. That implies that once you get the brick going, it will keep going. It's friction. People are so busy, it just stops if you don't keep pushing. So we started doing twice-a-year reviews. One of the things I was told when I first took [a previous job] was, "Yours is the power to call meetings." At the time I thought it was an enormously bureaucratic statement, and, in a way, it is, but I learned what he meant, which was, "If I say I want a briefing on how you're doing, then the person that has to do it is going to say, "We got to get our act together here." (outstanding executive)

> [My internal expert] comes back with reports, brings the team in on a regular basis -- every recommendation until it's closed out. So we go through, and some of these are kind of bone-crushing because you're going through 50, 60 different items, until it's completed and closed. (outstanding executive)

Five outstanding executives (no controls) discussed ways they had improved the organization's data analysis capacity to assist in identifying cost-savings opportunities.

> We are putting together a database that would for the first time let us see what we're spending from a program perspective. Once we get the information we want to start building it into budget formulation -- starting to pick a few every year we dig into deeper to see where we can generate savings. Also we purchased an off-the-shelf product that allows us to pull cost and workload data, and have it come on a screen. So rather than me having to turn to [a staffer] and say, "Generate these tables for me," and then come back and ask again in six months, this puts it in managers' hands in real time. So monthly they go on their computer and see average cost per [activity] at [each location].

> Staff asks me, "When you say you want me to produce analytical work at a more intense rigor, what does that mean?" They've not seen what I've had the benefit of seeing, having been in the private sector and other government agencies that have better tools. [In a training session] a young woman was running the demo. I asked her, "How long did it normally take you to get that information?" She thought seriously and said, "About three hours." So I asked, "What are you going to do with that three hours now?" Her answer was wonderful: "I can't wait now to get my hands on all this data and spend that three hours analyzing it, as opposed to just producing the information."

Thinking Strategically about Savings

In addition to interview responses, a fairly large number of respondents – we coded four outstanding executives and five controls – offered what we would characterize as an overall approach towards achieving savings, not prompted by a specific question.

> There are program offices that once we reach the next level of savings, there's no further savings to be gained by cutting incrementally across all programs, and I want to be able to start eliminating entire offices. …I made it very clear I think some of these offices have outlived their usefulness, and they can be absorbed by other offices. I told my senior executives, "We can go through the death of a thousand cuts and every year look at anywhere from 5% to 10% reductions, and we're going to keep taking our existing structures and programs and hollow out from the inside." What I'd rather do is start off with what will [the agency] look like in five years? Don't start out with the org chart, but start out with what are we required to do? Then design that organization not with today's model, but [take] its mission and resources, and reverse engineer. (outstanding executive)

> Every enterprise, no matter how good it is, you can easily find 10% of the money being spent that is being wasted in one way or another. (outstanding executive)

> We're going to follow Einstein's rule, which is the definition of insanity is doing the same thing over and over again, and expecting different results. If you continually miss dates, that's an indication you have a poor program and are wasting taxpayer dollars. (outstanding executive)

> We know the public has a right to expect [we are doing our core enforcement work], and we wanted to make sure the things protecting [the public] were the last we ever touched, and there were things that would go out the window well before we would get down to not doing inspection and enforcing the cases. (control)

> When the money really started going away, I started thinking much more about what's really important. I realized we can fail a little bit at everything or we can choose what's really important. So we started going through a process to rate every activity from a zero-base perspective. We use a panel to do the scoring. Once those items are scored, we draw a line. Anything below the line doesn't get done. I wanted not to just cut across the board, but to start really making intelligent cuts. (control)

Two outstanding executives and two controls stated they provided operating units with a savings target and let them identify specific savings:

> I've got my theories of how we should save. I said, "I'm happy to implement my theory. I'm also happy to implement your theory." And we ended up doing a little of both. (outstanding executive)

> I assigned an owner to each of the business segments. And I said, "The funding is X. There's no more money to be had." They had to work with each other to figure out how to do this. In some systems, they said right off the bat about some projects, "You're gone." We went from 260 systems to 243 overall. (control)

Two outstanding executives (no controls) criticized the concentration on "easy" savings from cutting back training and travel:

> When the GSA mess[26] happened, everyone just cut travel and training further than is sustainable, because getting people together face to face matters, and engaging people matters, but we were not going to be the poster child for having what they called a conference. We cut too much.

