

GAO

By the Comptroller General of the
United States

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HIGHLIGHTS OF A GAO ROUNDTABLE

The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges





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Highlights of GAO-03-192SP

Why GAO Convened This Roundtable

The federal government is in a period of profound transition that requires a comprehensive review, reassessment, reprioritization, and reengineering of what the government does, how it does business, and, in some cases, who does the government's business. Agencies will need to transform their cultures so that they are more results oriented, customer focused, and collaborative in nature. At the same time, GAO's work over the years has amply documented that agencies are suffering from a range of long-standing management problems that are undermining their abilities to efficiently, economically, and effectively accomplish their missions and achieve results.

On September 9, 2002, GAO convened a roundtable to discuss the application and the related advantages and disadvantages of the Chief Operating Officer (COO) concept and how it might apply within selected federal departments and agencies as one strategy to address certain systemic federal governance and management challenges. The invited participants have current or recent executive branch leadership responsibilities, significant executive management experience, or both.

What Participants Said

At the roundtable, participants generated ideas and engaged in an open dialogue on the possible application of the COO concept. There was general agreement that the following three themes provide a course for action.

Elevate attention on management issues and transformational change. The nature and scope of the changes needed in many agencies require the sustained and inspired commitment of the top political and career leadership.

Integrate various key management and transformation efforts. While officials with management responsibilities often have successfully worked together, there needs to be a single point within agencies with the perspective and responsibility—as well as authority—to ensure the successful implementation of functional management and, if appropriate, transformational change efforts.

Institutionalize accountability for addressing management issues and leading transformational change. The management weaknesses in some agencies are deeply entrenched and long standing and will take years of sustained attention and continuity to resolve. In addition, making fundamental changes in agencies' cultures will require a long-term effort. In the federal government, the frequent turnover of the political leadership has often made it difficult to obtain the sustained and inspired attention required to make needed changes.

Within the context of these generally agreed-upon themes, the participants offered a number of ideas to help address management weaknesses and drive transformational change.



United States General Accounting Office
Washington, DC 20548

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Subject: Highlights of a GAO Roundtable on The Chief Operating Officer Concept:
A Potential Strategy to Address Federal Governance Challenges

The federal government is in a period of profound transition that requires a comprehensive review, reassessment, reprioritization, and reengineering of what the government does, how it does business, and, in some cases, who does the government's business. Agencies will need to transform their cultures so that they are more results oriented, customer focused, and collaborative in nature. At the same time, GAO's work over the years, most prominently in the *High Risk and Performance and Accountability Series*, has amply documented that agencies are suffering from a range of long-standing management problems that are undermining their abilities to efficiently, economically, and effectively accomplish their missions and achieve results.

On September 9, 2002, GAO convened a roundtable to discuss the Chief Operating Officer (COO) concept and how it might apply within selected federal departments and agencies as one strategy to address certain systemic federal governance and management challenges. The invited participants were generally individuals with current or recent executive branch leadership responsibilities, significant executive management experience, or both. The intent of the roundtable was not to reach consensus, but rather to generate ideas and to engage in an open dialogue and nonattribution-based discussion on the possible application and the related advantages and disadvantages of the COO concept. As expected, the participants expressed a range of differing views on the COO concept, its application to the federal government, and other related strategies to address federal management challenges.

Nonetheless, as detailed in appendix I, it appears that there was general agreement that the following three themes provide a course for action.

- Elevate attention on management issues and transformational change.
- Integrate various key management and transformation efforts.
- Institutionalize accountability for addressing management issues and leading transformational change.

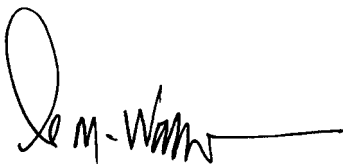
In addition, within the context of these generally agreed-upon themes, the participants offered a number of ideas to help address agencies' management weaknesses and drive transformational change.

The Congress has had and will need to continue to have a central role in improving federal management. For example, over the last 2 decades, the Congress has put in place a statutory framework intended to improve federal management, decision making, performance, and accountability. Congressional oversight and legislative action have also been instrumental in helping a number of agencies address their individual management weaknesses. Given the Congress' important role in federal management through legislation and oversight, it will need to be fully engaged in any ongoing discussions on how best to elevate, integrate, and institutionalize key management and transformational change responsibilities.

From an implementation perspective, if the Congress and the administration decide to pursue the ideas generated at the roundtable, it may make sense to pilot alternative approaches in a select number of agencies using a value- and risk-based approach. For example, an agency that is experiencing particularly significant challenges in integrating disparate organizational cultures or that is engaged in major transformation efforts may be an especially appropriate candidate. Similarly, an agency with long-standing management weaknesses and high-risk operations or functions may also be a good first-phase candidate. Piloting alternative approaches would allow the Congress, executive branch leadership in the Office of Management and Budget and Office of Personnel Management, agencies, and others to gain experience with various approaches before deciding when and where any given approach should be more widely applied.

