CENTER FOR AMERICAN PROGRESS

DOING WHAT WORKS:
TRANSFORMING PERFORMANCE IN THE PUBLIC SECTOR/
DOING MORE WITH LESS: MODERNIZING GOVERNMENT OPERATIONS

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NANCY KILLEFER: First, let me thank the CAP team. I am Nancy Killefer, a partner with McKinsey & Company. And we have been working in collaboration with CAP. We feel this is a critically important effort to actually get out the best practices of government and to help and assist in improving the performance of government. So it's something that's near and dear to us.

We do a lot of work with governments around the world. We're a global firm. And we're quite enthusiastic about the Obama agenda. And we'd like to see it pushed further and faster, as I'm sure many of you would. So we're doing what we can to help. And we have been working on a set of actually interview-based research with government agencies on where the best practices are.

So without further ado, I want to introduce Nick. But before I let him come up, let me tell you a little bit about Nick. He leads our Washington office. And in our public sector practice, which I lead, Nick leads our knowledge development work and research work. And I'm pleased to do that. And he really does it from a global perspective.

And I'll give you a little hint before you start that when Nick comes up, you're going to realize he's not American. Nick is British and wonderfully so, although his wife, Lisa (ph), is an American. And Nick actually spent the first part of his career in our London office. And over the course of his career in London, he actually led our work for Europe in the public sector. So he has a broad view of what's gone on across Europe in many of the governments, and particularly in the Blair administration, where Nick served as an independent advisor as they stood up the strategy unit there. So very much has been on the front lines himself.

And so, we're thrilled to have him here today. And he'll share some of the highlights of our work.

NICK LOVEGROVE: Thanks, Nancy. And I think I may be one of several Blair administration exiles in the room today. There's been a mass exodus from the U.K. the last few months. But in my case, a few years back.

It is a particular pleasure for all of us at McKinsey to be associated with CAP in the preparation of this conference. And actually, in preparing a specific piece of research that we've done, a different kind of research – not the polling kind that we saw earlier but as Nancy said more of a series of interviews and discussions that we've had with a large number of government departments and agencies over the last several months along with CAP. And I particularly want to thank all of the federal departments and agencies who had been involved in this research, including – I should add – departments led by all of our panelists today.

We are actually publishing, as Nancy said, the findings of this work, or at least the initial findings of this work in the material that was on your chairs or in your conference materials.

And I hope in just a very short presentation now as a sort of build-up to the panel that I can lay out some of the main themes that have emerged from this research and suggest an approach to what is obviously an extremely challenging task as we have just discussed in the first session of making change happen in government.

I actually think this flows very naturally from that first session on restoring trust in government, because as we heard from the polling data that Guy and Ruy presented, one of the things that most detracts from trust in government is a belief that it is inherently inefficient and ineffective. It follows that a key step in restoring public trust is to ensure that government operations are well run and are seen to be well run. And where that's evidently not the case, that there needs to be a clear program to make things better, a commitment and a practical plan to improve performance. And we all know, from our experiences, that that won't be easy, that making government work better requires a clear plan and a determined mindset. And that's really what we've been in search of in this research.

In McKinsey, we think, of course, obsessively about this issue of how organizations can improve their management practices and their operational activities in order to be more efficient and effective and, indeed, yes, more equitable. We're always looking for ways to successfully overcome the inevitable obstacles and challenges that get in the way.

In pursuit of that, over the last few years, we've conducted three global research surveys, not specifically in the public sector but actually across the private, public and non-profit sectors. And literally hundreds of organizations are now involved in that research. And what we've sought to do is to calibrate as best as one possibly can the approaches that organizations have taken to performance improvement to what actually then happened in terms of actual performance and be able to judge – as I said – as best as one can that those things seem to have made a difference.

And not surprisingly, it proves very hard to make change happen successfully. Of the surveys that we've done, we estimate that roughly a third to half of change programs have been successful, which obviously means more than a half have not been.

We think out of that we've been able to develop a well-founded framework for what it does take to materially enhance the performance of an organization. And in this work with CAP, we have focused on the specific challenge of transformation in the federal government. Now, there are clearly some particular complexities in this environment and we heard a discussion of them in the first session – the electoral cycle, the political appointment and confirmation process, indeed the short tenure of quite a lot of political appointees, budget constraints and legacy programs, change fatigue amongst government employees, and indeed fear for their own jobs or their own working styles, and of course, the constant scrutiny of Congress, media, and key stakeholders. So it's about as difficult an environment in which to make change as one could envisage.

Nevertheless, what we found was that most federal departments and agencies today do have and have set in place structured programs to improve performance in terms of efficiency and effectiveness, encompassing some or all of the elements on this slide. So when we went to these agencies and departments and asked them about their change programs, they almost all volunteered some aspect of what's on this slide, the full range of items up here.

Some have chosen to focus their programs on specific areas of need and what they see as real areas of opportunity. To really make something happen, for instance, on the talent side, along the employee workforce side or to really focus on IT, viewing that as a major area of opportunity, or to go after performance management and metrics, or to focus on strategy development.

A few, but only a few, have undertaken significant organizational restructuring in a belief that that will make the department or agency more fit for purpose. We all know how difficult that is to do in the federal environment, given Congressional scrutiny of many aspects of the organization. But some have undertaken that challenge.

And a small number of departments and agencies – the minority, I think we would say – have chosen to take a more holistic and integrated approach to the challenge of performance improvement, seeking significant change across the board, really across the whole spectrum of the things on this slide or at least most of them.

The terms that people use for these kinds of programs vary. Some like the concept of performance transformation. They like the idea of a complete rethink of the way in which the department or agency works and measures its performance. Others prefer to couch it in terms of continuous improvement, more steady progress. And I'm sure our panel will discuss both the concept that they are pursuing – because all of them are pursuing change programs of one kind or another – and the language that best fits their needs because language is clearly important.

But regardless of what you call it, we've seen that it is possible for departments and agencies to initiate programs of this nature and to achieve early progress towards higher performance levels. And we've seen from the earlier panel and the research that had integrated what – (inaudible) – Doing What Works plan does measure well in terms of public enthusiasm and support, especially – and perhaps most interestingly – from the Millennials group that was talked about a lot in that first session.

What our research has shown is that you can break successful transformations down into stages. And what we've tried to do in our research is to identify what those stages might be. And we focus on five and we've called them the five frames, the five frames through which you can look at the transformation program.

Transformational leaders aspire. They ask, where do we want to be in the next few years? And they generally aim high. They aim very high in terms of performance improvement, although some choose to make their aspiration more of a private aspiration and not to talk about it extensively in pubic for obvious reasons. And that is one of the issues that I'm sure the panel will talk about because it is such a public arena. We think this is the opposite of the historic model of government, which to be perhaps slightly unfair, one might describe as aim low, achieve lower. (Laughter.)

And there's a sort of semi-serious point there, which I think everybody will understand that if you do aim for a 3 percent target of improvement, you're probably going to get 2 percent because you haven't changed the mindset. If you aim for 30 percent, you know, you might surprise yourself.

Second of all, they assess. They ask, where are we today? They ensure that their programs are well founded in the realities of the organization and the mindsets of its people, even though they may not accept that those mindsets are forever. They may seek to change them. They know what they have. They know where they stand. They know what they need.

The next word I don't like as a very, but hey, we're stuck with the A's. They architect. I prefer to say they design. They ask, what do we need to do in order to achieve our aspirations? And this is obviously where things get practical and specific. They do focus on building a robust and coherent program of initiatives with clear metrics of success. And we talked a lot about that, heard a lot about that in the first session. And this is where the thing gets very specific.

And then of course, they act. Having asked how should we manage the journey, they put in place a mechanism to drive the program – oftentimes, some kind of a program management office or some kind of a change management capability. We'll probably hear quite a bit about that today. And obviously, they show a willingness early on to take clear and tough decisions and to make things happen, because otherwise all of these programs are just theory.

And then finally, they advance, which is about asking how do we sustain the improvements we have made and improve further in the future? How do we ensure that this isn't just a one-off, a move forward that then results in a plateau or even falling back? They seek to build a capability for the organization that will survive beyond their time in charge.

Now, our research uncovered some great examples of government leaders who are applying some or all of these transformational leaders. By and large, this is positive research. It's appreciate-inquiry kind of research. It's all about identifying things that are happening that people feel good about or feel enthusiastic or optimistic about. And in our published report, we tell some of their stories. And I'll refer glancingly (ph) to a few this morning.

