BRIDGING MISSION AND MANAGEMENT

A Survey of Government Chief Operating Officers

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PARTNERSHIP FOR PUBLIC SERVICE

Booz | Allen | Hamilton

ABOUT THIS REPORT SERIES

This report is intended to be the first in a series on the state of federal management from the perspective of those senior officials most accountable for results: the government's chief operating officers and other equivalent top management officials. The goal of this series is to document the state of federal management from the perspectives of the leaders ultimately in charge—the agency COOs. The Partnership and Booz Allen's plan is to periodically interview the COOs of the federal government's 24 executive departments and agencies.

In this inaugural report, we explore in depth the evolving role of COOs, in addition to what they see as government's top management priorities and challenges. Throughout the series, we intend to interview these leaders about their priorities and challenges, their successes and their lessons learned, and the reforms they are leading—or need—to strengthen government management and performance.

The Partnership for Public Service is a nonprofit, nonpartisan organization that believes good government starts with good people. We help government serve the needs of all Americans by strengthening the civil service and the systems that support it. We pursue this goal by:

- Providing assistance to federal agencies to improve their management and operations, and to strengthen their leadership capacity
- Conducting outreach to college campuses and job seekers to promote public service
- Identifying and celebrating government's successes so they can be replicated across government
- Advocating for needed legislative and regulatory reforms to strengthen the civil service
- Generating research on, and effective responses to, the workforce challenges facing our federal government
- Enhancing public understanding of the valuable work civil servants perform

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EXECUTIVE SUMMARY

Federal agencies cannot successfully implement and execute government policy and program priorities—from launching a satellite to delivering a tax refund—without strong internal management and organizational capacity. Chief operating officers are responsible for bringing together all elements of their agencies to accomplish key priorities. That is no easy task.

For this to happen, agencies need a COO with the ability, authority and insight to integrate the efforts of policy and program leaders—the mission side of an agency—with those of staff functions that support that mission. We believe this integration is the essential responsibility of the government COO, a position most often assigned to a department's deputy secretary or agency equivalent. This executive needs to be able to operate above the department's or agency's various policy, operating and support divisions, and ensure that these divisions are managed in a way that leads to high performance.

COOs can drive an administration's policy and program goals. During our research interviews, we found many who serve this role. Many COOs also focus on the operational side of an agency, overseeing day-to-day program delivery and driving mission-support functions such as information technology, human resources, financial management and acquisition. But COOs are also uniquely positioned to ensure that the agency's mission-support functions are integrated with and contributing to broader policy and program goals. Those who helped shape the COO role in government, as well as many who have held the position, argue that this is the real purpose of the COO: to ensure that policies, programs and mission-support functions are all aligned to execute the agency's mission. Based on our interviews that "execution" aspect of the COO's role is still evolving, for reasons that we will explore in the pages that follow.

The goal of our study was to understand the current state of federal management from the perspectives of the leaders who are ultimately in charge of shaping it. To do so, we had to first understand the nature of their roles and responsibilities. To achieve these two goals, the Partnership for Public Service and Booz Allen Hamilton conducted in-depth interviews with 23 COOs or other senior leaders with comparable responsibilities in major federal agencies and departments. We also interviewed senior OMB officials—those with government-wide management responsibilities—and convened a roundtable of former COOs and other top government officials to get their views on our findings and recommendations.

Interviews revealed that the COO role lacks clarity and consistency across government. Because the position is relatively new and not well defined in statute, there is little in the form of government-wide guidance about the roles and responsibilities of COOs. As a result, the position has not been strongly institutionalized. The scope and reach of a COO's responsibilities varies greatly across departments and agencies, and even within individual agencies over time.

Additionally, we learned that there are both advantages and disadvantages to having political appointees serve as COOs. Many executives cited the clout and connections that political appointees enjoy as being critical to operating effectively as COO. However, appointees often have short tenures, so they inevitably face steep learning curves in absorbing everything they need to know to drive change in their agencies.

When it comes to their management challenges and priorities, our conversations with COOs revealed that they are trying diligently to improve the performance of their respective agencies, as well as government as a whole, even though their roles varied significantly from one agency to the next. They all recognize that their challenges are complex, deeply entrenched and widespread, and successfully addressing them is a Herculean task, even for government's top executives. COOs reported that they are making progress, but acknowledge that they still have a long road ahead to improve management and drive performance, with a number of major challenges:

- Challenge 1: Broken human capital systems cause cascading problems in almost every agency.
- Challenge 2: Duplicative and uncoordinated management systems across department and agency subcomponents hinder the mission and lead to waste.
- Challenge 3: Mission-support functions are often slow to innovate and adapt to changing technologies and mission priorities.
- Challenge 4: Government-wide management initiatives have great potential but currently lack practical impact.

COOs can serve as the crucial bridge between mission and management by ensuring that mission-support functions are integrated and aligned with mission-critical policy and program objectives. However, for the COO to be successful, the role needs to be more clearly defined and institutionalized. COOs should have the resources, authority, top-level support and flexibility necessary to direct policy, program and mission-support priorities to optimize performance. They should also be held accountable for results. The following are select recommendations that government leaders can implement to make this happen.

The president should:

- Demonstrate commitment to high performance and results by nominating individuals to fill COO roles who have substantial management experience and skills.
- Establish a clear management agenda early in the administration that builds off successful reforms of previous administrations, sets new management and performance goals where appropriate, and holds COOs accountable for progress through performance contracts.

Congress should:

- Enact civil service reform to enable departments and agencies to realize their full policy and program performance potential.

- Codify the President's Management Council, which allows COOs to coordinate across agencies; institutionalize its scope of responsibility; and give it the authority, staff and resources necessary to drive government-wide management improvements.
- Prioritize management experience and skills when confirming COOs and act quickly to minimize vacancies in this vital role.

The Office of Management and Budget should:

- Issue guidance on the duties and responsibilities of COOs to ensure greater clarity and consistency in the role across government.
- Strengthen the PMC to better support COOs and drive management reforms by providing a collaborative forum for tackling government-wide challenges.
- Provide COOs with clear direction and support for strengthening government management and performance, and hold them accountable.
- Establish general qualifications requirements for political appointees to be nominated for COO positions to ensure that these officials have the experience and expertise needed to do the job, and direct OPM to do the same for career civil servants selected for COO positions.

COOs and other agency leaders should:

- Eliminate department- or agency-level rules and procedures that perpetuate inefficiencies in mission-support functions.
- Develop internal policies outlining the COO's duties and responsibilities which clearly define the COO's role in ensuring that mission-support functions enable the execution of program and policy goals.
- Assign career leaders to senior management positions that support the COO.

INTRODUCTION

Government leaders manage extremely large and complex organizations with critical missions that range from safeguarding our borders to improving our schools to protecting us from natural disasters, disease and threats to our national security.

For example, to keep our nation secure the Department of Defense[1] and Department of Homeland Security[2] employ almost one million civilian employees, more than many of our largest multinational companies like Coca-Cola (129,000 employees[3]) and Google (40,000 employees[4]) combined. The DHS workforce is dispersed across the country and around the globe. It is organized into 16 major subcomponents that execute vastly different missions such as ensuring border security, responding to disasters, protecting the president, enforcing immigration laws and securing the nation's transportation systems. The budget of DHS totals more than $60 billion,[5] roughly twice the budget of the state of New Jersey.[6]

At the Department of Health and Human Services, leaders manage a workforce of 62,000 employees, including doctors, epidemiologists, scientists and engineers.[7]

1 U.S. Department of Defense. Retrieved from http://1.usa.gov/1FiKhDB

2 U.S. Department of Homeland Security. Retrieved from http://1.usa.gov/1EBc2AT

3 Coca-Cola 2014 Annual Report. Retrieved from http://bit.ly/1H1Nvq2

4 Google. Retrieved from http://bit.ly/1QGve8R

5 U.S. Department of Homeland Security. Budget-in-Brief Fiscal Year 2014. Retrieved from http://bit.ly/1QGve8R

6 State of New Jersey. The Fiscal Year 2014 Budget Summary. Retrieved from http://bit.ly/1Hc8XuY

7 Data from FedScope (fedscope.opm.gov) for full-time, non-seasonal, permanent employees.

HHS distributes more than $330 billion a year in grants and direct payments to organizations and individuals across the country.[8] Even a smaller agency like the Department of Education distributes more than $40 billion annually in grants and direct payments.[9] In comparison, the Bill and Melinda Gates Foundation, one of the largest foundations in the world, distributes approximately $3 billion a year in grants.[10]

The federal government's chief operating officers are the top leaders responsible for ensuring that these complex organizations are well-managed and operating effectively to execute their programs and achieve their goals. When they are successful, their agencies can accomplish amazing things.

For example, NASA's landing of the Curiosity rover on Mars in 2012 was more than just a stunning scientific success—it was an organization-wide achievement. Brilliant scientists and engineers working for NASA and the contractors that support it were front and center in the effort, and they deserve to be, but they could not have landed Curiosity 154 million miles from Earth on their own. NASA's human resources professionals and managers identified and hired the staff needed to execute this daunting task. Acquisition and IT employees ensured that NASA had the technology and contractor support needed to complete the mission. Financial management experts provided the information needed to manage the project and make budgeting decisions.

8 Retrieved from usaspending.gov

9 Ibid.

10 Bill & Melinda Gates Foundation 2013 Annual Report. Retrieved from http://bit.ly/1JFDh1v

In this report, we explore the role of COOs in integrating and aligning two critical aspects of their agencies to drive performance and execute their missions.

MISSION

The COO's responsibility for achieving an agency's overall policy and program objectives, whether they be landing a rover on Mars, implementing a new tax law or fielding a new weapons system.

MISSION SUPPORT/MANAGEMENT

The COO's responsibility, often supported by an assistant secretary for management or chief management officer, for management functions such as human capital, IT, acquisition, financial management and budgeting, and organizational performance management.

Unfortunately, recent history also provides examples of government initiatives that floundered because agencies lacked the basic organizational capacity to execute their missions.