> Training is always high on the list to cut. It's very convenient, right? And travel. I get that. I've always felt that when you turn anywhere in business and particularly in government, if you say to save money you turn your training programs off, it's not just a matter of flipping a light switch and turning them back on later. You lose all momentum, and you dig yourself into a deep hole. So when you go to turn them back on, you spend months and a lot of money just getting back to baseline. And so I have resisted those "low-hanging fruit."

DISCUSSION AND LIMITATIONS

Our data tell a story that management matters to these executives, not only outstanding ones but even generally the controls. They also provide rich but also systematic description of how, specifically, subcabinet leaders are involved in management in the areas we looked at.

Is leader focus on management increasing? There is virtually no empirical evidence on how past political executives spent their time.[27] Herbert Kaufman was one of the only scholars of an earlier era empirically to examine the behavior of political executives. In The Administrative Behavior of Federal Bureau Chiefs (1981), based on observation of six subcabinet agency heads in 1978, he describes (pp. 154-55) two of them as having "injected into the leadership levels of

[26] A scandal receiving extensive media attention in 2012 involving what was presented as an excessively lavish conference.

[27] We have one short-term comparison from our interviews: 30% of our interviewers that when they came to their agencies, the organization was already significantly using performance measurement, while 40% said little was being done before they arrived.

their agencies a heavy emphasis on management consciousness and techniques." He also notes (pp. 31-32) that one kind of information the executives he observed gathered was

> to determine…how well they and their agencies were doing. …The chiefs relied on these indicators of quality of performance in all their activities. … [They] continually asked for evidence of how well the bureaus were doing and…how performance could be improved.

Kaufman's account suggests performance information was both gathered and discussed over thirty years ago, albeit less-systematically – with no data-gathering system or performance meetings -- than by most executives we interviewed. But a decade earlier, in 1970-71, in Administrative Feedback (1973), Kaufman examined the slightly different question about how nine agencies gathered information about whether staff was complying with organizational policies and leader wishes. The book is not mostly about how leaders use such information, but does note (p. 54) leaders prefer not to spend time examining data because it "obliges [them] to divert their attention and energies from strategic problems of policy and of external relations to details of internal operations," and concludes executives will likely want to be "alerted only to serious threats to organizational survival and his own position" such information provides.

If a change has occurred, why? We suggest it may be due to the decreased importance of new legislation as government has pulled back, tightening budgets, and new efforts to improve senior-level (in particular Deputy Secretary) agency management capacity.

A count of the number of legislative proposals presidents make in State of the Union messages and omnibus legislative agendas (Light 2008) demonstrates what casual observation suggests – the average number of proposals has continuously declined since Johnson, and proposals are less likely to involve new efforts, as opposed to revisions of existing programs, and more likely to be small-bore. As early as the Nixon administration, an OMB report argued the focus of the executive branch needed to shift from program adoption to implementation (U.S.

General Accounting Office 1989). Many classic observations about the overwhelmingly policy and political roles of political executives come from between the 1950's and 1970's; we can speculate that differences between Kaufman's 1970 and 1978 findings reflect the beginning of the transition to a new era.

Second, as compared with an earlier period, budgets have become tighter, which may increase focus on management as a way to get the best-possible performance from existing funds. Budgets for civilian agencies tightened beginning with Reagan, and then again when Clinton sought to reduce the budget deficit. The budget deficit, and demands to reduce spending, became a central issue for Obama, which is the period for this research.

