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The Honorable George V. Voinovich, Chairman
Subcommittee on Oversight of Government Management,
Restructuring, and the District of Columbia
Committee on Governmental Affairs
United States Senate

Subject: Managing for Results: Answers to Hearing Questions on Quality Management

Dear Mr. Chairman:

This letter responds to your request for information following your July 29th hearing on quality management. The enclosure contains our responses to questions we received from your Subcommittee dated August 23, 1999.

Our responses are based primarily on our previously issued work on management reform, and we therefore did not obtain agency comments on a draft of this letter. We are sending copies of this letter to Senator Richard J. Durbin, Ranking Minority Member, Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs. We will make copies available to others upon request. If you have any questions concerning this letter, please contact me at (202) 512-8676.

Sincerely yours,

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Responses to Subcommittee Questions Following July 29, 1999, Quality Management Hearing

1. Should a vigorous quality management program be implemented governmentwide in addition to the strategic planning framework mandated by the Results Act?

We have not done work to specifically identify whether a governmentwide quality management program, separate from the statutory and management initiatives already under way, is needed. However, our work concerning high-performing organizations provides useful insight. First, as noted in our statement for the hearing, leaders in successful organizations integrate the implementation of separate organizational improvement efforts.¹ Regardless of whether these reforms are self-initiated, such as Total Quality Management (TQM), or mandated by legislation, such as the Results Act, agency top leadership needs to meld these various reforms into a coherent, unified effort.

Second, high-performing organizations understand and can articulate how their day-to-day performance contributes to results and improved customer satisfaction—a key tenet of quality management. Consequently, any effort to improve governmentwide performance also needs to pay attention to the day-to-day processes and strategies that agencies employ to achieve mission-related results. Effective implementation of the Results Act requires such attention. Our work that looks at agencies' fiscal year 2000 performance plans has shown that agencies need to improve how their human capital and management resources and strategies are linked to achieving mission-related results.² Understanding and then articulating how these resources and strategies can best be mobilized to produce results is crucial if agencies are to improve their performance.

The fiscal year 1999 program performance reports, due to Congress by March 31, 2000, under the Results Act, will provide valuable evidence concerning the degree to which agencies have considered and understand how their processes and strategies lead to results. Each agency, in its report, is to compare the agency's actual performance against the goals established in its annual performance plan. In cases where a goal has not been met, the agency is to explain why and discuss the plans and schedules for achieving the established performance goals. Agencies that lack a clear understanding of the relationships among the agency's

¹ Management Reform: Using the Results Act and Quality Management to Improve Federal Performance (GAO/T-GGD-99-151, July 29, 1999).

² Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

resources, processes, products and services, and results will not likely be in a position to successfully meet this requirement.

2. Does the Office of Management and Budget (OMB) have the necessary resources and institutional knowledge to implement a quality management initiative?

While we have not examined this issue directly, we would note that in 1990 OMB's governmentwide TQM leadership functions and its staffing devoted to TQM were moved into the Federal Quality Institute (FQI), which at the time was part of the Office of Personnel Management (OPM). As a result, there are serious questions about whether OMB would have the institutional knowledge and resources needed to implement a quality management initiative.

The degree to which OMB provides management initiatives with the necessary resources and commitment has been a perennial question, and we have found that the effectiveness of OMB's leadership with regard to management issues has been uneven. OMB's challenge is to carry out its central management leadership responsibilities in a manner that leverages the opportunities of the budget process, while at the same time ensuring that management issues receive appropriate attention in an environment driven by budget and policy decisions.

3. I consider the National Partnership for Reinventing Government (NPR) the Clinton Administration's quality management initiative. Its stated goals are making government work better and cost less, with an emphasis on customer service. However, NPR lacks institutional leadership that transcends one person or one administration. Given that, would it make more sense to locate an initiative like NPR in an agency like OMB?

As your question suggests, management initiatives must have sustained support from the political and career leadership to be successful. As long as top leadership support exists, a variety of organizational arrangements can be used to implement management reforms. Absent top leadership support, a management initiative is unlikely to be sustained and successful, regardless of where responsibility for leading the initiative is housed. In response to our 1996 report on NPR's Reinvention Labs, administration officials noted that OMB's historical role, its budget responsibilities, and its statutory management responsibilities often compete with exercising a role as a "change agent" seeking to foster

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innovation.³ Historically, OMB has been reluctant to become heavily involved in some management initiatives because of the small size of its staff and its view that federal agencies themselves are responsible and accountable for making management improvements.

In this context, we have found that effective collaboration with the agencies—through such approaches as task forces and interagency councils—has emerged as an important central leadership strategy in developing policies that are sensitive to implementation concerns and the need to secure consensus and consistent follow-through within the executive branch. OMB's work with interagency councils has been successful in fostering communication across the executive branch, building commitment to reform efforts, tapping talents that exist within agencies, keeping management issues in the forefront, and initiating important improvement projects.

4. Can you identify any other quality management programs that were initiated by previous administrations? What became of them?

Prior to NPR, previous administrations undertook a series of related quality management efforts. In February 1986, President Reagan issued an Executive Order that formally established a governmentwide effort to improve the productivity, quality, and timeliness of government products and services. This effort was continued with OMB Circular A-132, which until 1989 mandated a governmentwide TQM effort and provided guidelines for the development and implementation of a productivity and quality improvement process in the executive branch. An OMB official recalled that agencies viewed the reporting requirements of this initiative as too burdensome, and consequently emphasis on this particular TQM program waned.