For example, the troubled launch of healthcare.gov in 2013 was largely due to antiquated information technology systems, interagency stovepipes and limited capacity to effectively select and oversee contractors. A 2014 scandal involving falsified wait times for veterans seeking medical treatment was in part due to poor talent management and flawed accountability systems.

To accomplish their missions, agencies need COOs who can integrate the efforts of policy and program leaders with those of staff functions that support the mission. We believe this integration is the essential responsibility for the government COO, a position most often assigned to a department's deputy secretary or agency equivalent. This executive needs to function above the organization's policy, operating and support divisions, and ensure that the agency is managed in a coordinated way that leads to high performance.

Unfortunately, the lofty potential of this role stands in contrast to the reality of running a large government agency. COOs are charged with the thankless task of tackling everything from complex, long-standing and deeply ingrained management problems, to the successful execution of new program and policy goals. "[A COO gets] no credit when things go well, and all the blame when they don't. It is not much fun or glamorous," said one COO.

Despite the high rank of the position, one deputy secretary and chief management officer described the intimidating and treacherous nature of the job. "When I ask former deputy secretaries, 'What's the job description?' they say, 'See the tethered goat in *Jurassic Park*,'" referencing a sacrificial goat that was fed to a hungry *Tyrannosaurus rex*.

These executives have vast and demanding responsibilities. As noted, the majority of government's COOs serve as deputy secretaries and, in that capacity, set policy, spearhead high-profile programs, deal with external stakeholders, oversee organizational performance management and serve as the alter-ego of the secretary.

While COOs have enormous and complex duties, there is little formal guidance about the position in law, regulation or policy. Though Congress established the role in law through the Government Performance and Results Modernization Act of 2010, little direction exists about the specific duties and responsibilities of COOs. The result is that this important position has not been well-institutionalized or consistently defined across government.

To explore this relatively new and critical role and its profound implications for government management, the Partnership for Public Service and Booz Allen Hamilton conducted in-depth interviews with 23 COOs or other senior leaders with comparable responsibilities in major federal agencies and departments. This report is intended to be the first in a continuing series that examines the state of federal management from the perspective of government's top management officials.

The COOs were chosen for interviews because these officials are uniquely positioned to integrate and align their agency's mission-support functions with its program and policy objectives, and to ensure that their agencies successfully execute their missions. We sought to understand the role COOs play in an agency; to identify COOs' top management priorities and challenges; and to capture the reforms they are leading to strengthen their agencies.

The leaders interviewed included department-level deputy secretaries and deputy administrators, who often hold the COO title, as well as assistant secretaries for management, who support deputies in overseeing management and mission-support.

The interviews were conducted from October 2014 through January 2015. Each individual was asked a set of open- and closed-ended questions (see Appendix Two) regarding their top management priorities and how those link with mission-critical goals, the progress their agencies are making in key mission-support functions, and the roles and responsibilities of the COO at their agencies. To encourage candid conversations, interviews were not for attribution. All of the direct quotes in this report are of interview participants who are not identified by name.

In addition, in January 2015, we conducted an invitation-only roundtable on the state of federal management with 12 former federal COOs and senior management officials. The purpose of the roundtable was to solicit their candid, post-service views on the nature of the COO position, as well as the current state of federal management, and to compare their assessments with the views of officials currently in public service. The participants were seasoned government management experts with experience leading a wide range of agencies. They brought a wealth of knowledge and unique perspectives on how COOs can help agencies improve performance by integrating and aligning mission-support functions with program and policy goals. Their insights helped guide our recommendations and inform our report. A list of participants from that roundtable is included in Appendix Three.

The importance of bridging mission and management

To successfully implement programs, policies and services, federal agencies need mission-support functions like human resources to find the right talent, acquisition to purchase needed tools or services, financial management to understand budget and spending, and an enabling IT infrastructure that supports virtually every aspect of an agency.

Efficient and well-run mission-support functions are essential to a well-managed agency, but that is only the first step. Effective management means much more than simply "keeping the trains running." Mission-support functions are a means to an end—that end being the execution of agency goals. "We need functions like IT and HR to be good to service the agency, not to be good for their own sake," said one COO.

It is that integration and alignment—between mission and management—that makes the COO's job so critical. In some cases, mission-support functions might be operating well but still might not effectively support the goals of the organization. "You can have operational excellence that can be genuinely about the operations of an agency, but it is separated from policy goals," said one interviewee. One reason for this disconnect, according to several interviewees, is that mission-support functions often focus on carrying out a specific process or procedure, rather than the end goal or outcome.

For example, one COO explained that although his agency has an effective and precise financial management system, staff sometimes get bogged down with details rather than focus on supporting the mission. The COO said: "We get a clean audit. The challenge here is that we've got to get past counting and get back to managing." As an example, the COO described a process in which staff were attempting to identify unspent funds at the end of a budget cycle. For one project, employees took the time to locate a single penny of unspent funds, then went through the process to transfer that penny to another project to be used by the end of the fiscal year. "If we are managing all the minutiae, we lose sight of what management really is," the COO said.

Similarly, one former agency leader described an organization that struggled with serious challenges despite its well-functioning internal operations: "The agency gets a clean audit, the technology runs well and the human capital system is fine, yet the organization is replete with inherent management failures that were more mission-centric and programmatic in nature." The COO is uniquely positioned to link an agency's policy and program operations with its various support functions, and to ensure that they are aligned and integrated.

Unfortunately, mission-support functions often receive sufficient investment and attention only in response to a major failure. As one interviewee said: "Although a well-functioning and well-managed department is important for success, most members of the Cabinet will be more focused on their policy and regulatory goals. A poorly functioning department will be recognized, but the legacy is ultimately about policies, programs and initiatives." By working to bridge management and mission, COOs can help address this problem and ensure that agencies build organizational capacity needed to accomplish their goals.

Findings

Background on the role of the federal chief operating officer

The chief operating officer position was originally envisioned as a way to help government agencies address systemic and long-standing performance and management challenges.

As part of the National Performance Review, a 1993 presidential memorandum directed agencies to establish COOs responsible for overall organization management and performance.[11] While subsequent administrations issued similar directives, the COO position was not yet established in law.

In 2002, a panel of experts convened by the Government Accountability Office identified several ways in which a more clearly defined and empowered COO could help strengthen an agency.[12]

According to the GAO report, a COO could elevate attention on important management issues, which traditionally take a back seat to high-profile policy priorities when it comes to the limited time and attention of senior leaders. A COO also could help integrate management efforts across the agency by coordinating the efforts of other management officials, such as the chief financial officer, chief human capital officer and chief information officer. Finally, a GAO roundtable suggested that a well-defined COO position could institutionalize management improvement efforts and ensure sustained focus on reforms that may require years to fully take root.

As part of the Government Performance and Results Modernization Act of 2010, Congress codified the COO position and assigned it to the deputy head of the agency, or the equivalent. It did not, however, specify detailed job requirements or qualifications.

The GPRA Modernization Act outlined broad responsibilities for COOs, including improving performance management, overseeing efforts to improve their agencies' management functions, and coordinating with other leaders such as the chief financial officer, the chief human capital officer, the chief acquisition officer, the chief information officer and the performance improvement officer.

In 2014, the Office of Management and Budget further clarified some COO responsibilities in Circular A-11[13] specifically regarding performance management. For example, COOs are required to set clear and ambitious goals to improve results and reduce costs; assign and empower senior officials to lead these goals; conduct quarterly reviews to accelerate progress; identify and implement actions to improve results and reduce waste; ensure transparency of performance information; and instill a culture of performance and efficiency in their agencies.

While many COOs have additional responsibilities through their role as the deputy secretary, how their COO duties fit within the broader context of their jobs is often murky. The result is that this important position in government has not been clearly defined or institutionalized.

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11 The White House. Implementing Management Reform in the Executive Branch [Presidential Memorandum 10-01-93], October 1, 1993. Washington, DC.

12 Government Accountability Office, Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges, GAO-03-192SP (October 2002), http://1.usa.gov/1JHGZty

13 Office of Management and Budget, Circular No. A-11 Part 6: Strategic Plans, Annual Performance Plans, Performance Reviews, and Annual Program Performance Reports, July 2013, http://1.usa.gov/1dpgOfc

A profile of current federal chief operating officers

The Partnership reviewed publically available biographical information of individuals who held the COO title in 23 major federal departments and agencies in February 2015. These individuals sometimes varied from the agency representative interviewed for this report.

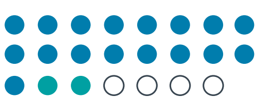
Of the 23 federal chief operating officers...

POSITION

18 are the deputy secretary or equivalent

The remaining agencies have created a COO position separate from the deputy, or have another senior leader acting as COO because the deputy position is currently vacant.

19 are politically appointed



17 are nominated by the president and confirmed by the Senate

2 are politically appointed but not Senate-confirmed

4 are career members of the Senior Executive Service

*The Partnership estimated the average tenure for all acting and confirmed deputy secretaries at CFO Act agencies during the Obama administration as of February 2015 using biographical information primarily found at www.leadershipdirectories.com.

**O'Connell, A. J. Waiting for Leadership. April 21, 2010, http://ampr.gs/1K4O5JN

TENURE AS COO

16 MONTHS

average COO tenure at the time of interviews

3 YEARS*

average tenure for deputy secretaries in the Obama administration

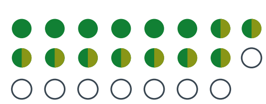
2.5 YEARS**

average tenure for political appointees in the G. W. Bush and Clinton administrations

PRIOR EXPERIENCE

Several COOs had not previously held positions focused on the management and mission-support functions of a large enterprise. These individuals have had careers mostly focused on politics, policy or law.

15 had over 2 years of experience working in the agency prior to becoming COO



9 of the 15 had over 5 years of experience working in the agency prior to becoming COO

20 have held leadership positions in multiple sectors and different levels of government

FINDING ONE

The COO role lacks clarity and consistency across government

While the deputy secretary or deputy agency head formally holds the chief operating officer title in most agencies, how the role is implemented and where COOs focus their attention varies greatly across agencies and even within a particular agency over time.

