

## THE PERFORMANCE CONFERENCE: MANAGING BY RESULTS

**The Performance Conference: Managing for Results**  
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DAVID M. WALKER  
COMPTROLLER GENERAL OF THE UNITED STATES  
INTRODUCTION

- I appreciate the opportunity to be here at NAPA's Performance Conference on "Managing by Results".
- This morning, my remarks will address how the Government Performance and Results Act (GPRA) can help to maximize the performance and assure the accountability of the federal government while also helping to address a range of current and emerging challenges facing our country in the 21<sup>st</sup> century.
- The 21<sup>st</sup> century is a new ball game.
- Much has changed in the last 20 years and the world is likely to change even more in the next 20 years.
- Given this fact and the long-range budget pressures that will re-emerge in the years ahead due to known demographic trends and rising healthcare costs, now is the time to ask two key questions:
  - What is the proper role for the federal government in the 21<sup>st</sup> century?
  - How should the government do business in the 21<sup>st</sup> century?
- The first question raises a range of public policy questions that must be answered by elected officials. It involves re-looking at a range of government programs, policies, and tools of government in light of past and expected changes and future challenges. In addressing this question, GAO will help by getting facts, analyzing the situation, and providing options so policymakers can make timely and informed judgements.
- The second question is more operationally oriented. GAO will continue to aggressively pursue this area to identify problems and make related recommendations. We will also continue to provide tools and information designed to help others help themselves make progress in a range of areas.
- GPRA can serve as a vehicle to address both of these important questions. It does so by providing a means to link resources to results, a mechanism to report the related outcomes, and a way of assuring accountability relating thereto.
- GPRA can also help us make progress in a range of areas that may not have been adequately focused on in the past.
- For example, just yesterday, the Commercial Activities Panel heard from a variety of witnesses on their growing dissatisfaction with the government's current outsourcing strategy and A-76 process.
- Many believe that intelligent sourcing strategies should be driven by strategic planning considerations rather than detailed cost comparisons. The Panel believes that our sourcing decisions should also be designed to balance the interests of the taxpayers, the government, its employees and private sector contractors, including attracting and retaining an adequate number of government workers with the skills and knowledge to monitor and evaluate the cost, quality and performance of government contractors.

### EMERGING CHALLENGES

- Given where we are now, it is hard to imagine that before 1993, results-oriented strategic plans, annual performance plans, and performance reports were largely unfamiliar terms to the federal government.
- Over the last several years, Congress, OMB, and executive agencies, including many of you in the audience, have worked to build the necessary GPRA planning and reporting infrastructure to generate meaningful performance information. Your efforts are beginning to pay off. Agencies have updated their strategic plans and completed two cycles of annual planning and reporting. Nonetheless, a typical GAO report would say, meaningful progress has been made but much remains to be done.
- Now, we are moving to the harder, but more important challenge, to use performance information on a routine basis as part of government's daily operations and to use it to help facilitate a cultural transformation throughout government.
- Performance information can have real value only when congressional decisionmakers, agencies, and managers use it to identify performance gaps and then target resources to improving performance and assuring accountability. We can't allow GPRA to lapse into an annual paperwork exercise. Rather, we should work together to assure that it becomes a means to help define what government does and how government does business both now and in the future.

### Integrate strategic human capital management with program results planning

- While strategic planning is important, the people necessary to put such plans into action are essential.
- Today's human capital (people) strategies are not appropriately constituted to adequately meet current and emerging needs of the government and its citizens. Because inadequate strategic human capital management is a pervasive challenge across the federal government, we identified it as a governmentwide high-risk area.
- Annual performance plans are to discuss the strategies and needed resources to the agency's intended goals. We have noted that the more useful performance plans discuss, or refer to a separate plan, the human capital necessary to achieve the stated goals and objectives contained in the agency's overall strategic plan.
- However, our recent review of agencies' fiscal year 2001 performance plans—the plans agencies are currently managing under—showed that there is a need to increase the breadth, depth, and specificity of many related human capital goals and strategies. The performance plans also need to better link human capital to the agencies' strategic and programmatic planning. For example, very few agencies' plans addressed the need for:
  - Workforce deployment planning to support the agency's goals and strategies,
  - Modern performance management systems that serve to:

provide candid and constructive feedback,

help all employees achieve their full potential,  
 facilitate recognizing and rewarding top performers, and  
 enable employees to take actions against non-performers.