Importantly, what we've found is that these leaders are seeking to turn the particular characteristics and demands of government service to their advantage in seeking a transformation in performance. They don't use the excuse of how difficult it is in government and all of the things that I talked about earlier as problems in government. They don't use that as excuses for not doing anything. They say, well, these are the facts that I have to deal with. I'm now going to seek to make these advantages or at least neutralize the most disadvantageous of them. And I'll talk a little bit about that.

For instance, we know from all of our research – and I'm sure you confirmed this – that government employees are typically more mission-driven than those in the private sector. We've actually researched that quite extensively. And it stands up that the reason people are in government is because they have aspirations. They want to do something for society. And they have a sense of mission.

But we also know that government is vulnerable to all too frequent and essentially unpredictable or unpredicted crises – what a famous British prime minister, Harold MacMillan once called "events, dear boy, events." Successful transformation leaders set stretching aspirations that are linked to the mission but critically they also respond to these unpredictable events in a clear and purposeful way. And when they can, they use those events to galvanize their organizations for purposeful change.

The Centers for Disease Control is a great example of this. It's a very mission-driven organization. And it's also an organization that periodically faces and stands up to unpredictable or unpredicted crises. And all of us can recognize what these crises have been. They're a feature of the landscape in the public health arena, same for the FDA.

And what the CDC has sought to do is really to use these crises not only to make adjustments but to reinforce the mission and the sense of purpose. NASA is another organization. And we're going to hear from Secretary Donovan at HUD about how HUD is following suit, setting aspirational goals for improving its organization in fundamental ways.

But even the most aspirational or transformational leaders ground their programs in the reality of what they are doing. They make an intensive effort to assess the starting point, partly to set a clear performance baseline against which to measure future improvement. This is done partly to uncover existing pockets of success and to build upon what is working well already, not to scrap everything in the search for the new but to find what's working and to build on that.

And of course, also, partly to get to know their people and find out what they're capable of because the likelihood is that at least 90 percent or more of what they've got to work with is the people they already have. That was very much the early focus in the Department of Education. And we'll hear from Tony Miller about how he and Secretary Duncan and others initiated a major program of walking the halls, of web portals for suggestions and other means of employee engagement in a department that was clearly looking and pursuing a new kind of mission.

And we heard the same last night at a reception that a number of us attended where Secretary Chu talked about how the Department of Energy had harnessed the capabilities of its existing staff. As he pointed out, to actually enforce some of the clean energy regulations that they had played a role in writing, since their sense was that that was a major area of opportunity as well as in attracting new staff with a commitment to breaking the mold.

This focus on employee mindsets and behaviors is also evident when it comes to the next transformation leaders, architecting or designing a structured and sequenced program of initiatives. Successful transformation leaders plan initiatives that will deliver in the short, medium, and long term. But they do so in a way that enables an integrated change in mindset across the organization.

For instance, the FBI has invested in enabling the transformation, which they talk about a great deal from a case-based approach – essentially a reactive approach – to an intelligenceoriented mindset and essentially proactive approach to meeting threats. And they've done so through a major and structured program of training, town halls, and multiple other forms of communication, working with the preexisting workforce.

The way that the change program is designed needs to make the change real and personal for employees. For instance, the U.S. Patent and Trademark Office under the Commerce Department is aiming to dramatically reduce patent application examination time in part by changing individual performance targets. It's not just enough to roll out a new policy manual or an IT system. You have to change the way people think about their day-to-day jobs, their skills, the skills that they'll need, the training they'll have to undertake and what is expected of them in the department or agency of the future.

Successful transformations, fourthly, are all about action, getting stuff done, offsetting the natural inertia that is endemic in many government organizations, not just here but around the world. They set expectations and they monitor progress, establishing clear and robust routines for doing so. In the session this afternoon, my colleague Michael Barber and others will share their experiences from doing that – in his case from the Blair administration where this was a very particular focus, particularly in the 2001 to 2005 administration.

But what intrigued us from our research here is how increasingly, federal government leaders are making this process of performance tracking and response a sort of open access activity, something that involves not just internal management – a kind of closed-book approach to performance management but actually an open-book approach that involves external stakeholders and that makes available the information that external stakeholders need in order to put some pressure on government.

For instance, the Substance Abuse and Mental Health Services Administration in HHS has a performance tool that both agency managers and external grantees can use to track progress. And it's the external grantees who are often the primary actors in pushing the administration to take further steps. It's creating a kind of external stickiness to the change programs that wouldn't necessarily have happened if it were just an internal program.

Finally, successful transformations create the basis for continuous improvement in the future. They advance the organization by developing a generation of battle-hardened change leaders, acknowledging and rewarding them for their efforts and incentivizing them to keep striving for performance improvement in the future. We see this in the Social Security Administration, which we profile in our report as it accelerated the transition to electronic processing and, in the process, advanced the change capabilities of the whole organization, a very integrated approach.

So what this research shows and illustrates is that things are changing in government. It may not be as much and it may not be happening as quickly as most of us would like. But quite a few departments and agencies are taking on the challenge of performance improvement. And several are taking a transformational approach and seeking to establish a new paradigm. And in doing so, they're often implicitly or explicitly using the five frames that we've identified.

That said, we all have to admit, it is still relatively uncommon to find fully integrated, fully aspirational change programs in government departments and agencies – transformation programs, I should say – in government departments and agencies. And I think we would tender, at least, a proposition that anything less risks under-delivering against the potential improvement in effectiveness and efficiency, which most of us would recognize is huge, and certainly risks failing to match the public's expectation of change in the public sector, which we heard so much about in the polling data that was presented in the first session.

Our sense is there's a lot more that government departments and agencies could do to take a more integrated approach to transformation, to learn from each other's experiences, which events like today help to do, and to ensure that the changes that they do make are really going to stick. So with these thoughts in mind, we certainly look forward to this panel's reflections on transforming the effectiveness and efficiency of government operations. Thank you very much. (Applause.)

(Begin video segment.)

VICE PRESIDENT JOSEPH BIDEN: The Center for American Progress's "Doing What Works" Conference. I just wanted to say a few words about the importance of this conference and the issues that you're going to be discussing. To state the obvious, our country is facing enormous challenges. From the economy to health care to energy security, in all these areas, Americans deserve a government that actually works for them.

We also face long-term fiscal problems – (inaudible) – and we've got to find ways to boost results while eliminating waste. So in a moment, you're going to be hearing from members of our cabinet on how we're trying to build a government that delivers much more bang for the buck than it ever has before. We're redirecting resources from ineffective programs to ones that work. We're achieving savings by modernizing the way the U.S. government does business on things like contractor reform and better information technology and we're enlisting the public in government decision-making and oversight through unprecedented transparency.

Let me just give you one quick example. As some of you already know, President Obama has charged me with overseeing the rehabilitation and recovery act. And I'm very proud to report that because of the team's hard work and new technologies at our disposal, we're doing something that has never been done with a program of this size. So far, we've spent $600 million and we're seeing waste, fraud and abuse claims at just about two-tenths of one percent of that entire amount of money spent.

We're making great strides. We're delighted that the Center for American Progress' Doing What Works project are working right alongside us, as together we can make sure that we're a government people can trust, a government that people can rely on, and a government that actually gets things done effectively, efficiently, without waste, without fraud, without abuse. That's what' Americans are looking for. And that's what we have pledged to give them.

I want to thank you all for the hard work. I ask you to continue to help us. And may God bless you all. And may God protect our troops. (Applause.)

(End video segment.)

MS. KILLEFER: Well, I get to introduce our next panel. And they really need no introduction. But I thought what I would try and do is highlight some of the challenges these men have taken on and hopefully also highlight some of their background and experience that I think will be helpful to them.

So first, Shaun Donovan, obviously, the secretary of HUD – and we're happy to have you here today. Shaun has found himself in the nexus of the U.S. housing crisis. I think while he came in with a clear mission to deal with things like affordable housing, he has found that he has 70 percent of the portfolio of mortgages and a few other things at hand. So couldn't be a bigger challenge. And happy to say that Shaun comes with a wealth of experience. He's actually been at HUD before, which is helpful, so he understands actually the department.

But importantly, he has been on the ground making it happen. As most of you know, he led New York City. And while there, he actually led one of the largest affordable housing projects, I think, ever and made it happen. So he has real-world experience that hopefully he is applying back here in Washington.

Next, we have Gary Locke who is secretary of commerce. And Gary has taken on a department that is far-flung, many challenges, amidst it the census – not a small job. The good news is that Gary knows how to run government. We're privileged to have someone who has been a very successful two-term governor in Washington and so really knows how to make things happen on the ground. In fact, he has an enviable record of creating jobs – 280,000 jobs in Washington State while he was there – and dramatically increasing exports to China. So he's actually made it happen. So thrilled to have him here.