Finally, the Office of Management and Budget became the locus for efforts to improve management from its foundation, but its role has changed over time.[28] In 1950 it initiated what for many years was its modus operandi when it began requiring annual department reports summarizing management efforts (Bernstein 1970). For years such data calls constituted the whole of OMB's management efforts involving agencies -- requests to document progress in specific areas (typically financial management) or under management campaigns such as the Reagan-era Grace Commission. This approach assured that efforts would be delegated to civil servants way down the organization, typically functional specialists, who wrote the reports for OMB, with no senior involvement: Bernstein (1970: 507) refers to "a flow of paper from management analysts in the agencies to the Bureau that proved to be essentially worthless in meeting the objective of stimulating aggressive efforts to improve administrative performance."

The Reagan administration began to expand OMB efforts beyond data calls to include encouraging development of senior-level management capacity inside agencies. This occurred

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[28] In addition to written sources cited, this discussion benefited from conversations with Jonathan Breul, Dan Chenok, Dwight Ink, Elaine Kamarck, John Kamensky, and Robert Shea.

with formation of the first governmentwide council of senior agency management officials, the President's Council on Management Improvement, with assistant secretaries for administration, who were (generally) political appointees in charge of functional management areas (Tompkin 1998). This increased senior-level visibility of management issues was praised by GAO (1989) as an effort to get agencies more involved themselves in management improvement, rather than leaving this to OMB. In 1990 the Chief Financial Officers Act established a Chief Financial Officers Council, representing a second functional management group of political appointees. But none of these senior functional management represented program management.

Emphasis on building senior-level agency capacity really began in the Clinton Administration, with efforts to strengthen deputy secretaries' management role. Deputy secretaries were very different from assistant secretaries for administration because their management responsibilities were far more general and more mission-oriented, and because subcabinet agency heads reported to them. If they became seriously involved in management, the chances that agency heads themselves would do so significantly increased. We note the widespread participation of deputy secretaries in both performance measurement and cost-cutting efforts our respondents discussed. Although our interviews cannot tell us about the extent to which deputy secretary interest drove respondent interest, it is plausible to believe that changing the role of deputy secretaries was important to changing the role of subcabinet executives.

Prior to the 1990's the responsibilities of deputy secretaries varied widely. Sometimes they were a sort of "chief operating officer,' but often they did overflow work for the secretary, had policy or political skills that filled gaps in the secretary's abilities, or sometimes they were chosen to watch over a secretary suspected of tendencies to "go native." In 1993 Clinton directed each cabinet department to name a chief operating officer (typically the Deputy

Secretary) and established the President's Management Council, consisting of chief operating officers. The Council "lent its authority to COO's within their respective agencies" (Yao 2000: 6). In an interview, one deputy secretary stated (Ibid: 19) that the Council "turned my job into a meaningful job because it provided a focus beyond what I could have provided for myself simply internally." The Clinton administration also established a Chief Information Officers Council.

The Clinton administration also sought to energize agencies to take initiatives themselves. The memo establishing the President's Management Council stated "each agency head shall identify and implement additional changes within the agency that will promote the principles and standards of the National Performance Review";[29] agencies were encouraged to establish "reinvention labs" to pilot new approaches. Finally, the Clinton administration put less emphasis on reporting requirements to OMB (Tomkin 1998).[30]

The George W. Bush administration retained the President's Management Council, and also established a red/yellow/green scorecard where departments were graded on five management initiatives, with results widely disseminated, and discussed by the President with cabinet secretaries, which promoted senior involvement. In the Obama administration, an executive order (White House 2011a) designated the deputy secretary "as the Senior Accountable Official responsible for leading performance and management reform efforts, and for reducing wasteful or ineffective programs, policies, and procedures."

The last point we wish to make in discussing our results is that leaders of certain kinds of organizations tended to get nominated as outstanding executives. We have already noted the over-representation of leaders of administrative support organizations (CFO's, CIO's, and

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[29] This was the name for the Clinton administration's government reform effort.

