The Honorable Dan G. Blair

President and Chief Executive Officer

National Academy of Public Administration

Before the

Committee on Oversight and Government Reform

U. S. House of Representatives

February 15, 2012

Mr. Chairman and members of the Committee, I appreciate the opportunity to testify today. I have been a Fellow of the National Academy of Public Administration since 2008 and have served as its President and CEO since July 2011. Established in 1967 and chartered by Congress, the Academy is an independent, non-profit, and non-partisan organization dedicated to helping leaders meet today's most critical and complex challenges. The Academy has a strong organizational assessment capacity; a thorough grasp of cutting-edge needs and solutions across the federal government; and unmatched independence, credibility, and expertise. Our organization consists of over 700 Fellows—including former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as distinguished scholars, business executives, and public administrators. The Academy has a proven record of improving the quality, performance, and accountability of government at all levels.

Our Congressional charter precludes us from taking an official position on legislation. Accordingly, my testimony today represents my personal views and does not represent an official position of the Academy. I appreciate this opportunity to discuss ideas for reforming the federal bureaucracy to promote greater efficiency, create savings, and better serve the American public.

THE NATION'S LONG-TERM GOVERNANCE AND FISCAL CHALLENGES

The federal government performs critical duties for the American people each and every day. For example:

- The Departments of Defense and State meet our nation's national security and foreign policy commitments in far flung places throughout the world;
- The Department of Homeland Security has protected us from a repeat of September 11th;
- The National Park Service manages over 80 million acres of land throughout the country to preserve the nation's most precious natural, cultural, and historical resources for current and future generations; and
- The Social Security Administration provides benefits (retirement, survivors, disability, and supplemental security income) to over 55 million Americans.

Federal investments in medical research have saved countless lives and improved the quality of life for all of us. The federal government has worked in partnership with the states to build and maintain the nation's interstate highway system. And federal investment made the information revolution possible. These federal activities—and many others—are woven deeply into the fabric of American life.

At the same time, the federal government must work to improve its effectiveness and efficiency if it is going to be successful in meeting the 21st Century demands of the American public. Too often, the federal government attempts to respond to modern challenges with mid-20th Century organizational structures and practices. The current structure of government was formed by an ad-hoc accumulation of programs built-up over decades. Program operations are "one-off" silos comprising people, processes, data, and systems loosely bound together into a federal department or independent agencies.

A recent Academy book contended that government at all levels needs to be transformed to become more "responsive, agile, resilient, flexible, dynamic, flatter, more connected, less hierarchical, seamless, more personalized, and transparent."[1] Similarly, Academy Fellow Donald Kettl has argued that the federal government needs to be transformed to do the following:[2]

- Focus on results;
- Seek results through interrelated partnerships;
- Use information to fuel communication;
- Rely on bureaucracies as holding companies for expertise;
- Create relationships of trust before the relationships are needed;
- Steer resources; and
- Lead by making the public interest drive complex partnerships.

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[1] National Academy of Public Administration, *Transforming American Governance: Rebooting the Public Square.* (Washington, DC), p. xi.
[2] Kettl, Donald (2009). *The Next Government of the United States: Why Our Institutions Fail Us and How to Fix Them* (Washington, DC), pp. 210 – 213.

Given the nation's long-term fiscal challenges, this transformation must improve service delivery while reducing costs. In 2008, my organization and the National Academy of Sciences established the Commission on the Fiscal Future of the United States. This Commission—composed of experts representing a diversity of disciplines, a wealth of experience, and a wide range of political and policy views—worked for two years to analyze the long-term fiscal situation and to identify various scenarios for addressing the imbalance between federal revenues and expenditures.

The resulting report, *Choosing the Nation's Fiscal Future*, showed that there are a variety of feasible ways to address the long-term imbalance. But we need to start now, and we cannot avoid hard choices. "If we as a nation do not grapple promptly and wisely with the changes needed to put the federal budget on a sustainable course," the report stated, "all of us will find that the public goals we most value are at risk."[3] Making the federal government more efficient can not only contribute important savings toward long-term deficit reduction, but also improve the delivery of services to the American people.

STRUCTURAL AND MANAGERIAL IMPROVEMENTS

To meet the needs of the 21st Century, the federal government should consider a variety of structural and managerial improvements—adopting those that, on balance, will produce the desired transformation. President Obama has requested that Congress grant him and future chief executives authority to propose agency mergers, subject to an up-or-down vote in the House and Senate. My understanding is that the President intends to consolidate the Small Business Administration and a number of other trade agencies currently spread across the federal government into one department.