Next we have Tony Miller. Tony is the deputy assistant secretary at education. And he is also the chief operating officer at education. So he is making that department run. And as Secretary Duncan thought about what he needed in a deputy, he was actually looking for someone who could bring management practices from the private sector. And given the huge investments that were going to be made in education, looking for someone who actually understood how to get a return on those investments.

So Tony brings with him a vast amount of private-sector experience. I'm happy to say he used to be a colleague of mine in our Los Angeles office, so has studied best practices in the private sector. He then went on actually to serve at a private investment firm, so he knows about measuring performance. But not only that, he spent about three years working on the ground in Los Angeles helping to reform that school system. So I think he, once again, brings that balance of on-the-ground experience, which is so essential to making things work.

And finally, but not least, Bill Corr who is the deputy assistant secretary over at HHS, a huge job. And he's played a central role in both achieving landmark legislation in health-care reform, and now he has the job of implementing it. So we all wish him well in that, an enormous challenge. Bill, I think, has all the tools to make that happen. As many of you know, he has a long and storied career here in Washington. He has both dealt with the Hill – Sen. Daschle and others – and really knows how that process works, and I'm sure was – those skills were more than taxed in the passing of the bill. But he also has been at the department before, which I think is essential in this huge challenge they face. But even early in his career, once again, he had on-the-ground experience leading primary-care health clinics, so he actually knows what it's about – delivering to the citizens – and is well-trained for the job he's got in front of him.

So with that, let me ask each one of them to make some introductory remarks. And then, we'll move to question and move then to questions from the audience.

SECRETARY SHAUN DONOVAN: Thank you. Wonderful to be with you today. And let me make some brief remarks because I think the interaction on the panel will hopefully be the most engaging part of this.

Five quick sort of ideas I wanted to put out there, or strategies that I think have been critical in our first 18 months of the work that we're trying to do at HUD. We're going to spend a lot of time talking about resources and budgeting and ways to do more with less on this panel, but I wanted to just start with the idea that strategy matters and it matter an enormous amount.

We've been through a yearlong strategic planning process, engaged about 1500 of our employees and partners around the country and it never ceases to amaze me how important it is simply to bring together all of the people that you work with, your stakeholders, and have the conversation about what matters because as we're going through our budgeting process for 2011, 2012, we're constantly going back, and you don't have to make those decisions again. The prioritization of resources, of deciding what to spend money on and what not to spend money on can come back to a thoughtful and deep strategic planning process that I think can help us in all of this decision-making, particularly in thinking about what not to do in the difficult times we're facing now.

Second – and I know John talked about this earlier – simple concept, but counting matters a lot. You can't do more with less unless you can count what's more and what's less. And it is remarkable to me with all of the advances I think we're made in government performance that there are still so many places throughout the federal government where we really don't have good system or the ability to track what we're doing. And we went through an enormously helpful exercise of setting high-priority performance goals.

And what's remarkable – John talked a little bit about the benefits of having those targets, being able to communicate publicly about them. Even the process of counting things and setting those targets has all kinds of benefits to organizations in the public sector. It was remarkable that as we went through this high-priority performance-goal exercise with other agencies, what we found is we actually didn't know that we were spending money on occupied housing units in many of our programs. We paid for housing units but not necessarily for occupied housing units. And we didn't have a system to count that.

And so even the process of asking the questions, being able to start to set up those systems allowed us to focus on performance and get better performance out of our programs and not spend money on outcomes we didn't care about. So the process of the counting, itself, I think is an enormously important exercise in many ways.

Third, in order to do that, you have to make room and to fund your ability to do performance management. So often in a legislative process, things that are unsexy, like performance evaluation, the systems to do that, are going to lose out over funding the people and the places, the programs, that rightly so are sort of on the front pages of what we do. But the truth is that we will serve those people and those places less effectively without those systems in place, so finding ways, structures, to make sure that we have funding for those.

I think our most important initiative on this front is something we call the "transformation initiative" at HUD, where what we proposed was flexibility to set aside up to 1 percent of any of our programmatic funds across our entire budget that could go into building systems, building evaluation and research capacity and funding technical assistance – those four things which constantly get short-changed, I think, in the budget. Creating flexibility to be able to do that has been enormously important for us to be able to begin to build the capacity for research and program evaluation.

And we've also found ways through external partners – MacArthur Foundation, Ford Foundation, Rockefeller – we've set up a "what works" collaborative that is coordinating our investments with investments being made independently by philanthropic organizations and others to invest in research and evaluation that will have the most impact on our programs. So there are ways to do this outside of federal budgets as well.

Finally, I just wanted to touch on the idea that too often when we talk about doing more with less, we focus on where we want to do more – these programs need to grow – and then also on where are we going to cut? And the more and the less tend not to meet in the middle. And instead, I think what's been particularly useful in certain areas is to bring more of an investment kind of mentality. Where can we invest in programs that will actually be able to get us savings in other areas?

Homelessness is a great example of this, where what we've found through probably the best program evaluation and research that's been done around housing over the last decade is that correctly targeted to the right people in the right ways, investments growth in certain programs actually has enormous benefits in terms of reduction of costs in other areas. By keeping somebody housed with a small payment that may be a security deposit or a one-month rent check has enormous benefits in terms of costs we don't have in emergency rooms, in jails, in shelters.

And yet, too often, government isn't set up. We have what's called the "wrong pocket" problem. Too often, we think of our programs categorically. We don't think across agencies to be able to say, well, if we were to invest more here, what are the benefits? And we really need a kind of new math in budgeting to be able to do that, and that's something we've been working very closely with our partners at HHS and Education, at the Department of Veterans Affairs – around homelessness specifically – to figure out where, in a coordinated way, we can actually save money by investing in the right places.

MS. KILLEFER: Gary?

SECRETARY GARY LOCKE: Well, thank you very much, and really a pleasure to be here. And want to thank the center as well as McKinsey for really bringing up this topic and doing all the surveys that you've done.

I've really found that the experience of being governor has really served me well. And a lot of the challenges that we had in the Washington state government are the same challenges that we face in the federal government, although the need for interagency collaboration is much more difficult here and more time-consuming but the objectives are still the same.

And I think that what we really need to focus on is the fact that there'll never be enough money to satisfy everyone's wish list; that we really have to prioritize; that we really have to prioritize. And the state of Washington, while we were starting to have a really robust economy for the first few years of my eight years, we then went into the dot-com bust – the bubble bursting – and then shortly after that, we also had Sept. 11th and the huge recession that ensued that virtually every state – or, every state had huge deficits. And now, of course, virtually all the states have those again.

But when we went through that budget exercise, we said, what are the priorities of government? What should we really focus on? How do we do a few things really well instead of doing so many things in almost a mediocre or poor fashion?

And so we were faced with almost a 10-percent reduction in revenues to our state in our operating budget. We were able to get by without any tax increases and while still enhancing education – higher education, K-through-12 and some core human service programs – by prioritizing everything that government did and saying what is most critical, what do the people want and how do we approach this from a long-term view? Some of the same things that Shaun was talking about in terms of investments that'll have payoffs in the future.

We always throughout our eight years focused on performance of government, trying to give confidence among the people of the state of Washington that government was performing well, that we were responsive to their issues and that we were servicing – providing services in an efficient, cost-effective manner.

We're doing the same thing now in the Department of Commerce. We have so many different bureaus, so many different agencies, from determining the weather to patent and trademark to the census, to increasing international trade, and then another bureau that tries to restrict trade – (laughter) – because of national security issues, to even doing scientific research.

So we have a huge umbrella of a lot of agencies and so we're trying to create priorities and themes for all these difference, seemingly disparate, unrelated bureaus, but focusing on major objectives, common goals like job-creation, green economy, efficient service provider, protecting intellectual property so that even though we have disparate goals, we're all focusing on a common – a vision – but then doing things as efficiently and effectively as possible.

And I think it gets down to defining success. How do we define success? And if you really – and I think that we need to spend a lot more time defining that success and then determining the appropriate measurements of success because then, if you don't have the right measures, how do you know if what you're doing is really worthwhile? Advancing the ball, achieving your objectives.

And sometimes, defining those measures of success and defining success can take a lot of time, but it's well worth it. We did that, for instance, with the digital television conversion program last spring just as I was becoming secretary – controversy about the transition from analog television to digital television. And the Congress extended the deadline, gave the Commerce Department an additional $600 million to accomplish the goal.

And we spent a long time with our folks saying, how do we measure success? And at first, it was, well, we're just going to pass out these coupons for converter boxes in a more efficient, timely fashion. And I says, well, that's process. What is success? What is success? And we finally settled on making sure that all of America was able to receive their normal broadcasting on the date of conversion, sometime in June.