Many interviewees highlighted the importance of the COO's role in integrating mission-support functions with program and policy objectives, to ensure that agencies are executing their goals. One former official said: "The COO can not only be seen as making sure that the trains are moving on time. We need integration. And the deputy is in the best position to synthesize." However, our research found that the COO role has not been implemented consistently across government, especially with regard to integrating mission-support functions with policy and program objectives.

The COO role varies across agencies

In most agencies, the deputy secretary holds the COO title and splits time between overseeing policy and program formulation, and managing mission-support functions. Under this model, the deputy may focus on select policy and/or mission-support issues, often dictated by the deputy's personal interests, background and the priorities of the head of the agency. The deputy then delegates oversight of other policy, program or mission-support areas to another senior official.

In a few agencies, the deputy secretary holds the COO title and concentrates mostly, if not exclusively, on running the mission-support functions, such as human capital, information technology, acquisition and financial management. One deputy said: "Previously there had not really been a COO operating here. However, I focus mostly on operations. It's what I came here to do."

In other agencies, the deputy serves as COO but delegates almost all mission-support oversight to another senior official, such as the assistant secretary or under-secretary for management, and focuses exclusively on program and policy priorities. "Our deputy secretary is more like the chief policy officer," said one interviewee.

In agencies where the deputy holds the COO title but is not involved in mission-support oversight, there may be confusion about who the COO is or whether one even exists. As one interviewee explained: "We don't really have a COO as I would regard such person from my time in the private sector. Nor do we have a COO like some of the other federal agencies."

A few of the agencies have taken unique approaches. NASA and the Office of Personnel Management created a career COO position that is separate from the agency's deputy. The Nuclear Regulatory Commission has an executive director for operations who is a career employee. And the State Department established two deputy positions—a deputy for management who acts as the COO and a deputy for policy; State also has a career Under Secretary for Management.

The COO role may change within an agency over time

The COO role also varies considerably within the same agency over time, depending on the styles and desires of its senior leadership. For example, a deputy who focuses more on policy and less on mission-support responsibilities may leave the agency and the successor may elect to take the opposite approach. Rather than stepping into a preexisting and clearly defined role, most COOs reported shaping their role once they began, primarily through conversations with their agency heads.

One interviewee described the challenges associated with a COO role that is not well defined. "When I first took this job, there was a COO in place, but I think it's fair to say there were no policies or processes," said the executive. "It was a title with no actual duties. If I were to leave today and a new person came in, there would be a free-for-all. There would be a lot of folks who would forget quickly what we are trying to do. If I was in this role for three to five years, then it becomes institutionalized."

Mission vs. mission-support responsibilities

Most of those interviewed agreed that deputy secretaries need to be as invested in strengthening their agencies' mission-support functions as they might be in overseeing policy and program execution, because of the influence and authority they hold. One challenge associated with delegating all mission-support responsibilities to someone below the deputy, such as an assistant secretary for management, is that individual typically does not have the authority to engage and direct agency program and policy leaders, which limits integration between mission-support and program goals. Deputies already take on vast leadership responsibilities and inevitably delegate certain tasks. A few interviewees said the decision to move mission-support responsibilities away from the deputy was driven by that person's busy schedule. "The primary motivating factor was that the deputy secretary had a lot to do," said one interviewee. "Management and operations could be handled at the undersecretary level. Even though it seems like responsibility is moving down, you're moving it to someone who has time to spend on it."

However, other interviewees noted that it is invaluable to have the deputy's voice and authority over both policy and program areas and mission-support functions to encourage alignment across all facets of the organization.

Institutionalizing the COO position

A majority of former COOs and management experts who attended our roundtable on the state of federal management expressed the need for more formal guidance about the COO position. One former COO strongly asserted: "We need greater clarity on what is the role of the COO; there's no uniformity. In municipal government, it's very clear and it's in statute. I had more authority as a [local government official] than the secretary had over his agency. So what is a COO? Deputy secretary responsibilities are statutorily very small. It says they are first assistant to the secretary and really nothing else."

Clarification of COO roles and responsibilities would help establish continuity in the position within agencies over time and minimize shocks that come during inevitable transitions in leadership, according to interviewees. As one former COO noted, "If you want to institutionalize something, you have to transcend the individual personalities and skills of the people who happen to be in those roles. You're never going to completely transcend that, but clarity of what those roles are in statute can help."

"If you want to institutionalize something, you have to transcend the individual personalities and skills of the people who happen to be in those roles."

FORMER COO

Additional guidance also would strengthen the selection process for COOs by identifying important qualifications, and by providing the president and Congress with a framework to ensure that they nominate and confirm individuals with the skills needed to address government's management and performance challenges.

While our roundtable of former COOs largely agreed that more guidance on the position is needed, a few research interviewees cautioned that guidance should not be overly prescriptive. They noted that the COO's responsibilities may change because of the important role he or she plays in complementing the talents and background of the agency's secretary. "It will boil down to what kind of skills each individual brings," said one interviewee. In other words, there needs to be a balance between greater clarity and sufficient flexibility.

FINDING TWO

There are advantages and disadvantages to having a politically appointed COO

Federal chief operating officers are accomplished, seasoned leaders who are dedicated to making government work well. However, they reported facing steep learning curves in their efforts to drive mission and management improvements. For example, several COOs did not have extensive experience in the agency that they were leading, and a few had limited experience overseeing mission-support functions in large and complex organizations.

These are common challenges for high-level political appointees. However, participants in our roundtable of former COOs and management experts largely agreed that the advantages of having a political appointee as COO outweighed the disadvantages. While our roundtable was largely composed of former political appointees, they made a strong case for the benefits of politically appointed COOs.

Advantages and disadvantages of a political appointee as COO

Our roundtable participants cited the clout and connections that political appointees enjoy as critical to operating effectively as a COO. “You need that gravitas and sense of authority that comes with [political appointments],” said one former COO. Roundtable participants noted that in some agencies a career COO would struggle to exert influence over politically appointed management officials, such as chief financial officers.

The group also largely believed that the COO position should be held by the deputy secretary because that individual is best positioned to drive the execution of mission and mission-support functions. They argued that most deputy secretaries need to be political appointees because of the real and perceived authority that comes with that position, and to ensure alignment with the administration’s priorities.

In our COO interviews, a few executives also noted value in politically appointed COOs who can bring fresh perspectives and experiences from outside the agency.

However, some interviewees touted the benefits of placing a career civil servant in the COO role, such as ensuring continuity of management reforms across administrations. “It makes sense for the COO to be a career person for continuity reasons. The top career person is better able to implement policies and procedures than someone who is not as familiar with [the agency],” said one career COO. However, this individual acknowledged some disadvantages. “I’m not even allowed to go to certain meetings because I’m not political,” he said.

A few agencies have politically appointed COOs who were previously career employees, providing them with a deep understanding of the organization as well as the advantages of a political appointment.

Addressing the challenges of short tenure and steep learning curves

Most COOs are focused on addressing some of government’s deeply entrenched challenges, such as strengthen-

"You need that gravitas and sense of authority that comes with [political appointments]."

FORMER COO

ing employee engagement, reducing IT duplication and creating cultures of performance. They see tackling these management issues as essential to accomplishing the mission. However, as political appointees, few will be in their positions long enough to see their agencies reach these goals. For example, several COOs said that they are overseeing large consolidations of IT, human resources and financial management systems—processes that can span multiple administrations. Similarly, most COOs said they are focused on improving employee engagement, which may involve long-term cultural changes.

To address this reality, COOs highlighted the importance of ensuring that they have lasting and beneficial effects on their agencies. For example, one former executive noted that the strong relationships between COOs and the agency's career leadership can provide COOs with institutional knowledge and strengthen the sustainability of their reforms. This former COO said, "Continuity doesn't derive from you and your ability to live beyond the eight years you might have. It resides in the strength of leadership built with members of the Senior Executive Service, who are going to be the real leaders."

Another challenge stems from the fact that several COOs had limited experience overseeing mission-support functions in large and complex organizations, which left many feeling like they were "drinking from a fire hose" in absorbing everything they need to know.

While many COOs said that their leadership skills are transferable, a few noted the steep learning curves they faced in managing a large federal agency for the first time. As one COO explained: "Most of us who come into this job have had no formal management training at all. I have 'Managing for Dummies' somewhere in my office. Most of us have succeeded in the past because we were very good at politics or policy, but not because we were good managers. I can count only one or two colleagues with solid management experience. Managing a big budget, IT and succession planning are things most of us haven't done. Many of us are dropped into this job and told to manage these huge departments and we just don't know what to do."

In addition, a few COOs noted the importance of having strong experience with and knowledge of the agency they are leading. While most had worked in the agency they were managing, only nine of 23 had five or more years of experience in that agency over the course of their careers. Some felt that lengthy experience in the agency was not critical. However, one COO who had spent most of his career at his agency said: "I can't imagine someone being dropped in from outside the agency and being able to succeed. It's knowing the structure of the organization, knowing who to call, knowing history, laws and controversies. I just cannot imagine. It would be a very steep learning curve."

Responsibility for ensuring that COOs have the skills and experience needed for the position lies with the president, who nominates candidates, and the Senate, which confirms them. Several interviewees noted that members of Congress and the administration should give more weight to management experience when nominating and confirming COOs. As one former Office of Management and Budget official noted: "If it's really important for agencies and government to work well, it has to start with the president."

"Continuity doesn't derive from [your ability] to live beyond the eight years you might have. It resides in the strength of leadership built with members of the SES, who are going to be the real leaders."

FORMER COO

FINDING THREE

COOs report moderate management progress, but some areas lag and could be better integrated with the mission

Chief operating officers have strong views on the current state of management in their agencies and overall report that they have made moderate progress toward improving their mission-support functions and aligning them to enable program and policy goals. But they also acknowledge that many challenges remain.

COOs report solid progress in financial management and organizational performance management

When asked the extent to which their agencies had made progress toward meeting top management priorities, financial management and performance management were the areas in which COOs reported the most success.