As noted earlier, the National Academy of Public Administration does not take a position on legislation and is neither endorsing nor opposing this reorganization plan. My own view is that mergers large or small need to be carefully designed, planned, and implemented. Over time,

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[3] Committee on the Fiscal Future of the United States, *Choosing Our Fiscal Future* (Washington, DC), p. viii.

effective reorganizations should reduce redundancies, produce efficiencies, and increase program effectiveness. To be most successful, reorganizations should not focus solely on structure, but consider changing processes to expand interagency coordination mechanisms and increase incentives for employees to work across organizational boundaries. Unfortunately, such reorganizations can take years before the reorganization's intent is realized, as we have seen with the creation of the Department of Homeland Security (DHS). GAO put DHS on its high-risk list the year it was established, in 2003, because of the monumental task of transforming 22 agencies into one department. DHS remains on the high-risk list to this day.[4]

Organizational theorists, including James Q. Wilson, have noted that reorganizations can be beneficial if they alert resource flows, rewards, and core tasks.[5] In evaluating reorganization proposals, the Executive Branch and Congress should ask whether they will fundamentally alter the work of programs, or whether they simply shift boxes around. The former is a good thing; the latter does not address the most fundamental issues.

As a compliment to whatever reorganization, if any, is ultimately adopted, Congress should consider a number of additional approaches to improve public management. These approaches are not mutually exclusive. If implemented, they would address some of the Committee's core concerns.

Smart Lean Government

First, Congress and the Executive Branch should consider applying the principles of "Smart Lean Government" to federal operations. Smart Lean Government (SLG) is a set of approaches aimed at optimizing the delivery of core public services, improving performance, and saving public funds. With many federal functions (agriculture, economic development, energy, homeland security, international affairs, and social services) distributed across multiple departments and agencies, savings could be found by looking horizontally across the federal government instead of focusing solely on the lead agency.

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[4] GAO's last update of the high-risk list was February 2011.
[5] Wilson, James Q. (2000). *Bureaucracy: What Government Agencies Do and Why They Do It.* (USA: Basic Books), p. 265.

SLG can be used to provide a strategic roadmap for what government services should look like in the next 10 to 15 years based on the lessons learned both from application of enterprise architecture (EA) to business strategy, the availability of key data in the government's EA artifacts, and technology advances.[6] By applying enterprise architecture principles, artifacts, and methods, SLG can peel away unnecessary layers that exist between government and those it serves, to achieve more cost effective and responsive services.

SLG can respond to some of the issues identified in the March 2011 GAO report that identified potential, unnecessary duplication in government programs.[7] According to GAO, it may be possible to save billions of dollars by eliminating fragmented and unnecessarily duplicative services, resulting in shorter service-delivery cycle times and improved quality of services at reduced cost. GAO explicitly identified the development and use of the enterprise architecture discipline as one of the means for achieving these ends. An SLG examination of trade promotion activities, for example, would not focus solely on the International Trade Administration, but would take a holistic approach by examining trade promotion activities and expenditures across the spectrum of agencies and organizations supporting foreign trade—including federal, state, and foreign governments, as well as private and non-profit organizations. This approach can not only identify areas where coordination can be improved and government activities may be consolidated, but also improve the means by which programs are operated, measured, and managed.

Ultimately, SLG may provide a more rational approach to deficit reduction by using analysis and process transformation to drive reform in the way that government provides services. An extensive body of underutilized EA artifacts exists across federal agencies (OMB, agency, and bureau levels) that can be fairly drawn upon to begin identifying these duplicative and overlapping investments while enabling transformations of service delivery systems.

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[6] Enterprise architecture is a term used in a number of ways. Most broadly, it is an ongoing business function that helps an "enterprise" identify the best way to implement its strategies and continue to develop. The goal is to improve the effectiveness or efficiency of the business itself by, for example, revising the organizational structure, centralizing business practices, and improving the use of information technology.

[7] U.S. Government Accountability Office, "Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Programs." GAO-11-318SP, Washington, D.C.: March 1, 2011.

SLG is gaining traction. A group of former senior government executives and private sector leaders has established the Smart Lean Government Advisory Council, chaired by Mike Dunham, a former senior official in the U.S. Department of the Treasury's Office of the Chief Information Officer. Several members of the SLG Council are Academy Fellows: Alan Balutis, Dan Chenok, and Mark Forman.