And then we looked at everything we were doing against those targets, against those measurements of success, reallocating resources and moving people or programs around. And at the end of the day, 99 percent of the American households were able to continue to receive their normal broadcast on the date of that conversion either because they got cable satellite or got these coupons for convertor boxes. And we returned $500 million back to the Treasury – $500 million back to the Treasury.

Right now, we're focusing on Patent and Trademark Office. Right now, it's almost a three-year wait before you get a yes or no on your patent application. It's really a Ponzi scheme. We're using the revenues and the fees that people pay today with the application they submit today to try to do the work that should have been done three years ago. And last year, when the economy was in a free fall, the amount of new applications coming in, revenues coming into the Patent and Trademark Office dropped dramatically, so we didn't even have the funds to really address the work that was submitted three years ago.

We're now on a crash course to completely change the operation. We're empowering the employees. We have measurements. We have a goal. We have a definition of success. Our metric is going to be – we want applications, decided yes or no for those who want it, within 12 months. Within 12 months, a yes or no on a patent application; within 12 months. A whole host of measures and reallocating people and we're on track to get that done.

Census Bureau – 2010 Census – similar challenges. Everyone predicted an absolute train wreck, said that it could not be done. Everything was cast in stone; the mail-back response was going to be terrible compared to the year 2000. And we had all these failed systems along the way.

Last fall, we decided and spent a lot of time determining what our metric of success would be. How do we define success? What are the measurements that we're going to use in spring of 2010 so that as things unfold, as crises develop, what are we going to use, what are we going to measure so that there's no argument that the data is right or wrong, or we should be collecting other data to analyze this issue. We agreed upon it in the fall and, through the spring, we were able to make midcourse corrections such that the 2010 Census mail-back response equals or, we think, actually will exceed the mail-back response of the year 2000. It's way under budget, we're ahead of schedule in many areas, performing above expectations. We're going to be returning to the Treasury hundreds and hundreds of millions of dollars from the census effort.

A BTOP program, it's a $5-billion grant for broadband, high-speed Internet grants to all across the country – for an agency that normally has a $40-million annual budget. And we are pumping out these grants in the second round in half the time that it took the first round. We're going to be passing out some almost-$3.5 billion. We only have about 44 extra employees in this entire agency and we're really learning a lot from that, and again, trying to be as efficient and effective as possible.

I think that what we need to do in government is understand that we have a lot of talent among our employees, the career folks. We need to figure out ways in which we empower them, in which we can develop a culture of pride, of a dynamic organization that survives administrations, Democrat or Republican, and the political appointees. And we need to empower them to take some of these great management principles – a lot of it coming from the private sector – but focusing on measurements, focusing on defining success and giving them the tools by which they can make these changes and increase the effectiveness of their organizations.

Because in the end, we also want the American public to have confidence in the federal government and in all of governments, and we want our employees, be it at the state level or the federal government, to say with pride that they work for the Department of Commerce or they work for HHS or Education or HUD. And we can do that if we give them the tools. And I think that's a lot of the challenge that we all have in top-level management positions.

MS. KILLEFER: Tony?

ANTHONY MILLER: Thank you, Nancy. And thank you to the center. It's a great opportunity to be here.

In describing kind of our approach of how we're trying to make education work, it starts with the context. And I think we were the beneficiaries – the environment we're in. And that is the U.S. Department of Education, in essence, provides only 10 percent of the funding for public education.

We provide a key role in safeguarding students with disabilities and students who are of minority and impoverished – making sure that they're having equal access to a high-quality education. But fundamentally, we need to take a very leveraged, a very focused approach if we were going to try to drive the kinds of improvements in our U.S. education system that are clearly needed today.

And so with that, we started with, how do we have a vision for change, right? How do we – actually thinking through kind of a multi-phased vision for how we're going to get there? And then it was a clear, aligned strategy; a set of performance-management systems and processes; and then, focusing on our people and our organization. Because at the end of the day, it's people who come to work every day who are ultimately going to make or break the success of our strategy because it is ultimately going to be about execution.

On the first notion of this vision for change, we saw the opportunity that the recovery act posed for us. We were on the recipient end of about $100 billion – a one-time unprecedented investment in education. And so our view was how can we use that to catalyze a new strategic vision and to – it forced us to lay out what are our set of priorities and to use that to change the dynamic in terms of how we're going to interact in the agency. And that was kind of very near term. It happened within less than a month after some of us came in post-inauguration, so it was a great, catalyzing moment.

We then thought about the second phase, which is, well, how do you then – the mid-term: How do you think about our budgeting – our 2011, our 2012 budgeting priorities? And how do we think about our legislative agenda? Because this one-time investment was not going to be sustained at that level. And so if we didn't have an aligned medium-term strategy with resources and with legislation, we knew that the impact would be dissipated.

Then lastly, we thought about with that context, how do we then think about the organization that needs to be in place? Because like in many institutions, both private and public, we can be very silo'ed. And you can kind of set policy and programs at a micro level that, while well-intentioned, are suboptimal. And so that's kind of the third and obviously the longest part of our strategy which is going to be long term.

We then moved to, well, how do we get strategic alignment? And for us, we took the key policy objectives and recovery act – things like the $48.6-billion state fiscal stabilization fund that went out to states – and we said there are four key priorities. We need to have data systems in education, need to invest in people; you need to ensure that there are quality standards and assessments in place and you need to have a commitment to turn around your struggling schools.

We took those same principles and instead of each of our program offices then deciding, what are our different goals, we said that is a core. And how do we embed those in each of our key programs? So that at the end, we were talking about six to seven key priorities – kind of education policy priorities that were embedded in all of our grant-making operations such that we were speaking with a clear and compelling voice when we went outside of Washington, D.C. And so that we set the tone that it's not just about a lot of activity; it really is about focus. And so strategic alignment was key.

The second piece of this for us has been to put in a performance management system. And so with that means, for us, is we do have the high-priority performance goals. And so these are a set of three clear outcomes goals as well as three more input-related goals that really govern our activity.

But how do we make sure those goals are aligned with our five-year strategic plan, which are aligned to the various organizations – kind of within interdepartment, kind of office goals which exist which are aligned with our budgeting priorities? Interestingly, different than the private sector, I would say.

Oftentimes, these different planning processes are well-intentioned but are not sequenced and aligned. And so it is literally how do you kind of come in and grapple the different planning processes and link them one to the other so that they're reinforcing and aligned? Ultimately translating to your performance appraisal and evaluation systems and your bonus structure. So that's been part of kind of putting in place a performance management system that reinforces the goals that we have.

And then lastly, kind of transitioning and thinking about the organization, what we then try to do is say what kind of decision-making processes do we need to put in place so that it was clear and more transparent so that we could actually get more input from across the organization so that, again, we weren't making decisions that would benefit one given program or one given office or department but in fact was bringing more of a unified perspective and getting people to experience that you can have a point of view – not just about your own area of expertise, your own scope of responsibilities, but about other scopes of responsibilities; to really tap into the historical expertise that many in the department had. Not just that it allowed people to provide input but it also created an experience for those to receive input which was equally, in some cases, unusual.

And so we were purposeful about standing up new processes that we would force more interaction. We wanted to convey a less formality, quite frankly. And so with our secretary saying, call me Arne – very different, right? In terms of the Department of Education's history, it was a very formal, hierarchical culture. We were trying to break that culture down explicitly because the view was our agenda, right, hopefully will sustain us, right? It will sustain four, eight, 12. It's about improving education for kids.

And so how do we create an organizational culture with processes and with behaviors that gets the best of everyone kind of from the secretary to the security guard at the front desk. How do we actually identify opportunities to improve our effectiveness? And to do that, you have to open dialogues of communication and create opportunities for lower risk communication. And so that's been part of the third agenda: to really tackle some of the organizational challenges so that we can improve our performance as an organization and really invest in developing our people. So that's been kind of our multi-phased approach.

MS. KILLEFER: Great. Bill?

BILL CORR: Nancy, it's a real pleasure to be here particularly with the guests we have on this stage. HHS, as I'm sure many of you know, is an enormous place. We've got 10 operating divisions, Food and Drug Administration, National Institutes of Health, CMS. You all have a sense of the magnitude of. And we've had some very significant challenges in this administration, starting with the recovery act implementation, health-reform implementation, H1N1 epidemic. The secretary often says that when she arrived in Washington, she had a pandemic in her welcome wagon.

We've had some tremendous challenges but through all of that, I think it has reinforced what this conference is all about: the importance that we think about what works, that we focus our attention on trying to achieve more with current resources. Current resources may be the best we're going to do over the next few years, given our overall deficit situation. But also, a determination to rebuild the public's trust in the way we go about our work.