About two-thirds of those interviewed reported "great" or "very great" progress toward achieving their financial management priorities. For example, several agencies that previously struggled to achieve clean audit opinions recently did so. COOs cited strong leadership from their chief financial officers as well as successful implementation of new financial management systems as keys to success. Other executives were optimistic that transitions in progress to a shared services provider would help solve long-term financial management weaknesses.

COOs also saw progress in tying budget decisions to performance and strategic priorities. For example, one executive described implementing a financial management dashboard that ties his agency's budget to its strategic plan by tracking spending by goals, rather than by offices. He said this new dashboard helps leaders make better budgeting decisions.

For most COOs, the biggest financial management challenge was not related to internal agency weaknesses, but dealing with the uncertainty resulting from recent short-term budget commitments from Congress. COOs noted that budget uncertainty prevents agencies from strategically planning for the future, appropriately funding long-term programs and confidently making investments.

Organizational performance management was another area in which COOs believed their agencies were improving, with about half reporting "great" or "very great" progress. Agencies have taken great strides in developing cultures where program performance data informs decisions, according to interviewees.

COOs also are seeing progress in linking performance data to the budget process. Several agencies have merged these two portfolios so that one leader oversees both performance management and budgeting activities.

The primary performance management concern for COOs was not insufficient performance data, but getting the right data to support decisions. They said data around outcomes, as opposed to outputs, was the most valuable, but also the hardest to come by. One COO noted: "Our performance measures often are not helpful in driving decisions and considering changes in strategy." However, a few cited progress in this area. For example, one described how his agency's performance management system had traditionally focused on easy-to-obtain measures like the number of individuals served, but was now using measures that better capture the effects of programs on people's lives.

COOs see less progress in acquisition, human capital and technology

The executives were divided on the progress they saw in acquisition. About a third cited "very little" or "little" progress toward meeting acquisition priorities, with a third claiming "moderate" progress and a third citing "great" or "very great" progress.

Those who reported improvement referenced increasing their agencies' buying power through strategic sourcing, bulk purchasing and better coordination between acquisition offices. Many of the COOs cited improving buying power by reorganizing their acquisition offices around the commodity being acquired, such as IT equipment, professional services or lab supplies, rather than around the structure of the agency, such as field offices and subcomponents.

Many COOs who were dissatisfied with their acquisition functions saw a need to strengthen their acquisition workforces through better training and hiring. A few noted that their agencies struggle to hire talented acquisition staff who can ensure compliance with the restrictive Federal Acquisition Regulations but who also have the creativity to maximize the regulation's few flexibilities to buy needed goods and services.

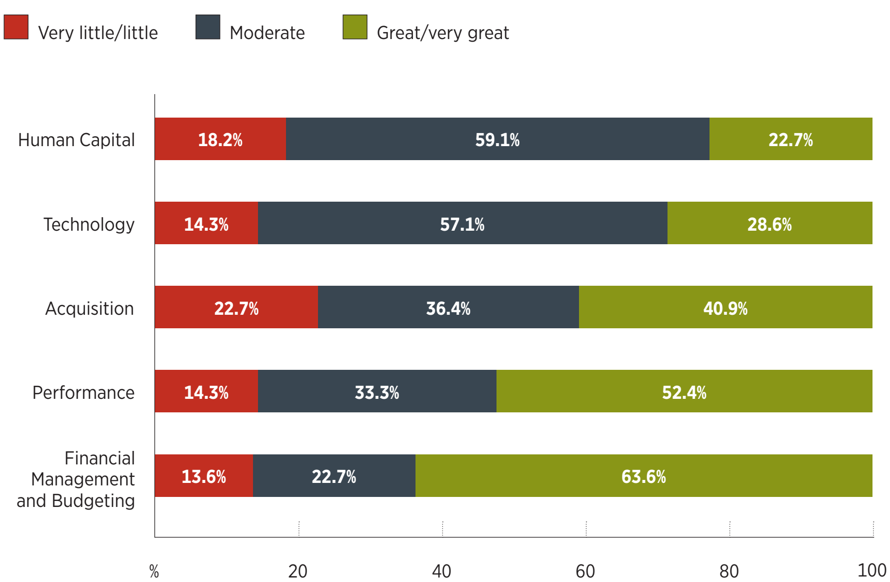
Only about a quarter of COOs reported substantial progress toward achieving their human capital priorities. This is especially problematic given that human capital was their most commonly cited top management priority. COOs listed several challenges impeding progress, including restrictive and outdated civil service laws, obstacles to effectively deal with poor performers, insufficient succession planning given pending retirements, and challenges around attracting new leaders into federal service. How COOs are tackling these challenges is discussed in depth later in this report (see page 18).

Respondents also noted limited success in achieving IT priorities, with less than a third citing "great" or "very great" progress. One barrier was insufficient IT infrastructure investments. One agency, for example, received only 20 percent of the IT funding it requested from Congress. Many COOs also were concerned with ineffective IT acquisition processes. For example, one described being hamstrung by a poorly written 10-year contract that manages the entire department's IT infrastructure. This COO said it is impossible to determine whether poor progress is a result of underperforming employees or of contract restrictions.

Many of the executives also were concerned about the ability of their agencies to meet rising cybersecurity threats, and worry they are unable to hire the experts necessary to keep them secure. Their concern is supported by our April 2015 report, "Cyber In-Security II: Closing

FIGURE 1

Over the past two years, to what extent has your agency made progress toward meeting its top priorities in each of the management areas listed below?



Totals may not equal 100% due to rounding.

the Federal Talent Gap," which confirms that the federal government has fallen behind in the race for highly qualified cybersecurity experts.

Nevertheless, some interviewees reported progress on IT goals. Several COOs described successfully transitioning to cloud and mobile technology, reducing IT duplication and moving toward paperless processes. One COO explained that every point of access to the Internet represents a potential vulnerability. The COO's agency used to have more than 100 access points, but is now down to three. Another department is in the middle of a consolidation process, having successfully combined 300 data centers into 60 with the goal of eventually merging into only three. According to interviewees, these improvements have saved taxpayers money, streamlined business processes and decreased the likelihood of cybersecurity breaches.

Across agencies, COOs cited many similar management priorities and challenges (see graphic). For example, issues like bolstering employee engagement, improving cybersecurity and reducing IT duplication were priorities for almost everyone. However, COOs varied greatly in their assessments of the quality of their agencies' mission-support functions, and how integrated these functions were with their missions.

While a few COOs said their agencies operate with state-of-the-art technology, others reported being "shocked" by the grave state of their agencies' IT infrastructure. COOs also reported a wide range of quality in their financial management systems. One COO explained that his agency's financial management systems could not produce the basic data that leaders need to track spending and make budgetary decisions. Others said their systems could track spending down to the penny.

CHIEF OPERATING OFFICERS' TOP MANAGEMENT PRIORITIES

COOs were asked about their top priorities for strengthening five mission-support functions in their agencies. The following summarizes the most commonly cited priorities in each category.

HUMAN CAPITAL

- Improving recruiting and hiring systems to draw mission-critical talent and attract millennials.
- Planning for pending retirements and building a leadership pipeline.
- Strengthening employee engagement and morale by bolstering supervisory skills and acting on feedback from employees regarding how to improve the work environment.
- Filling senior leadership vacancies and empowering the next generation of leaders.
- Dealing with poor performers within the context of restrictive civil service laws.

TECHNOLOGY

- Enhancing cybersecurity against growing threats by strengthening agency infrastructure and hiring cyber talent.
- Recruiting and retaining highly qualified IT/cyber experts.
- Updating technology to better support the mission.
- Consolidating IT systems across agency subcomponents to reduce duplication and save money.

ACQUISITION

- Using strategic sourcing to maximize agency buying power and get the best products and services.
- Reforming acquisition systems to be faster, more agile and responsive to rapidly changing technology.
- Hiring and cultivating talented acquisition professionals.

FINANCIAL MANAGEMENT AND BUDGETING

- Overseeing budgeting and planning decisions in an uncertain financial landscape.
- Strengthening financial management systems to achieve clean audit opinions.
- Reducing improper payments, waste, fraud and abuse.

PERFORMANCE MANAGEMENT

- Pushing leaders to measure outcomes rather than outputs.
- Using performance data to make strategic budget decisions.
- Demonstrating to employees that their work is vital to agency goals by connecting day-to-day tasks to the mission.
- Creating cultures in which employees feel comfortable discussing challenges without fear of repercussion.

FINDING FOUR

COOs are tackling challenges to strengthen management and improve performance in their agencies

When it comes to their management challenges and priorities, our conversations with chief operating officers revealed that they are trying diligently to improve the performance of their respective agencies, as well as government as a whole, even though their roles vary significantly across agencies. They all recognize that their challenges are complex, deeply entrenched and widespread, and successfully addressing them is a Herculean task, even for government's top executives. Whatever their role, COOs reported that they are making progress, but they acknowledge that they still have a long road ahead to improve management and drive performance, with a number of major challenges.

CHALLENGE 1

Broken human capital systems cause cascading problems in almost every agency

COOs cited dedicated and talented employees as being the key to overcoming both mission and management challenges. For example, one interviewee attributed success in achieving a clean audit to a strong financial management team led by a chief financial officer who analyzed and attacked deficiencies. "We put a big system in place, but it wasn't as much the system as the leadership. It takes people, not systems," he said.

However, when virtually every COO reports that the federal government's human capital system is broken, the missions of their agencies are likely to suffer. For example, COOs said their agencies cannot address cybersecurity issues if they struggle to attract and hire qualified IT experts. "Challenges in human capital often lead to challenges in all our other management areas in the end," said one COO.

COOs reported that they are driving efforts to address systemic human capital issues, including ineffective hiring and recruitment systems, lengthy senior leadership vacancies, declining employee engagement and challenges dealing with poor performers. The majority of COOs reported that strengthening human capital is their top management priority. However, given that many of these problems can be traced to an antiquated, broken civil service system, they felt their efforts can only get them so far.