The Power of Technology

Second, the federal government should harness the power of technology in new and better ways. This can improve citizen engagement, reduce costs, and improve performance. Academy Fellow Alan Shark noted that the modern demands for transparency, citizen empowerment, and citizen engagement "will enlarge the potential for government Web 2.0 and emerging social media applications."[8] Technology can also be used to transform the business models used by departments and agencies, as well as to more actively engage citizens. Local government has been at the forefront of increasing transparency and engagement. For example, citizens can use applications to "submit pictures of potholes in need of repair, garbage that needs to be picked up, or graffiti that needs to be erased."[9] The federal government has an opportunity to adopt effective practices currently being used by other levels of government.

The federal government should also explore the use of *disruptive innovation* to ensure that citizens are not asked to continually pay more for the same product or services. As a recent Deloitte GovLab study notes, disruptive innovation eliminates critical trade-offs. Its characteristics include being less expensive than traditional technology, maintaining its cost-competitiveness over time, and being effective for real-world use. Recent examples of disruptive technology in the public sector include electronic monitoring of non-violent offenders, unmanned aerial vehicles, online learning, and open-source data analytics. The public sector has many other opportunities to use disruptive technology in such diverse areas as healthcare,

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[8] National Academy of Public Administration, p. 156.
[9] Ibid.

development aid, and emergency response.[10]   The federal government has an opportunity to foster a culture that welcomes disruptive innovation.

Federal Productivity

Third, the federal government's costs could be reduced and its performance improved if productivity increased. Although productivity in the public sector is difficult to measure given the difficulties of finding reliable sector output measures, the federal government had a productivity measurement system from 1967 to 1994 that showed output per employee year, output, employee years, compensation per employee year, and unit labor cost. This was shown for the federal government as a whole, as well as for selected functions. Some estimate that a 50 percent increase in public sector productivity could yield savings of $100 billion to $300 billion per year.[11]

To increase productivity, the federal government will need to change how it operates by decentralizing decision making to the lowest possible level and simplifying processes, especially those used by citizens and other levels of government. In addition, it can begin to use so-called "big data"—large datasets that typical database software tools have difficulty capturing, storing, managing, and analyzing—to make data-driven decisions. Big data can enhance productivity and competitiveness in both the public and the private sectors. A recent study of 179 large companies showed that this approach resulted in additional productivity gains of five to six percent.[12] The United Nations Secretary-General has established "Global Pulse," which is dedicated to "harnessing today's new world of digital data and real-time analytics to gain a better understanding of changes in human well-being."[13]   And, in the healthcare arena, McKinsey estimates that healthcare costs could be reduced by as much as $200 billion per year. Big data

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[10] Deloitte (2012), *Public Sector Disrupted: How Disruptive Innovation Can Help Government Achieve More for Less*.
[11] McKinsey Global Institute (February 2011), *Growth and Renewal in the United States: Retooling America's Economic Engine*, p. 11.
[12] "The Age of Big Data," *New York Times* (February 11, 2012).
[13] For additional information, see the UN Global Pulse's website (http://www.unglobalpulse.org/), which contends that "today 'new data' is being generated as a by-product of people's activities at a rate that is unprecedented in human history."

can create transparency, enable experimentation, promote customization for specific populations, automate decisions, and modernize business models.[14]

To begin emphasizing the importance of increasing federal productivity, a useful first step may be for the Bureau of Labor Statistics to once again start measuring it. This would be a useful source of information and an incentive for high performance.

Other Public Management Tools and Techniques

Managing in the public sector is extraordinarily challenging. Relative to their private-sector counterparts, public-sector managers have much less control over revenues, productive factors, and performance measures. This means that, at every turn, public managers face impediments on their ability to operate effectively and efficiently.

Public management can be strengthened in a number of ways:

- *Departments and agencies can do a better job of using their existing human capital flexibilities to recruit and retain the workforce it needs.* Academy studies have shown that human capital flexibilities can be useful to agencies seeking to respond to rapidly changing environments.[15] Congress could provide additional human capital flexibilities as warranted.
- *Interagency and intergovernmental collaboration and coordination can be strengthened.* Increasingly, the federal government must solve problems beyond organizational boundaries. Collaboration is a cooperative effort by multiple organizations to work together to achieve a common objective.[16] Numerous Academy studies have emphasized that most of our nation's biggest challenges cross organizational, governmental, and sectorial boundaries.

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[14] McKinsey Global Institute (May 2011), "Big Data: The Next Frontier for Innovation, Competition, and Productivity."

[15] National Academy of Public Administration, *NASA: Human Capital Flexibilities for the 21st Century Workforce* (Washington, DC: 2005).

[16] National Academy of Public Administration, *Transforming American Governance: Rebooting the Public Square* (Washington, DC: 2011), pp. 86 – 97.