And so as I thought about what to do here, I thought there were three rather specific examples that would give you a window into how we're trying to manage that may be of interest to you.

One of them, of course, starts with hiring reform. We felt like – that the president's May 11 memorandum calling for us to improve the federal recruitment-and-hiring process across government picked out exactly the right issues based on our experience, and let me tell you a little bit about it.

We were working with OPM and others across the government as we thought through, how do we go about reforming recruitment and hiring? And we have embarked on a number of major initiatives. First of all – and these may sound rather elementary but that's really what reforming hiring in the federal government is all about – is doing well the few things that really need to be done.

First, we have put a tremendous emphasis on training our hiring managers. These are the people that know what it is they need in their agency, who really need to make the final decision about who these people are that we hire. We have spent a good deal of time working with them on how to be effective and efficient in the hiring process. We have gone throughout the 10 major operating divisions, working with each of them.

Secondly, we are moving towards the November 2010 deadline for eliminating essay-style questions in lieu of résumés and interviews, cover letters – you know, to streamline the process but also to give us a chance to better understand who employees are – prospective employees are.

Providing hiring managers with a larger pool of qualified candidates – these all sound so elementary; I'll tell you in a moment about the results we've had already. Currently, we have to provide hiring managers with the top-three-scoring applicants for any position. Where we need to go and what the presidential memorandum calls on us to do is to create categories: best qualified, well-qualified – so that the hiring managers see a slate of people; they see all the people who are qualified, and can select from it.

In addition, there is some good, old-fashioned accountability that's necessary. We have tried to increase accountability of our hiring personnel and our HR personnel, developing performance metrics at every single stage of the hiring process. We've required them to create performance plans and we've tied metrics to each of those steps to be sure that we know what's actually happening along the way. And we've invested in training programs for all of our hiring personnel.

So let me tell you the results: In a matter of three months, our Atlanta human resources center has reduced its hiring lead-times from 129 days to 59. Our Baltimore HR center is averaging less than 60 days as well and our Rockville center, which is a little behind, has now moved from 180 days to 102. Our goal is 45. It's ambitious; it's a private-sector-comparable goal. But we are seeing these decreases occur because we're just doing it the old-fashioned way which is execute, execute, execute; understand the process, streamline the process. And it has served us very well so far.

And then there's one more ingredient which you have to have in this situation, is really outstanding leadership. And we're fortunate in the department: Our assistant secretary for administration, Ned Holland – he actually happens to be here. Ned, raise your hand over there. Ned has really been the architect of our human resources effort, not only in hiring but in a number of other ways which we can talk about if you like. But this isn't rocket science, as they say. They're very simple things. But if you do them, government will perform significantly better.

Two other things of a different type I want to tell you about: If you haven't visited healthcare.gov, then I want to encourage you to. It's a new website. It was deployed on July 1 in fulfillment of one of our responsibilities under the Affordable Care Act. It represents how we think about at HHS communicating with the public and how we want to try to give consumers the ability to take control of their own health care.

This is all about the power of information being made available to consumers. It's the first website to compile a comprehensive inventory of both public and private health insurance options by zip code. Every Medicaid, children's health insurance program, preexisting-condition insurance plan and over 1,000 insurance carriers are all on this website. And you can put in a select set of questions.

We have an insurance options finder. It asks you a series of simple questions: your age, your sex, whether you have preexisting conditions, whether you have children. It considers over 3 billion potential personal scenarios to get you the answer about what's available to you in your zip code. It delivers over 500 pages of content about your rights as a consumer in the insurance marketplace. It provides tips for how to navigate the marketplace and it provides information for how the Affordable Care Act benefits you now and will in the near future.

All of this is delivered in a very consumer-oriented, easy-to-use format. We've gotten very strong and positive response to it. The typical response we hear is, this looks nothing like in a government website I've ever seen. And we consider that a compliment – (laughter) – but it's also – it's also a challenge going forward that this is about enabling consumers to take control of their own health care.

In October, we will add to this website the prices of the insurance policies that this website tells you your options. So you put in all this information, it tells you what plans are available, what the benefits are and what the cost is to you.

We have created competition among insurance companies because when we started this, they didn't give us all the information we needed. And when they discovered that we were going to put up there that they hadn't supplied information, we got flooded with information from the insurance companies. (Laughter.) And I suspect when we create this pricing tool, it's going to probably wind up in lower prices for health insurance.

Healthcare.gov was built in 90 days. It is another aspect of what it means to modernize government and to use more with less. And it is how we think about trying to do our work. We have another strong leader, Todd Park, who is our chief technology officer, who really led this effort. He put together what he calls a "virtual company," composed of people throughout HHS, different disciplines – people who are very familiar with websites, of course, but all the information that was needed. And in 90 days, they did a constant iteration very aggressively focusing on what do consumers need.

On every single page, we ask you, was this page helpful? If not, tell us what would be helpful. We're getting a lot of information back and we're going to constantly improve this website so that it serves people well.

Third example I'd like to tell very quickly. And that's an initiative we call the "community health data initiative." It's another example of how we're trying to do more with current resources but also trying to operate a little differently.

HHS sits on an absolute mountain of data. Not just that Medicare and Medicaid but public health data through scientific data, FDA's information about medications. We have an enormous amount of information that isn't particularly readily available to the American people.

And we had another goal which was if people in a local community could hold their elected officials accountable for health status in their community – not in their state, not across the nation but in their community. If they understood what the health-delivery system was doing compared to other health-delivery systems in other parts of the country, local citizens could demand more from their local elected officials. And that's the objective of the community health data initiative.

We took our inspiration from NOAA at the Department of Commerce because how many of you go on weather.com, have applications on your iPhone that have weather on them? You know, there are so many ways in which you get weather. That was all made possible because NOAA made available, free of charge, all of the weather information that they collect.

Well, we looked at that and said, we've got more information than NOAA does. (Laughter.)

SEC. LOCKE: About the weather, about the weather. (Laughter.)

MR. CORR: Well, I wouldn't be surprised if we had more about the weather! We have an endless supply of information but what we did was we put together an initial bullas of information and put out on the Internet a starter kit of community health data – everything from smoking rates to access to healthy foods. You know, what communities didn't have grocery stores in them.

And then we called a meeting and invited the private sector people who believe in innovation. We had Google, Microsoft; we had state governments, local governments. We had a wide range of people. And we invited them to take this data and to produce interesting applications.

Well, they came back with an amazing array of mechanisms by which you could hone in – we had one shown to us where you could hone in on, if you were looking at immunization rates in a community, you could also pull up the city council's debates that involve immunization and you could find out who was for it and who was against it. An amazing set of tools. And all this was done on very little notice by the private sector.

To supplement what's going on, we are creating – for launch in December – an HHS health indicators warehouse. We're going to put more than 2,000 health indicators at the national, state, regional and county level, including aggregate indicators of public health, disease prevalence, cost, quality, service utilization, hospital statistics. You name it; it's going to be there.

And our goal is to challenge the private sector to come in, free of charge, and produce useful applications, like weather.com, for the American people. And our real objective is to make it possible, as I said, for local citizens to understand what's happening in my community and how do I compare it to other communities.

This site will eventually also tell you what other communities have done to reduce their rates of diabetes, to address disparities in access to health care or in health outcomes. So our goal is to liberate the mountains of data at HHS and to empower local citizens to play a much more active role in their lives – all of that without spending, really, any additional money than it cost us to collect the data.

So it's a way, Nancy, to just close on that there are ways to do a lot more with the existing resources. And we've got the leadership in the department. It starts with the secretary, but as you all know, it requires leadership across the department in so many ways. And I think we've got that and our goal is to continue to improvise, to continue to learn new ways to do more with less and to rebuild the public's trust in government.

MS. KILLEFER: Well, these are fantastic stories of success, in fact. Very inspiring, but I suspect it wasn't that easy. You guys seem to make it very easy. I wonder if you could share with us the missteps, what you might have done differently or maybe some of the surprises as you came in with high aspirations and tried to achieve some of what you've done.

SEC. LOCKE: Well, I think one of the problems that all of us face – certainly, I face here at the Department of Commerce – is kind of this attitude that we've heard this all before. You know, and I constantly tell our employees that are career folks and in most of our agencies – like the census; thousands of folks involved in that effort – we can only have five political appointees, five exempt employees, basically. And the same thing with Patent and Trademark Office.

So when you have five people that you're able to place in, you meet with all the employees. And I tell them, I know that you know that I know that you know that we all come and go. And you're going to be here and many of you have been here for 20 or 30 years and you've heard a lot of these things before.

So we have to get believers out of the career folks. We really have incredible talent, incredible commitment. But I think that in many cases, we've found that the career people have been stymied or almost beaten down, where their ideas and their values are not really taken seriously.