The Federal Quality Institute was also established in 1988 to serve as a source of information, training, and consulting services for agencies engaged in TQM. As noted earlier, in 1990 OMB's governmentwide leadership functions and resources devoted to TQM implementation were consolidated into FQI. In 1995, Congress eliminated FQI's funding, and its responsibilities were shifted within OPM. The Federal Quality Consulting Group, FQI's successor, is a federal franchise activity within the Treasury Department that offers federal agencies consulting and facilitation services.

³ Management Reform: Status of Agency Reinvention Lab Efforts (GAO/GGD-96-69, Mar. 20, 1996).

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Additionally, the President's Quality Award Program (PQA), begun in 1988, has given awards to federal government organizations for (1) improving their overall performance and capabilities and (2) demonstrating a sustained trend in providing high-quality products and services that results in the effective use of taxpayer dollars. OPM manages the program, and its award criteria are closely aligned with the Malcom Baldrige National Quality Award criteria used to recognize private sector organizations. The PQA award criteria have evolved to become more results-oriented and now include a distinct category for producing results in areas such as customer focus and human resources. This adaptation reflects quality management's overall evolution from a focus primarily on quality and employee issues to a broader, results-oriented focus. Since 1988, the PQA program has recognized federal organizations 85 times, including most recently 9 organizations last July.

5. How can the information in agency strategic plans, annual performance plans, and performance reports be used to identify and facilitate improvements in quality processes?

The information in agency strategic plans, annual performance plans, and performance reports can be an important tool to identify and facilitate improvements in quality processes. The connection between what agencies do on a daily basis and the results that those activities are intended to achieve are key elements of all three Results Act products. The information in these documents can be crucial in identifying performance gaps, targeting improvement opportunities, and tracking progress.

6. How can agencies successfully integrate total quality management and the Results Act to address some of the more long-standing management problems?

No serious effort to fundamentally improve the performance of federal agencies can succeed without addressing long-standing management challenges and program risks. The Results Act and quality management, with their shared focus on using sound performance data to make decisions, can provide an integrated approach to improving both the overall results agencies seek to achieve and the processes that contribute to those results. Measurable goals for resolving mission-critical management problems are important to ensuring that the agencies have the institutional capacity to achieve their more results-oriented programmatic goals. Our assessment of the fiscal year 2000 annual

performance plans showed that agencies are not consistently addressing management challenges and program risks in their plans.

Agencies that did address the challenges and risks in their plans used a variety of approaches, including setting goals and performance measures that were linked to the management challenges and program risks. These agencies also discussed the strategies and processes that are to be used to address the program risks. Using the annual performance plans to identify strategies and processes for addressing management challenges and program risks is a clear illustration of how quality management's focus on processes can be used to complement the Results Act in addressing program risks. For example, the Department of Transportation's (DOT) lack of controls over its financial activities impairs its ability to manage programs and exposes the department to potential waste, fraud, mismanagement, and abuse. DOT's performance plan identifies financial accounting as a management challenge and addresses key weaknesses that need to be resolved before DOT can obtain an unqualified audit opinion. Importantly, DOT's corporate management strategies include efforts to receive an unqualified audit opinion, enhance the efficiency of the accounting operation, and implement a pilot of the improved financial systems environment.

7. How can Congress best use the information in agencies' strategic plans, performance plans, and performance reports to identify the degree to which agencies have quality management and related initiatives in place?

In our recent report summarizing our reviews of agencies' fiscal year 2000 annual performance plans, we noted that we have long advocated that congressional committees of jurisdiction hold augmented oversight hearings on each of the major agencies.⁴ Information on missions, goals, strategies, resources, and results could provide a consistent starting point for each of these hearings. Such hearings also would further underscore for agencies the importance that Congress places on creating high-performing executive organizations. Performance planning under the Results Act should allow for more informed decisions about such issues as

- whether the agency is pursuing the right goals and making progress toward achieving them;
- whether the federal government is effectively coordinating its responses to pressing national needs;

⁴ GAO/GGD/AIMD-99-215, July 20, 1999.

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- whether the federal government is achieving an expected level of performance for the budgetary and other resource commitments that have been made;
 - the degree to which the agency has the best mix of programs, initiatives, and other strategies to achieve results;
 - the progress the agency is making in addressing mission-critical management challenges and program risks;
 - the efforts under way to ensure that the agency's human capital strategies are linked to strategic and programmatic planning and accountability mechanisms; and
 - the status of the agency's efforts to use information technology to achieve results.

8. One of the keys to the success of Ohio's Quality Services through Partnership initiative was employee involvement. How does the Results Act provide for employee involvement?

The Results Act does not have a specific requirement for employee involvement, other than to identify the development of strategic and annual performance plans and performance reports as inherently governmental functions that must only be done by federal employees. Nevertheless, the involvement of managers and employees throughout the organization is important because if agencies are to implement and sustain major management reforms, a cultural transformation must occur at agencies that requires them to more effectively manage, develop, and involve their most important asset—their human capital. This cultural transformation requires employees to understand the importance of, and the connection between, their individual performance and achieving overall agency goals. Employees who are unsure about the direction their agency is taking will not be able to effectively focus on achieving those goals.

When we surveyed federal managers at the GS-13 level and above in late 1996 and early 1997, over half of the managers said that they had no involvement in many of the activities related to their agency's implementation of the Results Act. However, members of the Senior Executive Service (SES) reported higher levels of involvement in key Results Act-related activities. For example, 72 percent of the SES managers reported that they had been involved in establishing long-term strategic goals for their agency. On the other hand, only 35 percent of non-SES managers reported being involved in establishing strategic goals. At the request of the Subcommittee, we are conducting the survey again to see whether the level of involvement has increased over the last 3 years.

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