

# Challenges and Solutions to Address Dissatisfaction of Citizens and Taxpayers

**G**OVERNMENT DEPARTMENTS AND AGENCIES at all levels are challenged to improve program and service performance. Public sector agencies are becoming performance-centric and citizen-centric, and their long-term survival depends heavily on agency innovation and the ability to demonstrate value creation.

In the US, the President's Management Council, composed of Agency Deputy Secretaries and led by the Federal Chief Performance Officer of the Office of Management and Budget, is demanding accountability with transparency and demonstrated effectiveness. Agencies not demonstrating results must defend their program missions and budgets. Compliance now means a more stringent assessment of programs and services with fact-based communication of performance. Furthermore, funding support relies on the continual improvement of programs. The bottom line is that funding is tied to clearly demonstrating and articulating results. Agencies that cannot do so face the risk of having their programs reformed, constrained, or even terminated. Agencies also stand to lose their budgets and face negative publicity.

The US federal government is not alone on driving performance. State, county, municipal, and local governments as well as governments of countries

throughout the world are responding to an increasing awareness of the need for fiscal spending responsibility and austerity. “More with less” is a common theme.

At the state and local levels, governors, legislatures, and citizens demand that agencies and departments provide transparency of their spending and demonstrate the benefit achieved in relation to government expenses. The same goes for international government agencies. Increasing budget crises with some agencies globally have prompted further scrutiny from lawmakers and the public for agencies to prove the effectiveness of their programs and services. Challenges for leaders now revolve around assessing costs, justifying budget requests, transparently assessing risk, and communicating expected and tangible results in the large context of driving value.

## THE US'S ACCOUNTABLE GOVERNMENT INITIATIVE

There have been numerous government management improvement initiatives in the United States over the past century, such as the President's Committee on Administrative Management in 1937, the Commission on Organization of the Executive Branch of the Government in 1947 (also known as the Hoover Commission), the Private Sector Survey on Cost Control in 1982 (also known as the Grace Commission), and in 1993 the National Partnership for the Reinvention of Government. In 2001, President George W. Bush originated the President's Management Agenda to make government more “citizen-centered, market based, and results oriented” by focusing on human capital, financial accountability, e-government,<sup>1</sup> competitive sourcing, and budget and performance integration. In 2010 President Obama announced the Accountable Government Initiative to cut waste and make government more open and responsive to the American public. The announcement stated, “When government does not work like it should, it has a real effect on people's lives – on small business owners who need loans, on young people who want to go to college, on the men and women in our Armed Forces who need the best resources when in uniform and deserve the benefits they have earned after they have left.” Finally, in 2017, President Trump replaced the Accountable Government Initiative with a revised President's Management Agenda, which “lays out a long-term vision for modernizing the Federal Government in key areas that will improve the ability of

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<sup>1</sup>E-government, or electronic government, is the use of computers, the internet, and other electronic means to provide public services (see <https://en.wikipedia.org/wiki/E-government>).

agencies to deliver mission outcomes, provide excellent service, and effectively steward taxpayer dollars on behalf of the American people.”

According to the current President’s Management Agenda, the “Federal Government has become overly bureaucratic and complex in ways that have prevented agencies from seamlessly transitioning services to meet the needs of the 21st century. Many of these challenges and shortcomings arise from statutory, administrative, management and regulatory practices designed in the past that no longer align to the realities of today.”<sup>2</sup> The report goes on to list specific root cause challenges, including:

- Accumulated regulatory burdens
- Structural issues
- Decision-making and processes
- Leadership and culture
- Capabilities and competencies

The long history of management improvement initiatives in the US federal government demonstrates an ongoing recognition of the need for improvement in management practices. The history of such initiatives is a result in part of the changing needs for government management practices in the modern era. However, it also reflects increased insights into how those needs can be better met.

## FROM PERFORMANCE-BASED MANAGEMENT TO VALUE-BASED MANAGEMENT

A US government website article<sup>3</sup> states, “The federal government spent over \$4 trillion in fiscal year 2018, but according to a Gallup poll, more than 60 percent of Americans are dissatisfied with federal government services. When pressed to explain which services cost too much or why they think Americans don’t get what they pay for, there’s no clear answer. Instead, a general perception exists, often created by partisan politics and the media.”

A way to address this is to develop a uniform and consistent way to assess the cost-benefit trade-offs for each federal program. This is what the authors propose in this book.

<sup>2</sup> <https://www.whitehouse.gov/wp-content/uploads/2018/03/Presidents-Management-Agenda.pdf>, page 4.

<sup>3</sup> <https://www.govexec.com/excellence/management-matters/2019/01/agencies-spent-4-trillion-last-year-did-taxpayers-get-what-they-paid/154087/>.

The article continues, “There are currently 2,277 domestic assistance programs offered by the federal government, according to the General Services Administration. Federal agencies administer these programs, reporting their cost and performance to the public according to federal management legislation such as the 1990 CFO Act and the 1993 Government Performance and Results Act. While these decades-old laws have gotten us far, they didn’t carry us over the finish line of fully-functioning performance-based management. We now have the opportunity to go the rest of the way. ... There is no comprehensive analysis of the 2,277 programs that administration and congressional staff can use to assist with their investment portfolio decisions.”

This book proposes to go beyond the article’s reference to “performance-based management” to “value-based management” (VBM).

What is needed to determine financial budget amounts for resources among government agency programs is framework like VBM for any government. To address this, like any effort to produce useful reports, one should first identify the users of cost and benefit data and understand how they will use the data. The article cites “There are four key decision-making groups to target with reporting improvements: program managers, senior administration leaders, the legislative body, and the public citizens and taxpayers.”

As an example, with its 2006 Federal Funding Accountability and Transparency Act, the US Congress required the Office of Management and Budget (OMB) to create [www.USASpending.gov](http://www.USASpending.gov). This website segments financial spending data into 19 budget “function” categories to facilitate a standard way for comparative analysis of similar functions. The result is that it displays a complete spending picture for the federal government.

At the end of each fiscal year, the agencies are instructed to revise their reporting on this website, then various stakeholders can evaluate any agency’s overall performance as it relates to the cost of their services.

The article continues: “Merging cost and performance data in a way that significantly alters how Congress and the administration allocates resources and how Americans objectively gauge the performance of their elected officials has been the Holy Grail of performance-based budgeting for decades. It took a huge commitment of resources just to get to this point.”

## WHAT DO GOVERNMENTS HOPE TO GAIN FROM VBM?

Six primary benefits for public sector organizations can be realized from implementing modern management methods:

1. Optimizing the use of resources
2. Aligning cross-departmental work activities and priorities with collaboration and increased accountability
3. Linking the budget and planning processes with an executive team's strategy
4. Displaying greater financial visibility and transparency for what outputs cost, and their drivers
5. Incorporating risk as an equal tradeoff consideration with results sought and resources committed
6. Maximizing overall stakeholder value delivered by the organization

The lack of alignment – typically a symptom of silo and bunker mentality – allows various departments to independently pursue their own pet projects rather than the more mission-critical ones to achieve their organization's overarching mission. Among taxpayers and governance boards, there is a growing impatience with waste in government. As previously mentioned, the phrase “more for less” increasingly appears in media editorials about government spending. A variation can be “more with same,” meaning maintain the same level of resource spending but produce better and higher results.

Chapter 2 will define and describe VBM. Subsequent chapters will then take a deeper dive into the various components that comprise the VBM framework.

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