Appendix I provides highlights of the matters discussed by the roundtable participants as well as subsequent comments we received from the participants on a draft summary of the roundtable discussion. Appendix II provides a list of the participants. This document will be posted to our Web site at www.gao.gov. For additional information on our work on strategic human capital management and federal agency transformation efforts, please contact J. Christopher Mihm, Director, Strategic Issues on (202) 512-6806 or at mihmj@gao.gov.

I wish to thank each of the participants in the roundtable for taking the time to share their knowledge and to provide their insights and perspectives on the important matters this document discusses. I look forward to working with them on other important issues of mutual interest and concern in the future.

A handwritten signature in black ink, appearing to read 'D. M. Walker', with a long horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges

Highlights of Roundtable Discussion

The roundtable's overall purpose was to discuss the Chief Operating Officer (COO) concept and how it might apply within selected federal departments and agencies as one element of an overall strategy to address certain systemic federal governance and management challenges. The roundtable discussion neither sought nor achieved a consensus on the COO concept. However, it does appear that there was general agreement on a number of important overall themes that can serve as a basis for subsequent analysis, discussion, and consideration. These generally agreed-upon themes provide a course for action.

- Elevate attention on management issues and transformational change. The nature and scope of the changes needed in many agencies require the sustained and inspired commitment of the top political and career leadership. There is no substitute for top leadership involvement, including the President through, for example, the establishment of a governmentwide management agenda. Top leadership attention is essential to overcome organizations' natural resistance to change, marshal the resources needed to implement change, and build and maintain the organizationwide commitment to new ways of doing business.
- Integrate various key management and transformation efforts. By their very nature, the problems and challenges facing agencies are crosscutting and thus require coordinated and integrated solutions. However, the federal government too often places management responsibilities (for example, information technology, human capital, or financial management) into various "stovepipes" and fails to implement transformational change management initiatives in a comprehensive, ongoing, and integrated manner. While officials with management responsibilities often have successfully worked together, there needs to be a single point within agencies with the perspective and responsibility—as well as authority—to ensure the successful implementation of functional management and, if appropriate, transformational change efforts. At the same time, it is not practical to expect that the deputy secretaries, given the competing demands on their time in helping the secretaries execute the President's policy and program agendas, will be able to consistently undertake this vital integrating responsibility. Moreover, while many deputy secretaries may be nominated based in part on their managerial experience, it has not always been the case and, not surprisingly, the management skills, expertise, and interests of the deputy secretaries have always varied and will continue to vary.
- Institutionalize accountability for addressing management issues and leading transformational change. The management weaknesses in some agencies are deeply entrenched and long standing and will take years of sustained attention and continuity to resolve. In addition, making fundamental changes in agencies' cultures will require a long-term effort. (Former GAO work has noted that the experiences of successful major change management initiatives in large private and public sector

organizations suggest that it can often take at least 5 to 7 years until such initiatives are fully implemented and the related cultures are transformed in a sustainable manner.) In the federal government, the frequent turnover of the political leadership has often made it difficult to obtain the sustained and inspired attention required to make needed changes.

Within the context of these generally agreed-upon themes, the participants offered a number of ideas to help address management weaknesses and drive transformational change, as highlighted in the sections that follow.

Adopt an Approach to Management Reforms and Transformational Change that Is Sensitive to Individual Agencies' Needs and Circumstances

There was strong agreement that the nature and scope of the management problems confronting an agency, the degree to which it needs to undergo a fundamental transformation, and its current organizational structure are among the factors that need to be carefully considered in determining the best way to elevate, integrate, and institutionalize management reforms and transformational change. As a result, there is no "one size fits all" solution to address the challenges agencies face.

For example, one approach that was discussed is to create an under secretary for management, along the lines proposed by the President for the Department of Homeland Security (DHS). Under the President's proposal, the under secretary for management at DHS would be the lead official responsible for key general management functions such as budget, accounting, and finance; procurement; human resources and personnel; information technology and communication systems; facilities and property management; security; and performance management. Also under the President's proposal, the Chief Financial Officer (CFO) and Chief Information Officer would report to the secretary, or to another official of DHS, as the secretary may direct. The under secretary would be appointed by the President, subject to Senate confirmation, to a position organizationally equivalent to the four program under secretaries.