[30] Although increasing the management role of deputy secretaries continued during the Bush administration, replacing a reporting emphasis with energizing agencies was cut back; the scorecards involved compliance with OMB directives and established extensive reporting requirements.

assistant secretaries for management), whose outputs are often easier to measure than for many mission agencies. In addition, two, or perhaps all three, of the mission agencies from which the outstanding executives came were ones Wilson (1989) would classify as "production" agencies rather than ones where outputs and outcomes are unobservable. Indeed, Clinton-era leaders of two of these agencies were nominated as outstanding change leaders in our earlier study. It may be easier for organizations with outputs easier to measure to succeed, which would suggest that other organizations, where measurement is more difficult, should redouble efforts to develop meaningful metrics which, if they can be developed, make it easier for them to perform well.[31]

Limitations

We believe that our method, compared to much qualitative research, is more disciplined. Our standard set of questions allows counting and comparison. Respondents were chosen in a systematic way, and we include a control group.[32]

A serious worry about our findings involves any ability to make causal inferences about differences we found between outstanding executives and controls. We would like to be able to argue our outstanding executives are exogenously outstanding, and that any differences in their focus on management compared with controls caused performance relatively to improve. This is

[31] One might also believe production-type organizations might be less involved in political controversy, also rendering success easier. However, our three agencies with outstanding executives were ones where there is considerable political controversy, and a number of the outstanding executives in management-type jobs were involved in political controversy in doing their jobs as well.
We also note that the phrase "outstanding executives" suggests that their success was due entirely to personal characteristics. The discussion in this paragraph suggests that characteristics of the situation – here, the nature of the agency's task, but one could also add the organization's higher-level leadership or the political environment of the time in which the executive was working, for example – influence success or failure. To the extent such situational factors explain executive attention to management, they do not diminish our results but help explain them. To the extent they provide reasons for success or failure that are orthogonal to the variables we measure, they do not affect our results.

[32] In our earlier research, we discussed the many difficulties in systematically investigating factors promoting success for government executives, which led us to use of a reputational approach for choosing outstanding executives. It is difficult to get comparable information across government agencies (with no profit metric) on what constitutes "success." And it is infeasible (without enormous resources) to get interview data for large samples of top leaders. As is common in qualitative research, we sacrificed breadth for depth.

difficult to conclude partly because our small sample size makes it hard for differences we do see to attain statistical significance. Beyond that, though, there is reason to worry that to some unknown extent our outstanding executives may have been selected based not on an independent measure of performance but rather based exactly on their general focus on management, reducing any ability to infer that causation goes from attention to management to improved performance.[33] National Academy of Public Administration Fellows tend to care about good management and thus, one assumes, to appreciate leaders sharing that perspective. SAGE's are all former Chief Financial Officers, Chief Information Officers, Chief Acquisition Officers, and Chief Human Capital Officers, and thus likely to notice outstanding people in those positions.[34]

We do not, however, believe the nominations should be fully discounted for this reason. In our earlier study, when asked to nominate people who had attempted significant strategic change, NAPA fellows nominated leaders of mission agencies, few of whom were significantly known for attention to management, suggesting they are capable of doing so (at least where the prompt was more specific than ours).[35] We also note that our "luminaries" included OMB senior budget officials, and Government Accountability Office senior executives, both less likely to nominate leaders simply based on their interest in management.[36]

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[33] This was less an issue for the nomination procedure in our earlier study, where the nomination criterion was more focused.

[34] No Chief Human Capital Officer or Chief Acquisition Office made the list of nominees.

[35] For that study, nominations also came from principals of the Council for Excellence in Government, many of whom were former senior programmatic officials. That organization had ceased to exist at the time of this research, so we used the SAGE's selected by their successor organization, Partnership for Public Service, though these individuals were former leaders of functional units.

[36] A comment on an earlier draft of this paper suggested executives may have been nominated based not on being outstanding performers but on ideological support to the Obama administration. Were this true, it would vitiate the character of our "outstanding executives" as truly outstanding, and reduce the meaning of any comparisons between them and others. However, we do not believe this is a problem. We promised anonymity to our interviewees; however, looking over the list, we don't see even one who would be considered particularly ideological or a strong Democratic activist. Indeed, the group is more characterized by a lack of ideology than by partisan zeal. Second, we note that a significant number of our "luminary" nominators – whose selections dominated the outstanding executives who were chosen -- were Republicans or non-partisan., A final source of evidence – at least for putative nominations due to Obama loyalty – is to examine executives who were "recess appointments" to their positions

Our overall judgment, then, is that there is some value for findings showing differences between the two groups. Given other research suggesting good management is associated with good organizational performance, our findings have face validity, and may be seen as triangulating, using a different method and questions, earlier results.