So we have to somehow develop this culture of, we really want to hear from you. We want to build upon your expertise and inject a greater sense of pride, enthusiasm and drive and ownership among the career folks. And so we have really tried to establish very high stretch goals. And my motto is that it's better to have a super-high stretch goal that, even if you attain 75 percent of that, that's better than 80-percent attainment of a very low goal.

And we need to let them know that we've been sending that message out, that if we set a super-high stretch goal, if you're working diligently, in good faith, ethically – even if you fail and don't make that goal, that's okay. We're going to say, great job; great effort, and hope that the pride of the organization will lead them to pick up, start again the very next day and go at it again.

And I think that also for top managers, it really means that we have to have, again, definitions of success and measurements. And we stick to those measurements and we have constant performance reviews – whether weekly or every two weeks – on, especially, core projects, very complex issues, so that people know that we care. We're monitoring and we use the data to make mid-course adjustments and to refine and revise our strategies.

MS. KILLEFER: Do other people have some different surprises awaiting them?

SEC. DONOVAN: I would say two big challenges that I find consistently, having worked both in the private sector and the public sector: the issue of trying new things. Too often, I think, we can get caught up – and I will say this self-critically, perhaps – for those of us who come in, we too often, I think, can focus only on the shiny new toys and not necessarily focus enough on the core business of what our agencies do.

And also the legacy. I mean, the core thing that HUD does is provide rental assistance to the most vulnerable families in America, 4.5 million families. We do that through 13 different programs with 20,000 different partners across the country, all with different rules and regulations. Because there's a history of, we have a program; there's another program that gets invented.

But we never think about, how does the range of things that we do – how do they integrate? And how do we take on the very difficult task of coming at those legacy programs, working with Congress to try to have them make sense? And you all know as well as I do the barriers that can come.

There's always somebody who has a stake in that original program. How do we begin to overcome that legacy and to streamline, make sense of not just the new things that we want to do, but the existing programs that are there? And I think that's a tough challenge that, too often, we come in and overlook or ignore. And I think that that's something that we ought to, we need to pay attention to.

The other thing I would say is that a mentor of mine once said that his favorite strategy was ready, fire, aim. And I think that one of the dangers that we have in this environment is – we talked about metrics; we talked about strategies. You heard great examples. You have to start doing these things. Tony talked about the recovery act as a great way – there was a forcing moment of saying, how do we start doing these things?

And getting that balance right, of not letting the perfect be the enemy of the good, of getting started, of trying things and readjusting, is a very difficult balance that I think you always have to ask yourself. And you have to build momentum for things. Get early wins; try things and then go back and keep constantly reassessing and refining. Very, very hard to do in the public sector, I think, given the environment that we operate in.

MR. MILLER: Just to add on, I guess, a point on each. I think the one thing, in terms of priorities; I think it's so hard to stay focused. I must say, we actually logged – we took a log of what are called interagency initiatives. So there's a whole host of initiatives from various parts of government that says, well, we need to do this; we're doing this. There's a new initiative, new task force, new something to be involved in.

We put in a database; there were 113. And those weren't Ed initiatives, right? These were, kind of, initiatives of this administration – obviously of different levels of priority, right, being worked in different ways – but just getting your hands around that. Because they come in and it's just hard to navigate so we had to actually put them in a database and then systematically assign leads and go through and systematically prioritize.

But it's just incredibly challenging because you have well-intentioned people who say, I think this is a good idea. You want to take initiatives. You want to encourage them to take an initiative. But you don't want to be bureaucratic and say, we'll check in on everything. And the same time, it's so easy to get fragmented.

So I think that's one. Second thing, I think, a big challenge that we're facing right now is, despite our commitment and work to be incredibly collaborative, to have policy planning sessions that are inclusive of our career folks, especially our senior-most career folks, and their direct reports based on the expertise. When I go two or three layers down in the organization, they say nothing's changed.

And so it's just so hard to permeate from the top level – as hard as we've been working in the last 18 months, you realize just how far we are from changing this culture of, do we have a collaborative environment? And so that's the thing. It's a blind spot because based on my own experience and interaction, I think, we've made a lot of progress. But it's much more relative to where we have to go. It's only the tip of the iceberg.

SEC. LOCKE: Which is why I think that it's important that in every different agency, every unit within a department, that we find specific projects that require the line staff, the folks down at the delivery level who are in charge of these process-improvement or game-changing system changes.

That we actually require every agency to identify those things that we know stick in the craw of the employees or the stakeholders or the people who use our services and say, okay, we want everybody to identify at least one in every organization, at the micro level, and that's your project. And we are trusting the line staff to come up with the ways to change it. And again, high objectives, lofty goals – stretch goals – recognizing that we're not going to make them. But it's the effort that counts.

SEC. DONOVAN: Just to add on Gary's point, technology is such a huge opportunity on this front. I mean, Bill had some great examples of ways that – the power of technology. We've set up a website called HUD Ideas in Action, where every employee around the country – two-thirds of our employees are in the field and so this issue, you think you're making progress, but the truth is, you know, you've got to read the entire country, a broad range of folks. Technology gives a huge opportunity to do that.

At HUD Ideas in Action, they can go in and we're asking them, what are the things that bug you most about the agency? What are the rules that you would want to get rid of? We've run a contest. They can go in and vote on other people's ideas. (Laughter.) It's an enormously sophisticated set of technology tools that are a huge opportunity for us to get this kind of input and to drive change that is truly democratic.

I mean, I think we saw the president do this, in a way, with his campaign like no one had ever done it before and showed the power of it. We're trying to show the power of that in governing as well, at the same time.

MR. CORR: Nancy, I'd just add one thing very briefly to all that was said. One of the big surprises for me is, even though it's obvious at a place like the Department of Health and Human Services, that most health problems can't be solved by one agency. Really, they cut across three and four and sometimes give agencies that require us to work together.

Even knowing that, the challenge of creating cross-departmental teams – then you wind up with, you know, we work on homelessness with HUD. We work on veterans' homelessness with the VA. I mean, you have issues that cut across departments.

But just within our department, the difficulty of getting everybody on the same page, on the same strategic plan and then have them take back to their respective agencies, you know, their part of that strategic plan. And to keep it all coherent, to keep a vision about where you're trying to go – even though we know what we need to do, it's really hard to do and to keep everybody informed.

Because some of these – you know, some problems span across enormous agencies. And they each have many, many other things to do, so trying to keep track of some of these big, crosscutting issues – both intra-department and inter-department – really requires – it requires secretarial and deputy secretarial leadership to keep reminding people, you know, we're not just dealing with this piece. We're got to deal with a larger problem and we've got to do it as a part of a unified government.

MS. KILLEFER: So actually, a good segue. So I'm going to bring this down to a personal level.

SEC. DONOVAN: Uh-oh.

MS. KILLEFER: (Chuckles.) So watch out. So each of you have lofty goals, enormous challenges. How do you think about spending your time and what tricks have you learned while you've been in the jobs? There aren't enough hours in the day, I know.

SEC. DONOVAN: Well, leaving my – (laughter). Leaving my family in New York City isn't a trick I would recommend to anybody, but it has helped to create some time over the last 18 months, which thankfully is coming to an end in two weeks. So I find very personally that far and away, the biggest challenge I have is safeguarding and creating time to really think and focus on the priorities.

I think just as we've all described on an agency level, the challenge of keeping focused on priorities, I find, on a personal basis that, that is the hardest thing to do. Because you know, I think, there's an illusion that as you, sort of, have positions like this that have brought authority, that you also have more control, you actually have less control over your life and your time.

And so a simple thing that I do religiously is ensure that every single day, I have at least an hour of time that I can spend that won't get scheduled. And if somebody tries to invade that space, I'm, you know, religious about guarding that time and making sure that we have it. So that's just one of, I think, many, many things that you can do about it.

SEC. LOCKE: I guess it would be something very similar to Shaun's experience. It's trying to find that time to stay focused on your priorities because you're so inundated with all these new issues; like Tony says, you know, all these task forces and all these other agency initiatives and everything that involve your time and attention.

And you've got to stay focused on the core priority, whether it's some of the crises or the management issues to the initiatives that the agency has. And for us, of course, it's job creation.

And a lot of that is dealing with the president's export initiative, which seeks to double U.S. exports over the next five years, supporting some 2 million new jobs in the process.

Now, the president has proposed a significant enhancement for Department of Commerce and Agriculture and a whole bunch of other agencies to accomplish that, but that's in the 2011 budget.