- Competitive compensation systems to help the agency attract, motivate, retain, and reward an adequate number of people with the skills and knowledge to achieve the agency's mission.
- Succession planning to ensure reasonable continuity of leadership.
- Linking GPRA strategic planning process to institutional and individual performance management and reward systems can serve to significantly accelerate movement towards a more results oriented and accountable federal government.
- While linking resources to results has considerable intellectual merit, it currently largely represents rhetoric rather than reality in Washington.
- As a result, while we should eventually seek to link resources to results, we must begin to better link institutional, team and individual performance measurement and rewards systems to results in a reasoned yet timely manner.

#### **Augment Individual Accountability for Results**

- GPRA also provides a framework for agencies to align employee contributions to agency goals so those individuals understand the connection between their daily activities and their organization's success.
- In this regard, OPM recently amended regulations for members of the Senior Executive Service. Under these regulations, agencies are to place increased emphasis on holding executives accountable for results, appraising executive performance on those results balanced against other perspectives, such as client and employee feedback.
- Public sector organizations have found that executive performance agreements are an effective way to align individual employee performance expectations with agency goals.
- Several foreign governments have used performance agreements between department leaders and their top civil service managers to instill a sense of personal responsibility for achieving organizational goals as part of their cultural transformations
- In addition, several of our federal agencies have used performance agreements with their senior executives and political appointees. You will hear more about our report and these agencies' experiences in a conference session tomorrow.
- It is clear there are a number of benefits to using these agreements. As a result, these agreements should become an increasingly vital part of our combined efforts to improve performance throughout government.
- In addition, these concepts should be cascaded down to lower levels of government workers.

#### **Use performance data to inform budget decisions**

- A key expectation of GPRA is that decisionmakers will gain a clearer linkage between resources and results. Aligning planned performance with budget requests and periodic external reporting is an essential step in building a performance management culture.
- We have seen more agencies make more explicit linkages between plans and budgets. Although these linkages have varied substantially in reflecting agencies' goals and organizational structures, the linkages have become more specific and thus more informative.
- We have also noted progress in agencies' ability to reflect the cost of performance in the statements of net cost presented in their annual financial statements. Again, there is substantial variation in the form of these statements, but agencies are developing ways to better capture the cost of performance. Unfortunately, government has a long way to go before it has modern and much needed cost accounting systems for internal decisionmaking and adequate accountability.
- It is however, important for the linkage of resources to result to occur not only in connection with any incremental budget requests but also in connection with the base line of government operations. After all, this is where big dollars are and where there is a long-standing need for re-examination.

#### **Resolve Mission-critical Management Problems**

- Weaknesses in internal management processes and systems undermine the achievement of desired program results. GPRA can help agencies attack major management weaknesses by fully including performance goals and strategies to address mission-critical management challenges that may exist.
- In our January 2001 High Risk and Performance and Accountability Series, we found that most, agencies are taking these problems seriously and making progress in trying to correct them.
- The Congress also has acted to address several individual high-risk areas through hearings and legislation. However, much greater oversight by the Congress and OMB is necessary.
- On a positive note, our High Risk and Performance and Accountability Series has been very helpful to the new Administration in setting its governmentwide management agenda. In this regard, every agency should be required to have a specific action plan with appropriate key milestones designed to getting any applicable government programs or functions off GAO's high risk list.
- Continued perseverance in addressing high-risk areas will ultimately yield significant benefits. Finding lasting solutions to high-risk problems offers the potential to save billions of dollars, dramatically improve service to the American public, strengthen public confidence and trust in our national government, and ensure the ability of government to deliver on its promises.

#### **Rationalize Applicable Crosscutting Efforts**

- Virtually all of the results that the federal government strives to achieve require the concerted and coordinated efforts of two or more agencies. The evolving environment in which federal programs are designed and implemented is increasingly demanding integrated and multidisciplinary approaches that cut across traditional programmatic and functional boundaries (silos or stovepipes).
- Our work has repeatedly shown that mission fragmentation and program overlap are widespread in the federal government and that crosscutting program efforts are not well coordinated.
- Crosscutting programs that are not effectively coordinated waste scarce funds, confuse and frustrate managers and taxpayers, and undercut not only the overall effectiveness of the federal government's effort, but it's credibility in the eyes of the public. For example:
  - Several agencies have responsibility for overseeing the implementation of over 400 international trade agreements, but we found that their ability to monitor and enforce them was limited.
  - The current food safety system is highly fragmented, with as many as 12 different federal agencies administering over 35 laws regarding food safety. Until this system is focused under a risk-based inspection system, the U.S. food safety system will continue to suffer from inconsistent oversight, poor coordination, and inefficient allocation of resources.