In terms of what we regard as our most-important finding -- that both groups focused significantly on performance measures and efficiency savings – any bias in nomination as outstanding executives of leaders especially interested in management does not apply to controls, who were selected randomly. Thus, the strongest evidence for the conclusion that subcabinet executives today often pay significant attention to management comes from the control group.

One could object that, for respondents running management directorates or CIO's/CFO's, these are management jobs and thus hardly is surprising they were knowledgeable in these areas. We disagree. There are historically very common ways to define these jobs in ways that do not focus on activities about which we asked. Leaders of management directorates can focus on seeking statutory authority and/or writing regulations in HR or procurement, or on policy-rich areas within administrative domains, such as workforce diversity or "green" procurement. A CIO can focus on programs (choosing IT initiatives to pursue, establishing project requirements) or on policy issues such as privacy, transparency, or cybersecurity. Most CFO's spend significant time on budgeting, which is about policy tradeoffs among spending priorities.[37] It is true that in a tight budget environment we should not be surprised about CFO involvement in cost-cutting.

because of Republican opposition in the Senate. As of June 3013 there were 32 of these (Congressional Research Service 2013). Ideological nominators would be expected to have a preference for executives who got into trouble because of support for controversial Obama policies. None appear among our outstanding executives, and only one of the 32 received even a single nomination.

[37] This may involve consulting performance measures, but using these for help with budget tradeoffs is a different from our questions, which were about using them for improving the performance of existing programs.

However, we note our CFO's were not more involved, compared with others, in cost cutting than in performance measurement, suggesting they were focusing generally on management.

Nonetheless, had we expected to find such a high degree of involvement in management among controls, we would have limited our original nomination request to agency heads. Existing discussions of leader involvement in management have tended to refer to agency heads (or cabinet secretaries), and many will assume, even if wrongly, that "of course" CFO's or CIO's will be involved in performance measurement and efficiency savings. As it was, since we originally were testing for differences between the groups, we felt it sufficient to compare like for like making sure we had as many CFO/CIO's in both groups.

In conclusion, to the extent the ways outstanding executives focused on performance measurement and cost saving produce good results, we have learned something about practices likely to improve government performance. To the extent focus on management is regarded by good-government experts as associated with good results, whether in reality it is or not, we have learned something about norms for desirable practice, which, if one believes neo-institutionalist theory (e.g., DiMaggio and Powell 1983), at a minimum suggests such a focus is likely to spread.

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TABLE ONE: KINDS OF SPECIFIC PERFORMANCE MEASURES FOLLOWED

	Outstanding executives	Controls
Inputs	29	11
Outputs	28	16
Outcomes	6	8

TABLE TWO: FOLLOWUP ACTIONS AFTER DISSATISFIED WITH PERFORMANCE

	Business process change / Root cause	Accountability Change	Change/Improve Measure	Better Communication	Budget Additional Funds
Outstanding executives	60%	40%	20%	10%	0%
Controls	38%	50%	37%	0%	13%

TABLE THREE: SPECIFIC ACTIONS RESPONDENTS FOR EFFICIENCY SAVINGS

	Outstanding executives		**Controls**	
	Category	Total actions	Category	Total actions
Consolidations/restructuring	8	11	5	6
Cutting administrative costs	2	3	2	2
Strategic sourcing	3	3	1	1
Improper payments	1	1	0	0
Personnel/salary cuts	2	2	2	2
Insourcing/reducing contractors	1	1	2	2
Real estate/space	3	3	1	1
Changes through IT/ business process reengineering	5	9	1	1
Mission efficiencies	3	10	3	3
Miscellaneous changes	1	1	4	8