On the other hand, to lead efforts to fundamentally transform an agency, it may be appropriate to create a position at the highest level in the agency, such as a second deputy secretary or a principal under secretary. Such a position could have responsibilities for general management functions as well as issues that are more strategic and require a wider range perspective and higher level of authority. Such issues include: organizational alignment; matrix, risk, and change management; strategic planning; the stewardship of the agency's core values; and internal communications and knowledge management.

The roundtable discussion did not focus on what approach may work best for any given agency. Rather, as previously suggested, the participants stressed that whatever approach is used, it must be sensitive to the specific needs and circumstances an agency faces. The critical point is to craft an approach in each case that (1) sets responsibility and accountability for functional management issues and transformational change at an organizational level appropriate for the types of reforms that are needed and (2) creates

integrated leadership responsibility in a single organizational position for key management functions such as human capital, financial management, information technology, acquisition sourcing strategies, and performance management, as well as for transformational change initiatives, if appropriate.

Articulate Responsibilities in Statute

The participants suggested that in crafting an approach for any specific agency, the Congress should make clear in statute the broad responsibilities for at least the senior official responsible for management and transformation. The Congress has taken this general approach with other important management legislation that can serve as illustrative models. For example, the Chief Financial Officers Act requires 24 federal agencies to have CFOs. The CFOs are to “possess demonstrated ability in general management of, and knowledge of and extensive practical experience in financial management practices in large governmental or business entities.” The act also clearly lays out the CFOs’ responsibilities, including developing and maintaining integrated accounting and financial management systems; directing, managing, and providing policy guidance and oversight of all financial management personnel, activities, and operations; and approving and managing financial management systems design and enhancements projects.

The CFO Act also created the position of the Deputy Director for Management (DDM) in the Office of Management and Budget (OMB) to focus greater attention on management reform in the executive branch. Under the CFO Act, the DDM is responsible for establishing governmentwide financial management policies and general management policies for executive agencies. Among the DDM’s wide-ranging financial management responsibilities are to: provide overall direction and leadership to the executive branch on financial management matters; review agency budget requests for financial management systems and operations, advise the Director of OMB on the resources required to develop and effectively operate and maintain the systems, and correct major deficiencies in the systems; and chair the CFO Council. The DDM also has significant general management responsibilities including establishing general management policies for executive agencies; performing functions relating to areas such as the systematic measurement of performance, procurement policy, information and statistical policy, and property management; and fostering managerial innovation as well as undertaking other specified functions that may be prescribed by the Director.

Several of the participants noted that, by establishing the broad CFO and DDM responsibilities in statute, the Congress created a number of important advantages. First, of course, the Congress created unambiguous expectations for the positions and underscored its desire for employing a professional and nonpartisan approach in connection with these positions. Second, establishing responsibilities in statute creates, in effect, an implicit set of qualification standards and expectations that the incumbents will have leadership experience in the areas that will be within their portfolios. Third and more directly, several of the participants felt that by articulating qualification requirements directly in the CFO Act, the Congress took an important step toward further ensuring that high-quality CFOs would be selected. These participants felt that

the Congress' approach with regard to CFOs should be considered for broader application.

Establish Accountability for Results

The participants also widely agreed that augmented accountability mechanisms were needed to help assure the success of key management and transformational change efforts. The participants discussed a number of possible mechanisms intended to help provide the continuing, focused attention essential to successfully completing multiyear transformational change. Such change typically takes longer than the tenures of political leaders.

First and foremost, there was widespread agreement that the effective use of existing mechanisms is critical to ensuring positive outcomes and appropriate accountability. The important role that congressional oversight has played and can play in fostering improvements was acknowledged. Likewise, public reporting, such as the annual performance plans and performance reports required by the Government Performance and Results Act and audited financial statements under the CFO Act, can provide useful information on agencies' progress in meeting goals and addressing mission-critical management challenges.

The use of performance contracts for senior leaders was also recognized as being a potentially important mechanism for clarifying expectations, monitoring progress, and assessing accountability. Such performance contracts can be implemented administratively, as was done in the Department of Transportation since the mid-1990s, or by statute, as has been done for selected performance-based organizations.

While there was discussion concerning the possibility of term appointments for key management positions, no overall agreement emerged. For example, some participants said that a term appointment would have to extend beyond the tenure of a typical political appointee. A term appointment lasting perhaps 5 to 7 years for a senior management official would help to create the accountability needed to ensure that long-term management and transformation initiatives are successfully completed. Other participants, on the other hand, expressed a strong concern that agency heads must have a central role in selecting their top leadership teams and that a term appointment for the senior management official could undermine, rather than enhance, accountability. While there was no agreement on the merits of term appointments for senior management officials, there was recognition that the length of time it can take to nominate and confirm officials for such positions can hamper efforts to initiate changes and sustain the momentum needed to successfully complete reform initiatives. The view was expressed that opportunities to streamline the nomination and confirmation processes for executive branch management positions need to be explored.