And you know, it could take a long time before the Congress ever votes on that. It could be near the end of the fiscal year or halfway through the fiscal year. It could be substantially less or different from what the president proposes. So we're telling our folks we can't wait. This is a national priority, creating jobs for the American people. So we're going to have to start reprioritizing and reallocating existing dollars, existing people, because this is a crisis and we don't have the luxury of waiting for additional dollars.

It would be nice to have additional dollars, but we, again, will never have enough money to do it all. And if it's a priority, we have to prioritize all of our functions in government. So trying to focus on this, you know, overall priorities and not being, you know, having the calendar invaded with all these little other things that come along the way, making sure that you have time to really think.

I think the key to success, though, is really making sure that we have great managers who are delegated, who have the authority, who then can meet with all the different folks throughout the department to carry out the objectives, to have this constant performance review. And making sure, of course, that our other managers lay out their vision so that the career folks aren't just saying, oh, wow. Got something this week; oh, there's another thing. Every week, there's a new thing.

We've got to make sure that we lay out our game plan and our vision and our ideas, giving everybody a glimpse of it so that as it unfolds, they're not caught by surprise. They understand how it all kind of fits in together. They understand that objective. So there's not this uncertainty and anxiety among the line staff as to what's happening next and how we're going to approach it.

So really good people – and we have a lot of great people; I know that Shaun and all the other folks here have great people. And these guys are the ones in charge of executing. And it really begins with that great quality of people who oversee it and then entrust and empower with clear benchmarks, clear deliverables, clear expectations all the way down the line.

MR. MILLER: At least for me, it's been – I mean, it's changed over time, interestingly, from the somewhat frenetic days of the first three months when we weren't fully staffed. But I'd say –

SEC. DONOVAN: Yours aren't frenetic anymore? (Laughter.)

MR. MILLER: A different type.

MS. KILLEFER: Come on over.

MR. MILLER: But I'd say it really was providing leadership and clarity on a lot of our policy decision-making processes, just because you had new teams, new people working together. And so how are decisions getting made; how are we – all of the things about trying to align these things were very difficult.

And people were still growing in their roles, just really trying to ensure that we had decisions so that things didn't get by. It's like, we've got to go, and so how do we prioritize it? So I spent a lot of time doing that – without having to be necessarily the decision-maker, but to make sure the decision-making process was clear and at a pace.

I think another part of my job, which I still spent a lot of time on, is problem-solving because invariably, there are just problems. And I'd see that as part of – it's like, how do I make the organization run better, right? What's the problem? And as I say, let's not step over problems because all too often, well, that broke. Well, what was the root cause? And let's just – if it's really had to fix, okay, we'll log it.

But not how can we just fix it, once and for all. And so what I find, a lot of what we're doing is, kind of, solving problems. And I think the third thing has really been, I think, it's on people. It really is, at least in my experience, the right people in the right jobs with the right skills make all the difference in the world. And it can be very challenging, unfortunately, when you don't have that alignment.

And so that means – if it's not a skill fit, then how do you move to a role where there is a skill fit? But really, getting the right people in the right role is critical. And frankly, kind of, in the frenetic, the especially frenetic first six to nine months, you make a set of decisions. And then now, 18 months later, it's time to revisit those and say, okay, are we really well-aligned? And if not, now is the time.

Because given what we need to do, you have to create the capacity of your organization to execute at an ever-faster pace. And so you really have to, kind of, address the organizational issues and so I'm spending a lot of time on that now.

MR. CORR: Very simply, it's being proactive. Saving time to be proactive, to focus on the priorities and to do, to focus on those things which I have an – you know, which I can solve. If somebody else can solve it, you know, let it occur there. But there's so many things that you – you know, so many things we have to do, so many problems we could address. Boy, an hour a day would be great. That's a great goal to have: at least an hour a day when you can think about things and look ahead.

MS. KILLEFER: So let me ask you, now, just one final question before I turn to the audience. You've talked a lot about execution; we've talked a lot about people. And you've had ambitious agendas. We hear a lot about the stress in the federal workforce, both the aging of that population – many of them are going to retire. I've been there and I've seen it before – here they come again – the shifting priorities.

How have you thought about, in fact, building the health of your agency for the long term through its employees? Are there some things you've put in place? I know that there's a federal hiring process, but what more?

SEC. DONOVAN: Well, it's interesting. When we did, as part of our strategic planning process, a whole set of voting throughout the agency – both field, headquarters – one of the things that came to the fore was that our workspace was an enormous health problem, a lot of people felt, and a barrier to our being a collaborative and effective agency.

When you try to break down the silos within an agency, but you don't have a place that that can actually happen – you may get a sense that I studied as an architect – (laughter) – that that's coming out. In fact, Jack Kemp once described the HUD building as 10 floors of basement. (Laughter.) And I see Eddy Iche (ph) is here; he can testify to that.

And so one of the very clear things, I think, that any leader has to think about, is how is an organization physically structured in order to be able to get work done? And that has an enormous potential impact.

So one of the things that we're doing, we actually have been able to structure an energy performance contract for the HUD building. It is a more than $35-billion investment, purely paid for by the savings that will come out of the changes that are made. So no cost to the taxpayer; 100-percent privately funded. But we're using it as an opportunity to really think about improving health within the agency as we improve our energy efficiency as well. And as a next step, to think about the workspace. So that's one example.

There are a number of others, in terms of the way people get to work, what kinds of subsidies we provide, where our buildings are located. We're an agency of urban development and yet many of our agencies are not well-served by transit or connected to bike paths or other things, or even sidewalks – (laughter) – that allow people to walk. And so those are implications, too, that we're looking closely at.

MS. KILLEFER: Interesting.

SEC. LOCKE: Well, one of things that I've already touched upon is really trying to involve the line staff, so that they actually feel that they have ownership in the agency, knowing that the politicals come and go; administrations come and go. And yet we have people who have been with the Department of Commerce – and, I think, in most federal agencies – 10, 15, 20, 30 years. And we need to really make sure that they feel that we're listening to them, that we're calling on them for their expertise and their judgments on how to revamp things.

So we've really got to push a lot of these process improvements and all these reorganization issues down to the smallest, smallest level. And then we really need to publicize these innovations and, almost, a competition among the different bureaus and agencies.

And when we were in state government, we actually had members of the press and the private sector judging all these performance-improvement projects, so that we could give them visibility and publicity. Again, we want folks in government to feel proud that they work for an agency. And what better way than to have their outstanding work publicized throughout the community?

Another thing and it's – one way of – we need to break down the silos. And so we have a lot of people that are on loan to other agencies. Like on our broadband grant, we have people from all the different other bureaus helping out in reviewing these applications, doing the due diligence. That's why we're able to handle this $5-billion grant – with an agency that normally has only a $40-million budget – with only about 45 additional new employees. Because we're calling upon people from other bureaus.

And when we have projects, we're trying to involve people from all these different bureaus so that it's not just one bureau that's tackling the problem, but we're building upon and drawing upon the expertise of everyone else.

Finally, let me just get back to one of the issues that you raised about what strikes us and what's kind of mind-boggling here. It is that there's no incentive for agencies to save money. There's no incentive. It's a spend-it-or-lose-it mentality.

And I remember Bob Gates giving a speech in Seattle shortly after he left being CIA director. I remember hearing that when I was a state legislator; that an agency in the state proposed closing down some operations that were inefficient, taking that money and moving it elsewhere. And the budget-writers in the governor's office, to the legislators, said, thank you very much. You just told us where we can cut your budget. You just admitted a weakness. So the motto of what Bob Gates and others in state government were saying is always ask for more, always ask for more, and don't ever say you have something that is inefficient that you can shut down or terminate and move elsewhere.

So when I was a county executive, we launched a program and then we did it as governor. It was a savings incentive plan. And I know that Shaun is doing some of this in HUD and we're doing that now with some of our bureaus: giving incentives for agencies to save. If you accomplish your goal – so if your goal was to, if you were supposed to give immunizations to 1,000 children and you provide those immunizations to 1,000 children, but you do it in a more cost-effective manner, we give you an incentive to save.

And for instance, in the state of Washington, for every dollar that you save from efficiencies while accomplishing your goal, you got to keep 50 cents to be spent in an orderly fashion the following fiscal year – instead of this mad rush to spend it all before you close the books. It could be spent on technology, customer-service improvements or training for the employees. The other 50 cents went into a pot of money that all the state employees cared about: money for remodeling and new construction of schools.

And we're trying to do the same thing now in the Department of Commerce with some of the bureaus. Mid-course reviews; if we have money saved, can the agency heads move that money into different areas to tackle some of the longstanding issues, whether it's technology or security issues, cybersecurity, or the training of employees? We need the Congress to buy in on this as well, and OMB.