> **"Challenges in human capital often lead to challenges in all our other management areas in the end."**
>
> COO INTERVIEWEE

Recruiting and hiring

"The ability to hire employees affects the agency's mission more than anything else," said one interviewee. COOs are working to repair recruiting and hiring processes that they see as broken, but believe they are restricted from doing so by civil service laws. "We need more hiring agility to be able to reshape our workforce and hire for new skill sets, and we don't have the flexibilities we need because of the civil service rules and limitations. We have leveraged to the hilt every hiring flexibility we can find, but that is still not enough to be able to get the right skills," said one interviewee.

For example, one agency has been working to quickly hire more administrative law judges to meet increased demand for its services. The agency hoped to hire 200 new judges in 2014 to meet this need and had the budget to do so, but was only able to hire 70 because of the government's slow hiring processes and delays in coordinating with the Office of Personnel Management. Since the agency lost approximately 100 judges to attrition in 2014, it now has even less capacity to meet citizen needs.

Most COOs also believe that hiring processes are too slow, citing long lag times between posting and filling positions. Slow hiring has been especially problematic for agencies emerging from extended hiring freezes as a result of the across-the-board budget cuts due to sequestration, forcing many COOs to make difficult choices regarding allocating scarce resources between mission areas and mission-support functions. COOs at these agencies reported losing many mission-critical employees who cannot be replaced quickly. "We had to throw the hiring machine into reverse [because of sequestration] and restarting it has been excruciating," said one COO.

The length and complexity of the hiring process also makes it difficult to attract the most qualified candidates. "We can't hire out of colleges and universities [because the private sector] can offer you a job [immediately] when it takes us months to hire. The shame is that there's a talent pool, we just can't get to it," said one COO.

A handful of COOs believed that hiring problems are particularly acute for senior-level candidates, which leads to long-term leadership vacancies. It takes one interviewee's department an average of nine months to hire Senior Executive Service candidates. Another said: "We just confirmed our first CFO in two years. The CIO has only been here for three months. It's really problematic to run an agency [this way]. It's paralyzing." According to several interviewees, temporary leaders filling positions during vacancies are often uncomfortable making strategic decisions necessary to address long-standing management challenges.

Some senior leadership vacancies are exacerbated by the lengthy presidential nomination and confirmation process. One COO, who had been temporarily filling the role for much longer than expected because of delays in the confirmation process, highlighted the challenges associated with approaching such a complex job without a clear understanding of how long you have. "It's hard to plan a trip if you don't know whether you are driving two miles or 200 miles," said the COO.

To address hiring and recruiting problems COOs are conducting strategic workforce planning, leading efforts to use hiring flexibilities for critical positions and launching pilot programs to speed the hiring process. For example, one agency streamlined its hiring process by staging certain vetting activities simultaneously rather than sequentially. Additionally, a few COOs are transitioning their hiring systems to shared services providers that can manage the process more effectively.

Employee engagement

Most COOs were deeply concerned about the declining morale of their workforce, as measured by the Federal Employee Viewpoint Survey and the *Best Places to Work in the Federal Government*®[14] rankings, and cited both external and internal factors as driving this trend. Externally, interviewees point to budget cuts, furloughs, the partial government shutdown in 2013, and an overall hostility toward the federal workforce in Congress and the media as seriously damaging morale.

However, COOs also cited internal factors as hurting employee engagement. Several noted that employee training has not been properly prioritized and protected as agencies have responded to budget reductions. This finding is supported by a Government Accountability Office report that revealed that 19 of 24 major agencies restricted employee training in response to sequestration.[15]

COOs also cited the need to strengthen the leadership and managerial skills of their career executives as a means of improving employee engagement. A few COOs pointed to data indicating that employees feel agency leaders do not actively listen to and address their concerns.[16]

Some COOs are leading efforts to improve employee engagement but for many these efforts have yet to produce tangible results in measures such as the FEVS and the *Best Place*

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14 The Partnership for Public Service publishes *Best Places to Work in the Federal Government*® each year based on Federal Employee Viewpoint Survey results obtained from the Office of Personnel Management.

15 Government Accountability Office, 2013 Sequestration: Agencies Reduced Some Services and Investments, While Taking Certain Actions to Mitigate Effects, GAO-14-244 (March 2014), http://1.usa.gov/1BgXTs4

16 Question 41 on the Federal Employee Viewpoint Survey states: "I believe the results of this survey will be used to make my agency a better place to work." In 2014, the government-wide score was 33.6 percent.

> **"People ask why I can't fix the hiring process here. It's because the whole government is broken ... it's a government-wide problem."**
>
> INTERVIEWEE

to Work index. They cited several activities to address this challenge in which they were personally involved, including examining FEVS and *Best Places to Work* data to identify the causes of declining morale; leading town hall meetings to solicit input from employees about improving the workplace; overseeing efforts to connect employees' day-to-day work to the broader mission of the agency; ensuring that supervisors receive leadership training; and holding managers accountable for their employees' engagement levels.

Dealing with poor performers

Executives noted that challenges dealing with poorly performing employees were damaging agency effectiveness and serving as a distraction from accomplishing the mission. The difficult and time-intensive process to remove or discipline an employee often prevents managers from taking appropriate actions. And those who pursue action must take time away from other priorities. "We spend a lot of time addressing the 1 percent that are awful as opposed to driving the 99 percent who are fantastic or otherwise show promise," said one COO. According to interviewees, the inability to deal with poor performers has a negative impact on an agency's mission because ineffective or misbehaving employees can remain in their positions for months or years. This dynamic can be very demoralizing to the employees who are performing well.

The need for reform

Despite the importance that COOs place on improving human capital, this was the management category in which they said their agencies have made the least progress during the past two years (see Figure 1 on page 15). One reason is that COOs feel they cannot sufficiently address human capital challenges under the current civil service laws and regulations. For example, COOs cite the current government job classification and candidate selection processes dictated by Title 5 of the U.S. Code as seriously inhibiting their ability to reform and streamline hiring systems to get the talent they need. Similarly, they feel that Title 5 does not give agencies the ability to effectively deal with poor performers.

"We've made some progress, but not nearly enough," said one interviewee. "People ask why I can't fix the hiring process here. It's because the whole government is broken. It's not an [agency-specific] problem; it's a government-wide problem."

CHALLENGE 2

Duplicative and uncoordinated management systems across department and agency subcomponents hinder the mission and lead to waste

COOs are leading their organizations through financially turbulent times. During the past few years, many agencies have been asked to improve their programs and services while weathering large and indiscriminate budget cuts driven by sequestration. COOs had to get creative, and saw coordination and consolidation of management systems across their organizational subcomponents as a huge source of potential savings. "The agency is so federated that we waste billions of dollars in purchasing. Vendors like it when we're incoherent because they make more money," said one interviewee. However, efforts to centralize and coordinate are often met with resistance from leaders of subcomponents.

Driving integration

The vast majority of executives recognized that to operate cost-effectively their subcomponents must act as an integrated enterprise. They reported significant cost savings and improved coordination through efforts like creating department-wide HR systems, reducing IT duplication, outsourcing support functions to shared services providers, and better synchronizing acquisition efforts to maximize volume discounts.

For example, one COO cited substantial reductions in overhead costs through a successful consolidation of mission-support functions across agency subcomponents. This consolidation involved changing the leadership structure of the organization. The chief information officers of agency subcomponents now report to the department-level CIO rather than to the head of that subcomponent. According to the COO, consolidation reduced costs by eliminating redundant positions and improved the consistent execution of policies and processes across the organization.

Another executive reported the successful implementation of a department-wide system that houses multiple mission-support functions such as financial management, acquisition and travel. This system allows leaders to view financial data across department bureaus, generate reports for Congress and identify potential cost savings.

One COO described how a successful IT consolidation did more than just save money—it contributed to other agency priorities such as improved cybersecurity. “There were 160 data centers when I got here. Five email systems. That’s worse than ridiculous. I’ve never seen an enterprise this small with more than one email system. There’s absolutely no reason for it. We had somewhere close to 150 access points to the Internet. Every single place at which you access the Internet is a vulnerability. We’re down to three trusted internet connections now. We made progress there.”

Overcoming the barriers to integration

Other COOs were focused on adopting an enterprise approach to management functions but were encountering more barriers and seeing slower progress. One interviewee said: “Authority for human capital has been spread throughout the department. As a result, we have a number of real human capital problems. We have 17 service centers for human capital and have the second-highest cost of human capital in the government. It costs about $6,000 per person per year. Our servicing ratio [the ratio of HR employees and contractors to total staff] is about 1 to 30 [instead of 1 to 60, the government median].” This COO was leading a consolidation of those 17 services centers into five but mentioned that the effort was being met with considerable resistance from department subcomponents.

Several COOs described similar struggles with subcomponents as impeding progress toward better integration. A few noted that the current federated structure of their agencies’ management functions was the result of past failures of centralized management systems to provide excellent services to subcomponents. Additionally, consolidation efforts often require subcomponent leaders to relinquish control and may require them to accept a solution or service that is more standardized rather than fully tailored to their needs. Since many large subcomponents receive appropriations directly from Congress, some COOs have limited ability to require their participation in consolidation or coordination efforts.

To overcome this challenge, COOs are providing incentives to agency subcomponents and demonstrating the value of better integration, but also using their authority to meet occasional resistance.

COOs, for example, noted the importance of clearly demonstrating the value and savings that agency divisions will enjoy through better integration. “The department subcomponents need to see the benefits of centralization if headquarters expects them to participate,” said one interviewee. Some COOs focused on engaging subcomponent staff early in coordination efforts and giving them leadership roles in the implementation. One COO, who had previously been the head of a large subcomponent, said he felt he was just being “handed an invoice” for department-wide IT initiatives on which he had no input. Now, as the department-level COO, he is playing a more proactive role encouraging input and collaboration from subcomponent leaders when making investment decisions.

Finally, the executives said that strong leadership is necessary to bring all parties on board with decisions that, while unpopular to some, are best for the organization overall. “You need the right level of leadership engagement to get them on board,” said one COO. “At the end of the day leaders need the fortitude to tell them ‘You’re going to do this.’ It has to happen. We are spending millions of dollars on systems that are getting limited use.” According to interviewees, this is an example of why a deputy secretary (as COO) needs to drive integration and management reforms. Other management leaders, such as an assistant secretary for management, often do not have the formal authority to direct agency subcomponents.