- *OMB and Congress can link budgets with program performance in a much tighter way by making greater use of performance-based budgeting.* As described in the Academy's book, *Performance Management and Budgeting: How Governments Learn from Experience*, performance-based budgeting "consider[s], if only roughly, the future values of performance indicators—the amount of outcomes expected from proposed resources—and projected outputs." To do this, agencies need to (1) increase their focus on outcomes, (2) provide realistic and informative ranges, and (3) include out-year forecasts for outcomes.[17] In implementing the GPRA Modernization Act, the federal government has an opportunity to change the way budgets are developed and implemented. This could lead to a new, *portfolio-focused* approach,[18] implemented in the context of a plan to stabilize the debt by prudently using more limited budget resources to advance high priority objectives, including economic growth and security. Countries such as Australia and Canada have established portfolio-based budget review processes, yielding significant savings and performance improvements. Portfolio reviews could yield productivity gains while weeding out weak programs that use resources ineffectively and reduce citizens' confidence in government.

Each of these public management approaches could improve the federal government's performance.

TOWARD A 21st CENTURY GOVERNANCE

At a more fundamental level, now may be an appropriate time to consider more far-reaching changes to some parts of the federal government by taking a fresh look at the mission and functions of federal departments and agencies. A rigorous review of missions, functions, and programs would ensure that declining resources are being used to accomplish critical mission-supporting programs. This review should (1) define core agency missions, (2) assess

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[17] National Academy of Public Administration, Performance Management and Budgeting: How Governments Can Learn from Experience (Washington, DC: 2008), pp. 295 – 297.

[18] A portfolio is a set of related programs and policy tools, including tax expenditures and regulatory authorities, addressing common outcomes and performance objectives. It encompasses all the activities of the federal government that focus on a specific mission—regardless of where the activity exists within the organization of government.

performance effectiveness, (3) identify workforce capabilities, and (4) evaluate existing organizational structures. Programs that are deemed non-essential should be closely scrutinized to determine whether they should continue, be streamlined, or be eliminated altogether. Done carefully, this review may result in a *strategic realignment* of programs and resource allocation.

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Mr. Chairman, these are challenging times for the United States. With great challenges, however, come great opportunities. Americans have the power to work through the political process to ensure a brighter future. Given the looming 2013 budget sequestration process and its formulaic approach to deficit reduction, it is time to work together to address the nation's most pressing public management challenges. I believe that the approaches outlined above can complement any reorganization effort by making a positive change in the way the federal government conducts its business. By changing the way the work gets done, it is possible to dramatically improve the effectiveness and efficiency of the delivery of government services and programs.

Mr. Chairman, that concludes my prepared statement, and I would be pleased to answer any questions you or the Committee members may have.

Biography of the Honorable Dan G. Blair

Dan G. Blair was named President and CEO of the National Academy of Public Administration in July 2011. The Academy is an independent, non-profit, and non-partisan organization, chartered by Congress to assist government leaders in building more effective, efficient, accountable, and transparent organizations. Mr. Blair was elected as an Academy Fellow in 2008. In November 2009, Mr. Blair was chosen to present, as part of an Academy team, to senior members of the Iraqi government at a conference in Baghdad to discuss the fundamentals of an effective civil service. He also served on the Academy Panel charged with assessing the design, implementation, and Impact of the Defense Civilian Intelligence Personnel System.

Mr. Blair brings to the Academy more than 26 years of federal public service and is a recognized expert and prominent leader in public service management, having served in top leadership positions in the Executive and Legislative branches as well as the regulatory sector. He has received successive Presidential appointments to the Office of Personnel Management and the Postal Regulatory Commission and was unanimously confirmed by the Senate.

Most recently, Mr. Blair served as the first Chairman of the independent Postal Regulatory Commission, the successor agency to the Postal Rate Commission, from December 2006 through August 2009, and as Commissioner from August 2009 until June 2011. Mr. Blair also served as Deputy Director of the U.S. Office of Personnel Management (OPM) from 2002 through 2006. In addition to serving as Deputy Director, Mr. Blair was Acting Director of OPM for five months.

In recognition of his contributions to public service, Mr. Blair has been the recipient of the following awards:

- U.S. Office of Personnel Management Award for Meritorious Service - 2007
- President's National Hire Veterans Committee Award – 2006
- Houston Federal Executive Board—Excellence in Government Award - 2004
- Federal Managers Association—Recognition and Appreciation Award - 2004
- National Association of Hispanic Federal Executives Award - 2004
- St. Louis Federal Executive Board Recognition and Appreciation Award - 2003

Prior to joining OPM, Mr. Blair served on Capitol Hill, working for nearly 17 years on the staffs of both House and Senate committees charged with postal and civil service oversight.