We've got to figure out a way in which we incentivize the line employees to come up with these ways to save money, to accomplish their goals, but in a more cost-effective manner, so they can then take the money – again, we'll never have enough money to do it all. So if we provide this incentive, then we can tackle some of the other longstanding issues and priorities of an agency.

MR. MILLER: I think right now, culturally, what we think is the biggest lever is investment in improving the skills and development of our front-line supervisors and managers. We find that, that is – we think that's critical.

Unfortunately, too many of our employees say, I think the evaluation system is a little arbitrary and capricious. If I talk to my manager and say, how did I do, it's kind of summed up, you did okay. But if they say, specifically, what are the three, five things that I could have down to earn the next-higher rating, it's hard to say.

And so you have to either do it backwards-looking or prospectively. What are the key priorities? What level of performance? Well, that's just the basics, right? And so that makes for a more engaged employee at the front line who wants to perform at their best. It makes for an engaged manager, right, who can better assess and have those kinds of truthful and direct conversations.

And so I think our view is that there has been, unfortunately, an underinvestment in supervisor-and-manager training and development. And you have some good supervisors, but they haven't necessarily seen some more effective practices, so one of the bigger things we're doing is investing in that.

Just last week, we had a management symposium, first time, and we called it, "for managers, about managing" and had John Berry from OPM, Jeff Zients from OMB, some of our deputy secretary colleagues. Dennis Hightower came over from Commerce to kind of share best practices, but we had outsiders come in and talk about managing effectively. But again, how to really invest in managers? I think that's one; that's internal.

We are also looking at it from an external perspective. You know, we've often said we don't want to be a compliance-centric organization to the many folks in the education system that rely on us either for funding or interact with us for policy and policy guidance.

And my view is, it's not that we're too compliance-centric because there are laws that we need to comply with. And with this unprecedented investment, we need to guard against waste, fraud and abuse. The issue is, we're only compliance-centric. That's the issue. The issue is, we're not helpful enough in terms of, how do we really help people comply? How do we really help people, ultimately, not just comply but achieve the outcomes that we're all – that our policy objectives are designed to achieve. That's where we're trying to strategically look at, how do we build an organizational capability that will sustain us?

And then lastly, the one thing that I've learned in the last 18 months: There are very few ideas that, if I actually ask enough people and enough parts of the organization, they'll say, oh, yeah, we did something like that once before. (Laughter.) And so what that strikes me as one of the things we want to do is, like, how do we just catalog it, right?

So I just, literally, I'm trying to invest in – there's a little group in one office that we stood up, a team – it's on the performance management and organizational transformation team – but how do we catalog not just what we're doing, but other things that have been done, so we have a reference and a repository for me and my ultimate successor to say, okay, problem A3. Yep, at least start at the manual. It just saves time and we can at least be building on the lessons served from the past.

MR. CORR: They've hit them all. I mean, this is something that requires a great deal of attention and you really pay a price if you don't. Because if the workforce, if the career people aren't with you, it's been said, you're just not doing to succeed.

You know, at HHS we have a mission that, I think, bring a lot of – historically, has brought a lot of people to the department. A lot of people come because they really care about what we do. But you still have to deal with people's day-to-day lives and you have to create systems where they feel like their work is honored and that it's recognized and they're a key part of what we do.

MS. KILLEFER: Great. All right, I know we're running late, but I'd like to get a couple questions from the audience. I'd ask the audience to have short questions and, in fact, do not give statements. So if you have a statement to make, let's make it later. It's for short questions. So let me get someone all the way over there.

Q: Thanks. My name is Gary Nordlinger. My big question that's really for Secretary Donovan is, how do you spend your hour of quiet time? I mean, are you reading? (Laughter.) No, I'm very serious on this question. Are you reading? Are you on the phone? Are you simply thinking?

MS. KILLEFER: Okay, Shaun?

SEC. DONOVAN: I spend a lot of time during my hour with my personal organization system, which is my 3-by-5 index cards. I'm a person that I need to write something down to think. And so reading I tend not to do in that hour.

I tend to be really trying to step back and say what's important this week, what's important this month – writing it down, going back to things that I've written down the week before or the month before and, you know, I don't want to bore you too much with the details. But I try to have an organizational system that keeps me focused on that.

I have a list for what I need to do today. I have a list of big-picture priorities that I constantly go back to that go beyond the day. I have a list I keep for all the different people I interact with on a regular basis, of issues I want to raise with them and check in with them on.

And so really it's, for me, kind of, organizing my thinking and my time; that's the primary focus. It's not, kind of, new policy development time, generally. It's not a lot of reading. That I tend to do evenings, weekends, other things. I also think there's an enormous value to thinking collectively about that stuff, so while I will do some thinking and reading of memos and other things, I like to try and get prepared for a meeting. I have something at night that I can read.

And then I go into a meeting with a group of people to really think through a problem and try to solve problems collectively. That's my preferred sort of format to solve problems, is with the key people that need to be involved in those decisions. Because you not only solve it better, I think; you also, then, begin the communication process of ensuring that everybody's on the same page about something.

MS. KILLEFER: I'm going to ask for – I know people have lots of great questions; unfortunately, I think we have time for probably about one more. I want to respect the secretaries' time that they've spent with us. We'll get one in here.

Q: My name's Karabelle Pizzigati and I'm an independent consultant. We've learned a lot about what you do in your agencies and across agencies to make your organizations more efficient. What have you learned here today, if anything new, that you will take back? And where else might you learn these things that you can take back to your agencies and share across agencies?

MS. KILLEFER: Who wants to take that one?

MR. CORR: I'd be happy to start. I feel like I learn something new every time I talk to a secretary or a deputy secretary – and others, but particularly when our deputy secretaries have the chance to all get together. Everybody's facing the same problems; everybody has a slightly different take on them.

But those opportunities just to hear how other people are addressing them and then to talk to other, sort of, people that are experienced in management, experienced in policy development. You know, there are many ways to approach problems and just hearing the experience others have had, I think, helps a great deal in, sort of, sorting through the best way to approach issues that we have.

MR. MILLER: I think one of the things that I've learned – and it's very interesting – the importance of the dialogue on the very topic is a takeaway for me. Oftentimes, I can tell you, it's very – at least my experience has been, it can be very sexy to talk about the education policy. What are we doing with the elementary and secondary education act reauthorization, moving to direct student loans?

But talking about how we run government more effectively, which we're spending a lot of time and energy, doesn't capture nearly the share of mind or share of voice. And so I find just listening and having this exchange reinforces some principles. It's like, wow, transparency, technology. Yeah, we've got some things; let me rededicate myself, you know, to that part of it. Frontline engagement and training – okay, how do I get back to the front line and engage on some very specific initiatives?

Place-based with HUD and, you know, how do I get back and move to our place-based strategy? It's reinforcing some things that I already know, but tells me I should – again, as much as we spend time doing it, we don't talk nearly enough about it. We don't engage people enough on it, like we're prone to do with some of our policy focus. And so that's a big takeaway for me.

SEC. LOCKE: Well, just hearing about some of the initiatives and the timeframes in which agencies that have been able to accomplish that. I'm a very competitive person, so – (laughter) – so our 100 days isn't good enough. You know, we're going to have to get it down to 60 days or something like that.

MS. KILLEFER: Shaun?

SEC. DONOVAN: Maybe if I can answer the question in a slightly different way. I think one of the things I'm constantly reminded about in government – and it's done that today – you know, we're monopolies, basically. It's not like there's another HUD secretary across town that I can call up and say, let's have lunch.

And I felt this in New York City – you know, you've really got to make an effort to structure learning in these jobs. And I ended up actually setting – it's also the format of it. And I think, to be frank, I don't think that's happened today, but the danger with these kinds of settings, too often, is that they can be show-and-tell, rather than learning. And you really have to intentionally structure time when you can bring together folks in a safe place to talk about what doesn't work just as much as you talk about what does work.

And in New York City, we set up a peer-to-peer group, we called it, where we took five cities with similar housing problems and we met every six months – 30 to 40 of us, so just key staff, no press, no others – and just had a focused discussion, in a city that was particularly good at something, about what they were doing, what their challenges were, how we were all starting. Enormously powerful and useful.

I went to something that Arne had organized at Education. They had invited somebody from New York that was working on something that I had worked on, personally, and I went – it was a structured session for learning, at the department, with a whole range of folks there. It's those kinds of sessions that, I think, you have to intentionally structure, like this. And it has to be done in the right way, where people feel safe, you know, talking about what doesn't work as well as what does work.

MS. KILLIFER: So I know we could talk for the rest of the day. The panelists have been fantastic, so let me extend our thanks to the secretaries, deputy secretaries – (applause) – fantastic job.

(END)