“The department subcomponents need to see the benefits of centralization if headquarters expects them to participate.”

COO INTERVIEWEE

CHALLENGE 3

Mission-support functions are often slow to innovate and adapt to changing technologies and mission priorities

Federal agencies operate in rapidly changing environments. Many COOs noted substantial shifts in their agencies' priorities during the past few years, which often resulted from external factors such as the creation of new technologies, the passage of new laws or regulations, or the rise of new threats and opportunities. Because shifts in an agency's goals and priorities often require adjustments to its internal operations, COOs were focused on getting their mission-support functions to quickly adapt and innovate.

Although COOs were focused on building cultures of innovation to make their agencies more agile and responsive to a changing world, they noted that the traditionally risk-averse nature of government is a difficult obstacle to overcome.

The challenge of adapting to a changing world

COOs reported that this challenge is most apparent in their IT functions. Agencies struggle to keep up with the pace of evolving technology, and some COOs worry that their agencies are falling woefully behind the private sector. For example, one interviewee highlighted the successful consolidation of two brick-and-mortar data centers, but noted that many other organizations are moving to the cloud. Another COO described successfully moving his agency away from paper-based processes toward electronic processes, but noted this shift happened years ago for most organizations.

Similarly, one COO said: "Bad IT is hurting critical mission elements of the agency in that it is difficult for people to collaborate across the system. We can't maximize productivity with antiquated systems." Another COO expressed frustration that Congress provided only one-fifth of the IT budget the agency requested. "Two-thirds of our workforce is in the field and they do not have the basic tools necessary to do their jobs," he said. This leader described shadowing an employee in the field who was equipped with a large, unwieldy laptop into which she painstakingly entered data that could have been more quickly and accurately gathered by the scanning technology that exists on most mobile devices.

A few COOs were more optimistic about their agencies' ability to quickly adopt new technologies. For example, one agency has successfully transitioned its email systems to cloud technology, and is providing support to others that wish to do so. This COO described how hosting email in the cloud allowed one agency to maintain contact with staff abroad despite an uprising in the country that would have previously disrupted communications.

Several COOs are encouraging innovations to their agencies' acquisition processes, which have traditionally been rigid and slow to change. A few COOs reported that the technology purchased by their agencies was often out-of-date by the time it arrived because the acquisition process was so long and cumbersome. One COO said: "We're trying to move to a more nimble process so we don't engage in 10-year contracts where by the time we deploy we are Flinstonian." Another COO reported the need to make leadership changes in his acquisition shop. He said that previous acquisition leaders were too

ACCELERATING INNOVATION AT THE DEPARTMENT OF TRANSPORTATION

Every Day Counts is an initiative of the Department of Transportation's Federal Highway Administration designed to surface and implement innovative ideas that will positively impact American citizens. FHWA partners with state, local and tribal governments as well as the private sector to identify and rapidly deploy proven but underutilized innovations to speed the completion of transportation projects, enhance safety, reduce congestion and improve environmental sustainability. By creating a permanent office, the Center for Accelerating Innovation, to lead the work, FHWA has institutionalized an effective process for identifying and implementing innovations within the highway community.

Bridge sliding is one example from a variety of accelerated bridge construction techniques that has transformed the process for replacing bridges. Previously, in order to replace a bridge, contractors would put detours in place, tear down an old bridge and build the new bridge. This process took 18 to 24 months. Now, construction crews can build a new bridge next to an old bridge, then detour traffic for a weekend while they slide the new bridge into place. Since the formal launch of EDC in 2010, transportation agencies across the country have designed or constructed more than 2,500 replacement bridges using accelerated bridge construction technologies.

Safety Edge™ is another EDC innovation that changed the way edges of highway pavements are constructed to decrease fatal crashes. Without Safety Edge, errant drivers that drift off the road may have difficulty recovering due to the steep vertical drop-off that can form at the pavement edge. By grading the edge of highways to 30 degrees with the Safety Edge, drivers can more easily and smoothly transition their vehicles back to the road. Due to FHWA's efforts, nearly all state departments of transportation have used Safety Edge, constructing well over 1,200 projects with this safety treatment to date.

risk-averse and hesitant to consider new ways of doing business, which made it difficult for the agency to acquire essential new technologies.

COOs also were focused on transforming human capital practices to adjust to changing conditions. For example, one executive described challenges responding to shifting workforce demographics. Sixty percent of employees at the COO's agency are more than 50 years old, and only around 7 percent are under 30. As the agency's workforce skews older and toward higher grade levels, the personnel costs rise and there is little room for younger employees to move up the leadership ladder, according to this COO. To mitigate this trend, leadership prioritized entry-level hiring through the government's Pathways Programs, which provides employment opportunities for recent graduates and internships for students. In 2014, hiring managers at this agency reviewed 400 Pathways applications, but found only one candidate they considered qualified. The problem, according to the COO, is poorly designed minimum qualification standards that fail to properly assess and screen candidates.

Drastic shifts in the budget landscape also present a huge financial management challenge to which agencies must respond and adapt. While several COOs said insufficient funding is an issue, most described budget uncertainty as more damaging than budget cuts. "You cannot run a business one continuing resolution at a time. It doesn't make sense," said one COO. Another COO said that a previous long-term funding commitment from Congress allowed the agency to hire additional staff and significantly reduce a backlog. Current budget uncertainty means that the agency cannot create a long-term staffing plan needed to make progress on the same backlog, which has reemerged. "The biggest challenge is the unpredictability of our funding. If you give us sustained, predictable funding, we can deliver," the COO said.

Fostering innovation

Many COOs were determined to instill cultures of innovation to help their agencies adapt to change. However, they noted that the traditionally risk-averse nature of government is a major barrier and that innovation and risk-taking are not traditionally rewarded. One interviewee discussed the challenge for political executives who want to encourage innovation, but recognize that breaking from the government's risk-averse culture could cost them their jobs. "The successes of innovation are never enough to offset the downsides of innovation," he said. "In baseball, three out of 10 is great. In government, that gets you fired. In some cases, nine out of 10 might get you fired."

COOs are using several strategies to instill cultures of innovation and risk-taking. These strategies include providing support and encouragement from senior leadership for innovation; launching initiatives to identify and implement innovations from agency staff and other partners; and celebrating successful innovations through awards programs.

Strong leaders who are willing to encourage and reward risk-taking are critical to encouraging creativity, according to COOs. Employees need to be rewarded for successful innovations, but just as importantly they need to know that they will not face negative consequences for taking calculated risks that do not succeed. "I'm trying to create an environment where it's okay to take a risk and make a mistake," said one COO. "If you do, I will be a buffer. I don't want innovation and creativity stifled because they get crucified for failing."

One interviewee mentioned that leaders need to establish clear expectations regarding where risk-taking is appropriate. He noted that failure is acceptable in some aspects of their work, like attempting to improve a business process, but it is not acceptable in other areas where human life may be at risk.

Many COOs discussed initiatives to solicit ideas from staff and other partners. Several described virtual suggestion boxes in which employees submit new ideas that are voted on and ranked by other staff, with the most popular proposals considered by leadership for implementation. Others discussed efforts to partner with outside stakeholders, such as state and local governments and the private sector, to identify and implement innovations that would improve their programs and services (see Accelerating Innovation at the Department of Transportation on page 22). A few executives touted innovation awards programs as helpful in celebrating successes and encouraging staff to take appropriate risks.

"The successes of innovation are never enough to offset the downsides of innovation ... In baseball, three out of 10 is great. In government, that gets you fired."

COO INTERVIEWEE

CHALLENGE 4

Government-wide management initiatives have great potential but currently lack practical impact

Many management challenges, such as improving customer service or preventing cyber attacks, cross traditional agency boundaries and cannot be solved by individual agencies. These challenges require a government-wide approach, as we discuss in a previous report, "Building the Enterprise." To improve interagency collaboration, COOs serve on the President's Management Council and help to execute the President's Management Agenda. They also play an important role in implementing the Government Performance and Results Modernization Act of 2010, which seeks to better coordinate and standardize organizational performance management across government.

COOs saw great promise and potential in government-wide management initiatives, but often struggled to translate these efforts into practical impact in their agencies.

The President's Management Agenda and Council

The PMA and PMC address government-wide management challenges by improving coordination and collaboration across agencies. The president communicates his management priorities through a management agenda included in the budget. Chaired by the deputy director for management at the Office of Management and Budget, the PMC gathers senior management officials, including the deputy secretaries from all executive branch agencies. The council meets periodically to advise the president and OMB on government reform initiatives, provide performance and management leadership throughout the executive branch, and oversee the implementation of government-wide management priorities.

A majority of COOs see value in the PMA and PMC, and believe these efforts have been moderately effective in addressing the government's management challenges (see Figure 2). For example, COOs reported that the PMA has been useful in helping agencies understand the administration's top management priorities and focusing agency leaders on important issues. "It sends a message that management matters," said one COO. A couple COOs noted that when an agency priority aligns with priorities in the management agenda, it is easier to get resources and attention dedicated to that issue.

Many interviewees said that PMC meetings are a valuable opportunity for deputy secretaries to exchange ideas, and collaborate with and learn from their peers. They also noted that the PMC has been especially helpful in quickly getting leaders across government on the same page during rapid response situations, such as dealing with serious cybersecurity threats.

While COOs saw great potential for the PMA and PMC, many struggle to translate these efforts into practical impact at their agencies. For example, one COO described the management agenda as having "so much promise, but so little follow through." Several COOs noted a tendency for the administration to include too many priorities in the management agenda, and to frequently change them. This dynamic has limited the usefulness of the agenda and even created confusion about its content. "I don't know what the PMA is. It is constantly changing and there is no sustained attention. It is also not backed up with any money," said one COO. Noting that the management council often tries to address too many topics in a short period of time, one deputy secretary said: "Sometimes it seems like a shotgun blast of ideas. Another odd thing is that there is not a recognition of how long it takes to change. It would be better to pick fewer items and do them more effectively than picking everything and hoping something sticks."