From 1998 through 2001, Mr. Blair served as Senior Counsel to Senator Fred Thompson on the Senate Committee on Governmental Affairs. Mr. Blair was responsible for review of legislation and policy affecting the federal civil service, the USPS, federal budget process, government ethics, and federal lobbying reform. Before the Committee on Governmental Affairs, Mr. Blair served as Staff Director for Representative John McHugh on the House of Representatives Subcommittee on the Postal Service. Mr. Blair was responsible for directing the Subcommittee's oversight of the USPS and directed the development of comprehensive postal reform legislation.

Mr. Blair also served as Minority General Counsel for the House of Representatives Committee on Post Office and Civil Service from 1985 to 1994.

Mr. Blair was born and raised in Joplin, Missouri. He received a Bachelor of Journalism degree from the School of Journalism at the University of Missouri-Columbia and his Juris Doctor from the School of Law at the University of Missouri-Columbia. He and his wife, Michele, reside in Washington, D.C.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name:

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2009. Include the source and amount of each grant or contract.

     Please see the attachment.

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.
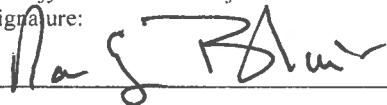
    I am testifying on behalf of the National Academy of Public Administration

    where I serve as the President and Chief Executive Officer.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

    Please see the attachment.

I certify that the above information is true and correct.

Signature: _____

Date: Feb. 14, 2012

NATIONAL ACADEMY OF
PUBLIC ADMINISTRATION

Agency or Federal Grantor	Award ($)
October 1, 2008 - September 30, 2009 (FY 2009)	
DEPARTMENT OF HOMELAND SECURITY / Federal Emergency Management Agency - Study of FEMA's Integration of Preparedness and Response Programs	$ 900,000
DEPARTMENT OF HOMELAND SECURITY / Federal Emergency Conduct National Dialogue for EPA	$ 99,939
GSA MOBIS / US DEPARTMENT OF AGRICULTURE / Forest Service Review the Forest Service's Multicultural Workforce Strategic Initiatives	$ 350,000
GOVERNMENT ACCOUNTABILITY OFFICE Compensation Study of the GAO CG	$ 517,059
GSA MOBIS/OMB CIO White House/OMB Recovery.gov Dialogue	$ 86,544
DEPARTMENT OF ENERGY DOE Collaboration Assessment	$ 20,006
DEPARTMENT OF COMMERCE / Office of Inspector General Organizational Assessment of the OIG	$ 414,703
GSA MOBIS / USCG Organizational Assessment of the USCG CG2 Directorate	$ 279,821
GSA MOBIS / DEPARTMENT OF HOMELAND SECURITY Quadrennial Homeland Security Review	$ 556,600
GSA OCS On-line Dialogue for OCSC	$ 47,054
HUD Org Assessment of HUD's 3 Functional Areas (Acq, HR, & IT)	$ 1,525,024
FBI Professional Support Services - Finance Division Budget Section and Procurement Section	$ 2,347,311
October 1, 2009 - September 30, 2010 (FY 2010)	
ICF-HUD Neighborhood Stabilization Program (NSP) Capacity Building Gra and Community Development Technical Assistance (CDTA) Grant	$ 47,273
DOE Hosting & Maintenance of On-line collaborative data tool	$ 78,640
NCSHPO - NPS NRSS Review of NPS's NRSS Directorate	$ 198,980

Agency or Federal Grantor		Award ($)
October 1, 2010 - September 30, 2011 - FY 2011		
MOBIS / DoD	Conduct an independent assessment of DCIPS for OUSDI	$ 1,717,794
MOBIS/DoC-NOAA	Conduct an independent study and analysis of organizational options for a national Climate Service within NOAA	$ 824,653
MSI/Iraq	Curriculum review and validation	$ 330,193
DoD	Study of DoD's Ethics Program	$ 99,658
DHS/FEMA	Performance Measures	$ 1,007,079
GSA	Change Management	$ 160,000
VA	Study of the VA Non-Fee Care	$ 668,257
DoD	Post-employment Restrictions Study	$ 349,953
Recovery Board	Open Forum for the Recovery, Accountability and Transparency B	$ 162,669
OMB	Collaboration Forum for the Office of Management and Budget	$ 374,944
October 1, 2011 - September 30, 2012 - FY 2012		
Senate SAA	US Senate Sergeant at Arms Threat Assessment Program Evaluation	$ 99,985