Proposals For Further Exploration

The discussion at the roundtable generated several ideas that could be explored further in close coordination with the Congress to address long-standing management

challenges, accelerate movement to a more results-oriented government, and help to transform agency cultures. These ideas included the following.

- With respect to the elevation and integration themes, there was considerable discussion on whether the senior management official in an agency should be a presidential appointment requiring Senate confirmation, while Senate confirmation would not be required of those officials who lead specific management functions (for example, financial management, information technology, or human capital) and who report to that senior management official. While there was interest in considering such an arrangement, it was also acknowledged that it would likely require amending existing legislation, for example the CFO Act, and, therefore, would need careful analysis to ensure that any legislative changes result in augmented attention to management issues and do not inadvertently lead to a reduction in the authority of key management officials and/or the prominence afforded a particular management function. On the other hand, consistent with the desire to integrate responsibilities, it also was suggested that the creation of a senior management position needs to be considered with careful regard to existing positions and responsibilities so that it does not result in unnecessary “layering” at an agency. An additional suggestion requiring statutory changes would be to allow senior management officials in each agency to assume full authorities and responsibilities once they were nominated but before their confirmation. However, it was understood that such an approach would be viable only if the senior management position was restricted to the professional and nonpartisan “good government” responsibilities that are fundamental to effectively executing any administration’s program agenda and did not entail program policy-setting authority.
- With regard to the institutionalization theme, many participants felt that the Congress should give the President’s Management Council (PMC) a statutory basis to help ensure governmentwide attention to management issues and the needed transformational change in federal agencies. The Bush administration, using the approach initiated under the Clinton administration, has administratively created a PMC. The PMC has served as a vehicle for developing policies and initiatives that are sensitive to implementation concerns, building consensus, and providing for consistent follow-through across the executive branch. A statutory basis for the PMC would ensure that it continues to exist without the necessity of being rechartered by each administration. Consistent with this approach, it was suggested that the Congress may wish to consider requiring the President to submit an annual management agenda—with appropriate performance measures—to accompany the President’s budget submission to the Congress. Such an approach could also facilitate more direct linkages between management issues and resource allocation decisions. Importantly, both the Bush and Clinton administrations have articulated such management agendas—providing a statutory requirement would help to ensure that this beneficial approach continues with future administrations. It was also suggested that requiring annual assessments of the progress made in

Appendix I

implementing the management agenda would serve as a major catalyst for institutionalizing accountability.

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In summary, the participants at the roundtable were in broad agreement that there is a compelling need to elevate, integrate, and institutionalize responsibility for certain key management functions and transformational efforts within federal agencies. There also was broad agreement that the best approach to use in any given agency must be determined within the context of the specific facts and circumstances surrounding that agency and its own challenges and opportunities. Beyond that, the roundtable participants offered a variety of suggestions for consideration as the executive branch and the Congress seek to address the federal government's long-standing management problems and the need to move to a more responsive, results-oriented, and accountable federal government.

**The Chief Operating Officer Concept:
A Potential Strategy to Address Federal Governance Challenges**

Participants

Melissa Allen	Assistant Secretary for Administration Department of Transportation
Charles W. Culkin, Jr.	Executive Director Association of Government Accountants
Ed DeSeve	Director, Management, Finance and Leadership Program University of Maryland
Mortimer Downey	Principal Consultant, PBConsult (Former Deputy Secretary, Department of Transportation)
Mark W. Everson	Deputy Director for Management Office of Management and Budget
Mary R. Hamilton	Executive Director American Society for Public Administration
Dwight Ink	President Emeritus Institute of Public Administration
Kay Coles James	Director Office of Personnel Management
Clay Johnson	Assistant to the President for Presidential Personnel The White House
John A. Koskinen	Deputy Mayor/City Administrator Government of the District of Columbia
Marcia Marsh	Vice President, Strategic Human Resources Planning Partnership for Public Service
Patricia McGinnis	President and Chief Executive Officer Council for Excellence in Government
Richard M. Moose	President, Institute for Public Research, The CNA Corporation (Former Under Secretary for Management, State Department)

Appendix II

Sean O’Keefe	Administrator National Aeronautics and Space Administration
Bob O’Neill	President National Academy of Public Administration
A.W. Pete Smith	President and Chief Executive Officer Private Sector Council
Elmer B. Staats	Former Comptroller General of the United States U.S. General Accounting Office
Tom Stanton	Fellow, Center for the Study of American Government Johns Hopkins University
Max Stier	President and Chief Executive Officer Partnership for Public Service