Some also noted that the priorities established in the management agenda do not always resonate or connect with their agencies' top goals. Additionally, OMB has very limited staff and resources to support agencies in implementing the management agenda.

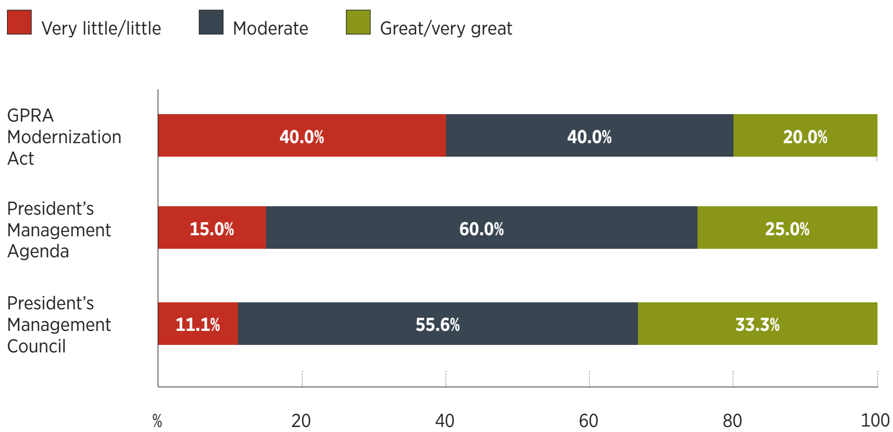
Several executives expressed frustration at a lack of coordination between the "management" and the "budget" sections of OMB, which results in mixed messages and confusion. For example, the management staff may direct agencies to address a management weakness, but the agency's budget examiner is not involved or consulted, making it difficult to get funding to support the effort.

THE PRESIDENT'S MANAGEMENT AGENDA

The purpose of the President's Management Agenda is to improve management practices, systems and capacity across government by focusing leaders from different agencies on the same priorities. Many presidential administrations have created management agendas; the current agenda is guided by four pillars: efficiency, effectiveness, economic growth, and people and culture. A few current priorities outlined in the agenda include improving IT delivery, strengthening customer service and shrinking the federal real property footprint.

FIGURE 2

To what extent have each of the following efforts been effective in addressing government-wide management challenges?



Benchmarks: A PMA success story

Despite these challenges, many leaders praised a recent cross-government benchmarking initiative, led by OMB and the General Services Administration and supported by the PMC, as having strong practical impact. Working with leaders of 24 major agencies, OMB and GSA gathered and analyzed data about the cost of mission-support functions such as the cost per email user, the amount of square feet per employee and the ratio of human resources spending to overall budget. The information was then shared with agency leaders, allowing them to compare the cost of their internal administrative and support services across agency subcomponents and with other federal agencies.

COOs described this benchmarking project as a worthwhile exercise. They said the data revealed agencies and subcomponents in which administrative costs are drastically higher than the government average, and surfaced ideas for reducing those costs. One COO said that even though some of the metrics were not directly comparable (e.g., this agency included certain costs in their calculations that others did not), benchmarking has still been valuable because it helps agency leaders ask better questions and drive performance improvements.

The challenge of implementing the GPRA Modernization Act

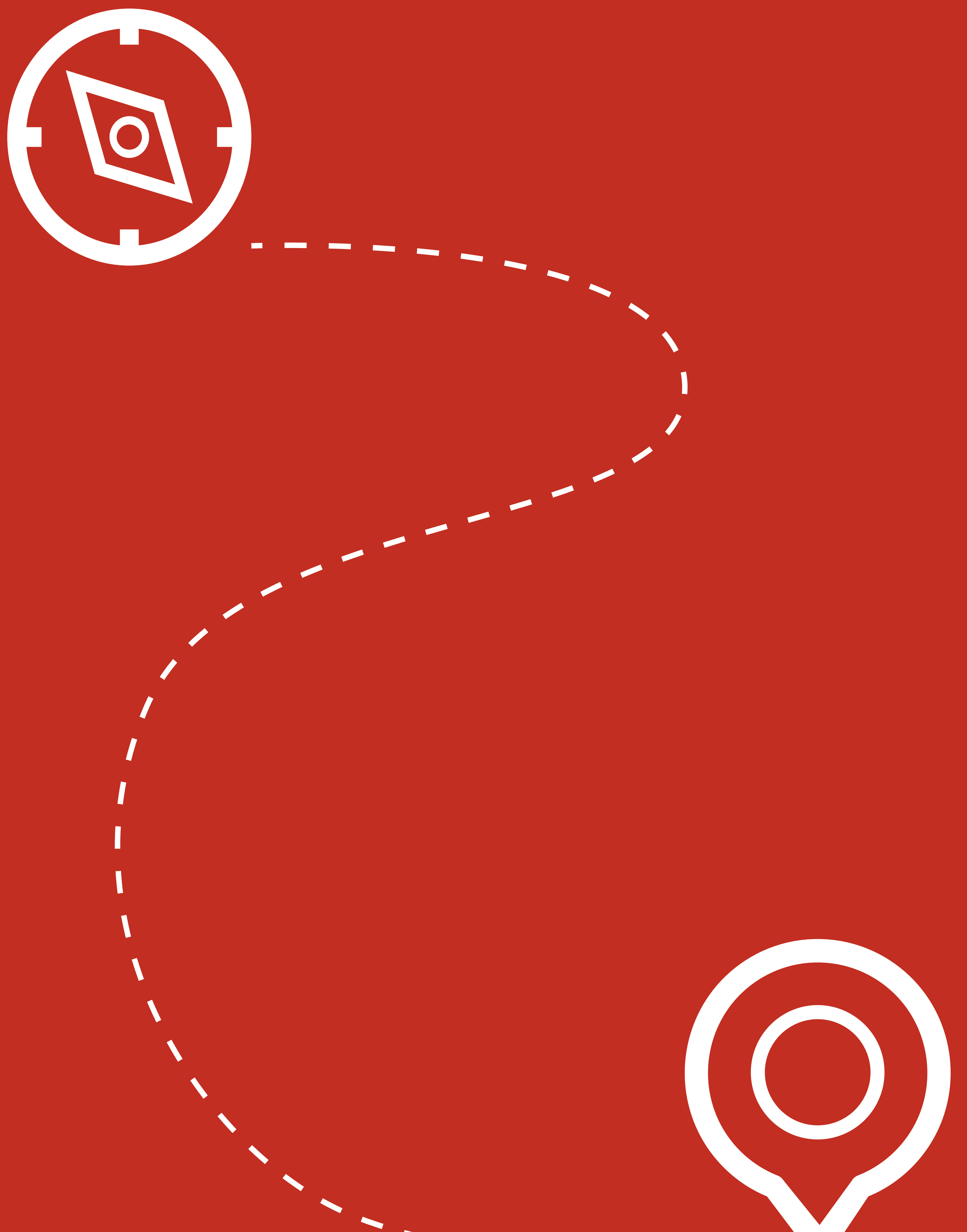
COOs also discussed their views on the Government Performance and Results Modernization Act, the 2010 law that seeks to strengthen performance management in government. Under the GPRA Modernization Act, agencies are required to, among other things, gather and track performance data related to their goals, and COOs are charged with overseeing many of their agencies' performance management efforts.

Many interviewees saw the GPRA Modernization Act as more of a compliance exercise than a driver of performance, with only 20 percent saying that it has helped address government-wide management challenges to a "great" or "very great" extent. A few COOs expressed concern that a narrow focus on achieving performance targets provides incentives for agencies to set only goals that they know they can achieve. One COO lamented: "People are just better at goal setting, so goal achieving isn't a challenge."

While all the executives valued good performance information, a few were focused on better prioritizing performance measures in their departments. One COO seeking to prioritize performance information estimated that more than 500 measures are reported to his office each quarter, with thousands more being tracked across the department. "We fall into the trap of measuring for the sake of measuring," said another COO.

Despite having a plethora of performance measures, several COOs noted that they did not always have the right data needed to make decisions. To address this issue, COOs are encouraging agency leaders to track outcomes, such as a positive impact on individuals' lives as a result of the program, rather than track outputs, such as the number of individuals served. They said that robust outcome data is what they need for decision making.

Though COOs generally said the GPRA Modernization Act had limited impact in helping them strengthen their agencies, many reported performance management as an area where they had made significant progress in the past two years.



CONCLUSIONS AND RECOMMENDATIONS

Our federal government has vital and lofty goals: bolster the economy, protect the environment, safeguard our borders, reduce poverty and protect our national security, to name just a few. Chief operating officers are dedicated and passionate about achieving these goals, but they cannot do so if their agencies' mission-support functions are not helping them to effectively execute policies and programs. COOs can serve as the bridge between management and the mission, ensuring that mission-support functions are integrated with mission-critical goals, and that agencies are positioned to deliver results.

For this vital role to be effective, COOs cannot exist "in title or name only." This research identified a nascent vision for the COO role as an agency's "integrator-in-chief," ensuring that all aspects of an agency work as a coordinated enterprise toward common goals. This vision should be more fully and consistently embraced and operationalized. The position needs to be more clearly defined and institutionalized throughout government. COOs should be given the authority, resources, support and flexibility necessary to improve management and performance, and they need to be held accountable for results. We recommend that government leaders take the following steps to make this happen.

The president should:

- Demonstrate a commitment to high performance and results by nominating individuals to fill COO roles who have substantial management experience and skills. COOs can play a critical role in ensuring that the administration's high-priority programs and policies are effectively implemented. To do so, they must have both deep program and policy expertise and experience in leading the functions of large and complex organizations. Several current COOs do not have significant management and mission-support experience, instead having careers focused on areas such as policy, politics or law.
- Establish a clear management agenda early in the administration that builds off successful reforms of previous administrations, sets new management and performance goals where appropriate, and holds COOs accountable for progress through performance contracts. Although effective management should be a priority that transcends political parties, new administrations often abandon the previous management agenda and start from scratch at great cost. The management agenda should also provide COOs with clear and transparent targets for improving agency performance, and should be used to hold COOs accountable for progress toward these goals.