- GPRA's strategic and annual planning process can serve as a valuable tool to help agencies, OMB, and Congress identify overlapping and fragmented programs, and then coordinate those programs or devise other solutions (e.g., consolidation).

## PERFORMANCE-ORIENTED CULTURES

- While the GPRA reports are being prepared, progress has been uneven in building the organizational cultures necessary to create and sustain a results oriented focus within the federal government's leadership and managerial ranks.
- We surveyed more than 3,800 federal managers at the SES through GS-13 level and found that building a more results-oriented and accountable federal government was a work in progress. The consolidated government-wide results of this survey were recently released.
- On a positive note, managers' perceptions in our 2000 survey indicated some positive changes since our 1997 survey. For example, a greater percentage of federal managers reported their programs have various types of performance measures, including some outcome measures.
- However, the benefit of collecting performance information is only fully realized when this information is actually used. Managers reported that their use of performance information was significantly lower for important management activities, including setting program priorities, adopting new program approaches, and coordinating program effort with other organizations.
- There was no significant improvement in the percentage of managers who reported that they had the decisionmaking authority they needed to help their agencies accomplish their strategic goals. Yet the percentage of managers who reported they were held accountable for the results of their programs increased. This "empowerment gap" between the perceived levels of accountability and authority can inhibit the development of an environment conducive to achieving real results.
- Most disturbingly, top leadership commitment to achieving results—the foundation of a performance-based culture and a critical ingredient in managing for results—showed substantial need for improvement.
- These survey results underscore the importance of continuing to bring greater attention to the abilities and efforts of agency leadership as they seek to transform their agencies into high-performing organizations.
- We have found that federal managers' views vary widely across agencies. We just released our report that presents managers' responses at each of the 28 agencies included in our survey.
- Many of the 28 agencies face significant challenges instilling key aspects of agency climate that contribute to a performance-based culture.
- At 11 agencies, fewer than half of the managers perceived a strong top leadership commitment to achieving results.
- At 26 agencies, fewer than half of the managers perceived that employees received positive recognition for helping the agency accomplish its strategic goals.
- At only 7 agencies, 50 percent or more of managers responded that they used performance information for key management activities.

## HOW GAO IS USING GPRA

- At GAO, we believe in leading by example. While GPRA does not apply to us, we have voluntarily decided to comply. In addition, we have decided to make GPRA and our core values the foundation for how we do business everyday and how we measure and report the results of our work to the Congress and the public.
- We are implementing a model strategic and annual planning and reporting process. Just last week, Senator Fred Thompson stated that our strategic plan was the best one he has seen and should be required reading for every member of Congress.
- Early in calendar 2000, we issued our first strategic plan for the 21<sup>st</sup> century that focuses on how we intend to support the Congress and help shape a more efficient and effective government for the benefit of the American people. This plan included a number of key themes to help us look longer-range and bridge across internal silos. We are currently updating our strategic plan by considering various global and domestic changes and challenges that are having an impact on society at all levels.
- We recently issued our first Performance and Accountability Report that combines our assessment of what we were able to accomplish in fiscal year 2000 with our plans for continued progress through fiscal year 2002. This report takes the place of the annual report we issued in previous years. This shift to an annual performance and accountability report is another part of our overall effort to lead by example.
- I urge everyone to take a look at these documents on our web site at [www.gao.gov](http://www.gao.gov)

## CLOSING

- We are at the start of the new millennium. Times are changing and we must change with the times. Now is opportune time to ask: What is the proper role for the federal government and how should the government do business?
- GPRA provides us with a vehicle to address a range of current and emerging challenges that are confronting the federal government, including what government should do and how government should do business in the 21<sup>st</sup> Century.
- Let's face it, GPRA is a means to an end, it is not the end in and of itself.
- The end is a government that is effective and respected not only in reality but in the eyes of the public.
- Importantly, if properly designed and implemented, GPRA can provide a framework for maximizing the government's performance and accountability in a range of program and functional areas.
- It can also help to facilitate a cultural transformation in government and provide a more balanced scorecard in reporting what government does and the difference that it makes in the lives of Americans.
- As a result, your work is more important than you may realize. In fact, the GPRA work that you do should be a foundation for how government agencies do business every day.
- Thanks for your efforts in this important area. We need you to stay the course.
- Thanks also for your time and attention. I would be pleased to answer any questions that you may have.



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