Congress should:

- Enact civil service reform to enable departments and agencies to realize their full policy and program performance potential. Many COOs noted that they can do only so much to fix their agencies' human capital problems; they are hamstrung by outdated and ineffective civil service laws. In a previous report, we established a comprehensive framework for reforming the civil service.[17] Many COOs said reforms proposed in that report, such as reworking laws that govern hiring and the process for dealing with poorly performing employees, would help ensure they have the talent needed to accomplish their missions. While Congress has recently enacted laws to reform other management functions such as IT and organizational performance management, human capital reform has been absent.
- Codify the President's Management Council; institutionalize its scope of responsibility; and give it the authority, staff and resources necessary to drive government-wide management improvements. The council is an important tool to coordinate management reforms across government, and Congress should establish it in law to ensure it continues in future administrations. Congress could strengthen the council by further clarifying its broad responsibilities, the results for which it is accountable, and by providing funding for staff to support the council.
- Minimize budget uncertainty for agencies. Some degree of budget uncertainty from year to year is inevitable. However, Congress' recent practice of adopting months-long continuing resolutions to fund the government has made the long-term planning necessary to address government's management challenges practically impossible. Congress needs to reestablish normalcy in the budget process and provide agencies with a clear picture of the funding levels they can expect.
- Prioritize management experience and skills when confirming COOs, and act quickly to minimize vacancies in this vital role. During the confirmation process, Congress should probe candidates' experience managing and driving results in large, complex organizations. Congress also should act quickly on the president's nominations to help ensure that these critical positions are not left vacant for long stretches.

The Office of Management and Budget should:

- Issue guidance on the duties and responsibilities of COOs to ensure greater clarity and consistency in the role across government. The Government Performance and Results Modernization Act of 2010 and OMB Circular A-11 provide only limited clarification as to the responsibilities of COOs, and focus mostly on their role in performance management. Further guidance is needed about their responsibilities for overseeing mission-support functions and integrating management reforms with program and policy goals. While agencies should have the flexibility to shape the position in a way that best meets their needs, OMB could provide more guidance as to the basic responsibilities and expectations of COOs government-wide.
- In collaboration with the General Services Administration, strengthen the PMC to better support COOs and drive management reforms by providing

17 Partnership for Public Service and Booz Allen Hamilton, *A New Civil Service Framework*, April 2014.

a collaborative forum for tackling government-wide challenges. PMC meetings should provide COOs with a collaborative forum in which they can share best practices and adopt an enterprise approach to tackling government-wide challenges. The PMC can help advance the president's management agenda, and OMB should maintain a long-term focus on a small number of management goals, rather than overwhelm COOs with a large number of frequently shifting priorities. OMB also can strengthen the PMC by providing it with additional staff.

- Provide COOs with clear direction and support for strengthening government management performance, and hold them accountable. COOs and other agency leadership need sufficient support and resources to implement the administration's management priorities. The president's budget should include funding to help agencies implement management priorities; a provision in the most recent budget allowing agencies to transfer up to $15 million to support cross-agency priority goals is a promising step. OMB (on behalf of the president) should also establish individual performance contracts with COOs holding them accountable for executing the President's Management Agenda, their agency and cross-agency priority goals, and other management reforms.
- Strengthen coordination between OMB's management and budget staff. The management side of OMB, which currently has a very small staff, cannot effectively implement the president's management agenda on its own. OMB budget examiners, who are the primary points of contact for agencies, should coordinate with management staff and be deeply involved in overseeing agency implementation of the management agenda. This would strengthen OMB's capacity to assist agencies, and would ensure clarity and consistency in OMB's interactions with agency staff.
- Establish general qualifications requirements for political appointees to be nominated for COO positions to ensure that these officials have the experience and expertise needed to do the job and direct OPM to do the same for career civil servants selected for COO positions. In addition to establishing qualifications, OMB's deputy director for management should work closely with the Presidential Personnel Office in recruiting and selecting COO candidates that have experience running large and complex organizations.

COOs and other agency leaders should:

- Eliminate department- or agency-level rules and procedures that perpetuate inefficiencies in mission-support functions. COOs can root out ineffective agency-level rules and policies that create "self-inflicted wounds" and weaken mission-support functions. Some COOs have sped their agencies' hiring systems by overseeing efforts to streamline internal processes, for example by holding vetting activities simultaneously rather than sequentially. Support from the COO can lead to quick traction on reforms that are needed, but may have been slow to take root.
- Elevate their efforts to improve human capital systems. Noting that people are their most important asset, many COOs listed improving their agencies' human capital systems as their top management priority. Unfortunately, COOs also identified human capital as the management area in which they are making the least progress. Although COOs report sustained and personal involvement in priorities such as improving employee engagement, morale in many agencies continues to fall. While COOs need comprehensive civil service reform to fully reach their goals, they can take many actions within current limi-

tations. For example, they can prioritize training to build management skills in new supervisors, and include targets for increasing employee engagement and satisfaction in leaders' performance plans.

- Develop internal policies outlining the COO's duties and responsibilities. The COO role varies greatly within agencies over time. Given the frequent turnover in this position, agencies should clearly define the responsibilities of their COOs to ensure that the role is not reinvented each time leadership changes. Agency leaders should clearly understand the COO's role in integrating management reforms with policy and program objectives. Clarifying the role will promote better continuity between COOs and will encourage a consistent focus in addressing long-term management challenges.

- Assign career leaders to senior management positions that support the COO. The typically short tenures of COOs, and most political appointees, makes it difficult to address long-term management challenges. Agencies can establish continuity of management by assigning career leaders to senior management positions that support the COO. For example, they could create a deputy COO position held by a career executive, or fill other key management positions, such as the assistant secretary for management, with career leaders.

- Take an enterprise-based approach to managing their agencies. Several COOs noted that the federated and disconnected nature of their agencies resulted in billions of dollars of waste and limited coordination. While some COOs reported success in coordinating agency subcomponents, several noted that their agencies still had a long way to go. Department-level executives and subcomponent leaders should work together to identify opportunities for coordination and cooperation. In a previous report, "Building the Enterprise," we identified strategies for improving integration and coordination both within and across agencies.[18] Leaders should also look beyond their departments and consider actions like moving mission-support functions to a government-wide shared services provider.

- Support innovation and appropriate risk-taking. All government leaders say they want employees to innovate, but not all of them create environments in which innovation and risk-taking are rewarded. Agency leaders must do more than simply solicit ideas from employees and celebrate successful innovations. They need to demonstrate that employees who take calculated risks to improve their agencies will not be punished if those experiments fail. Leaders can also hold themselves accountable for improving their agencies' results on measures of innovation, such as the *Best Places to Work* Innovation Index.

18 Partnership for Public Service and Booz Allen Hamilton, *Building the Enterprise: Nine Strategies for a More Integrated, Effective Government*, August 2013.

APPENDIX ONE
CROSS-AGENCY PRIORITY GOALS

The administration is required by law to issue cross-agency priority goals as a means of focusing on a limited number of presidential priority areas where implementation requires collaboration among agencies. The eight goals listed below, available in more detail on performance.gov, reflect management priorities of the Obama administration to increase government efficiency and effectiveness.

MANAGEMENT CATEGORY

Customer Service
Deliver world-class customer services to citizens by making it faster and easier for individuals and businesses to complete transactions and have a positive experience with government.

Smarter IT Delivery
Improve outcomes and customer satisfaction with federal services through smarter IT delivery and stronger agency accountability for success.

Strategic Sourcing
Expand the use of high-quality, high-value strategic sourcing solutions in order to improve the government's buying power and reduce contract duplication.

Shared Services
Strategically expand high-quality, high-value shared services to improve performance and efficiency throughout government.

Benchmark and Improve Mission-Support Operations
Improve administrative efficiency and increase the adoption of effective management practices by establishing cost and quality benchmarks of mission-support operations and giving agency decision-makers better data to compare options, allocate resources and improve processes.

Open Data
Fuel entrepreneurship and innovation and improve government efficiency and effectiveness by unlocking the value of government data and adopting management approaches that promote interoperability and openness of this data.

Lab-to-Market
Increase the economic impact of federally funded research and development by accelerating and improving the transfer of new technologies from the laboratory to the commercial marketplace.

People and Culture
Innovate by unlocking the full potential of the workforce we have today and building the workforce we need for tomorrow.

DISCUSSION QUESTIONS

- As COO, what are your top management priorities for your department/agency over the next two years in the management areas listed below? How do these management priorities link to the execution and implementation of your agency's program and policy priorities?
  - ☐ Human Capital
  - ☐ Technology
  - ☐ Acquisition
  - ☐ Financial Management and Budgeting
  - ☐ Performance
- What are the top challenges or barriers to achieving these management priorities? What actions are you taking to address those challenges?
- What are the top two or three recent innovations at your department/agency of which you are most proud?
- How did the department/agency leaders create an environment that made these innovations possible? How did they incentivize, identify, implement and sustain these innovations?
- How do you balance your time and attention between management issues (e.g., human capital, IT, financial management) and other responsibilities (e.g., program policy formulation, acting as a liaison with external stakeholders)? Approximately what percentage of your time do you spend on management issues versus other responsibilities?
- When you began as COO, did you largely shape and define your roles and responsibilities, or was there a preexisting structure for the COO role that you stepped into?

CLOSED-ENDED QUESTIONS

Please use this scale to answer the following questions.

Very little extent		Moderate extent		Very great extent
1	2	3	4	5

1. To what extent has your agency made progress over the past two years toward meeting its top priorities in each of the management areas listed below?

   - Human Capital
   - Technology
   - Acquisition
   - Financial Management and Budgeting
   - Performance

2. To what extent have you had the support and resources that you needed in the following areas?

   - Talent
   - Technology
   - Budget

3. To what extent do you have the performance data you need to effectively oversee and manage your agency's performance?

4. To what extent have each of the following efforts been effective in addressing government-wide management challenges?

   - The President's Management Agenda
   - The President's Management Council
   - GPRA Modernization Act (Agency Priority Goals, Cross-Agency Priority Goals, Quarterly Performance Reviews, Strategic Objective Reviews)

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