

PMI Symposium

Transformation in Government

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Agenda

- o. Key Definitions and Concepts**
- o. Selected U.S., Country and State Fiscal Information**
- o. Levels of Transformation and Project Management**
- o. Key Project Management Concepts**
- o. Transformation in Government and at the GAO**
- o. GAO's High Risk List**
- o. Three Types of Transformation Services**
- o. \$10 Million a Minute Tour in 2012**
- o. Conclusion**

Transformation Definition

Taking major steps to change the structure, policies, operational practices and/or culture of an organization to improve performance, ensure sustainability and promote continuous improvement for both today and tomorrow. This can include addressing what is done, how it is done, where it is done, and who does it.

Leadership Definition

Getting things done with and through others. Looking ahead in a broader and more integrated fashion to identify major challenges and opportunities. Taking steps to address the challenges before they reach crisis proportions and to capitalize on the opportunities before they expire. Doing what is right for today and tomorrow even though it may not be popular. Recognizing that the law is the floor of acceptable behavior. True leaders should strive to meet higher professional, ethical and moral standards.

Stewardship Definition

Taking steps to improve performance today, leave things better off when you leave than when you came, AND better positioned for the future.

Project Management Definition

The discipline of defining, planning and managing an organization's financial, human and other resources for purposes of achieving specific goals and objectives within a stated timeframe and budget level. Projects are typically one-time in nature but can involve many phases over an extended period of time.

Levels of Transformation and Project Management

- Strategic Transformation and Project Management (e.g., Federal Strategic Planning, Organizational Alignment, and Financial Restructuring)
- Structural Transformation (e.g., COO's, Agency Restructuring, GAO's High Risk List)
- Operational Transformation (e.g., Ongoing Activities)

Seven Key Elements of Project Management

- o. Initiating the Project**
- o. Planning the Project**
- o. Executing the Project**
- o. Monitoring and Controlling the Project**
- o. Closing the Project**
- o. Evaluating the Project (Independent Party)**
- o. Disseminating Best Practices and Lessons Learned**

Selected Key Project Management Success Factors

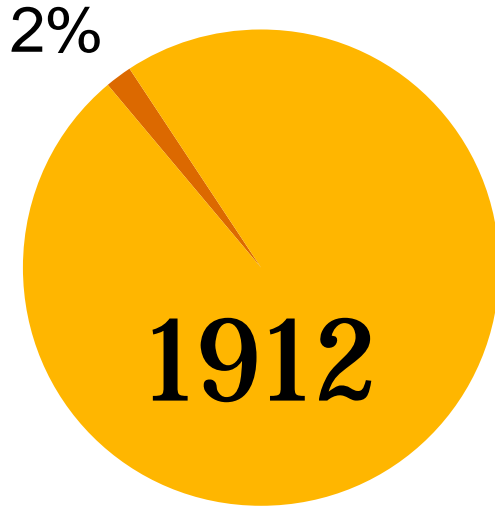
- Competence
- Credentials
- Commitment
- Conflicts
- Continuity
- Continuous Improvement

Keys to Transformation Success

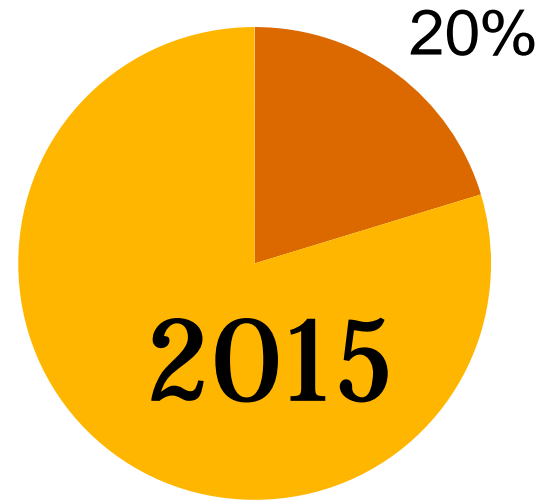
**Truth + Transparency + Leadership + Management +
Oversight = Successful Transformation**

Federal Government has Grown Dramatically

■ Federal Spending as a Percentage of GDP



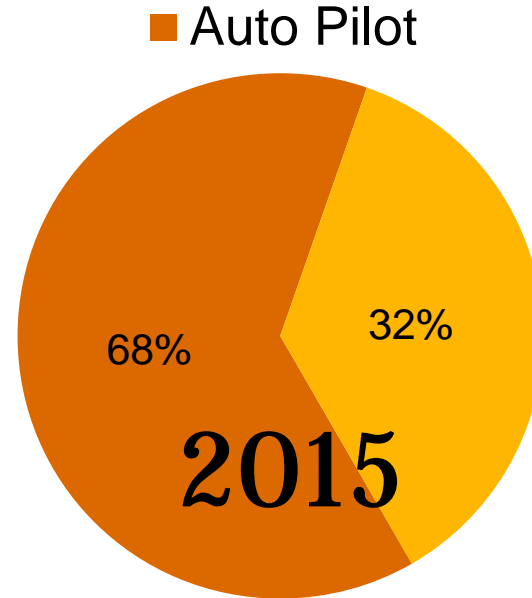
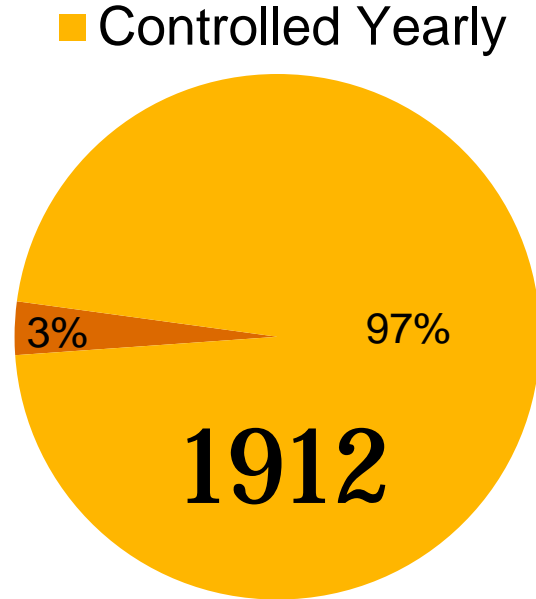
Federal Spending
\$277 Billion in 2015 Dollars



Federal Spending
\$3.7 Trillion in 2015 Dollars

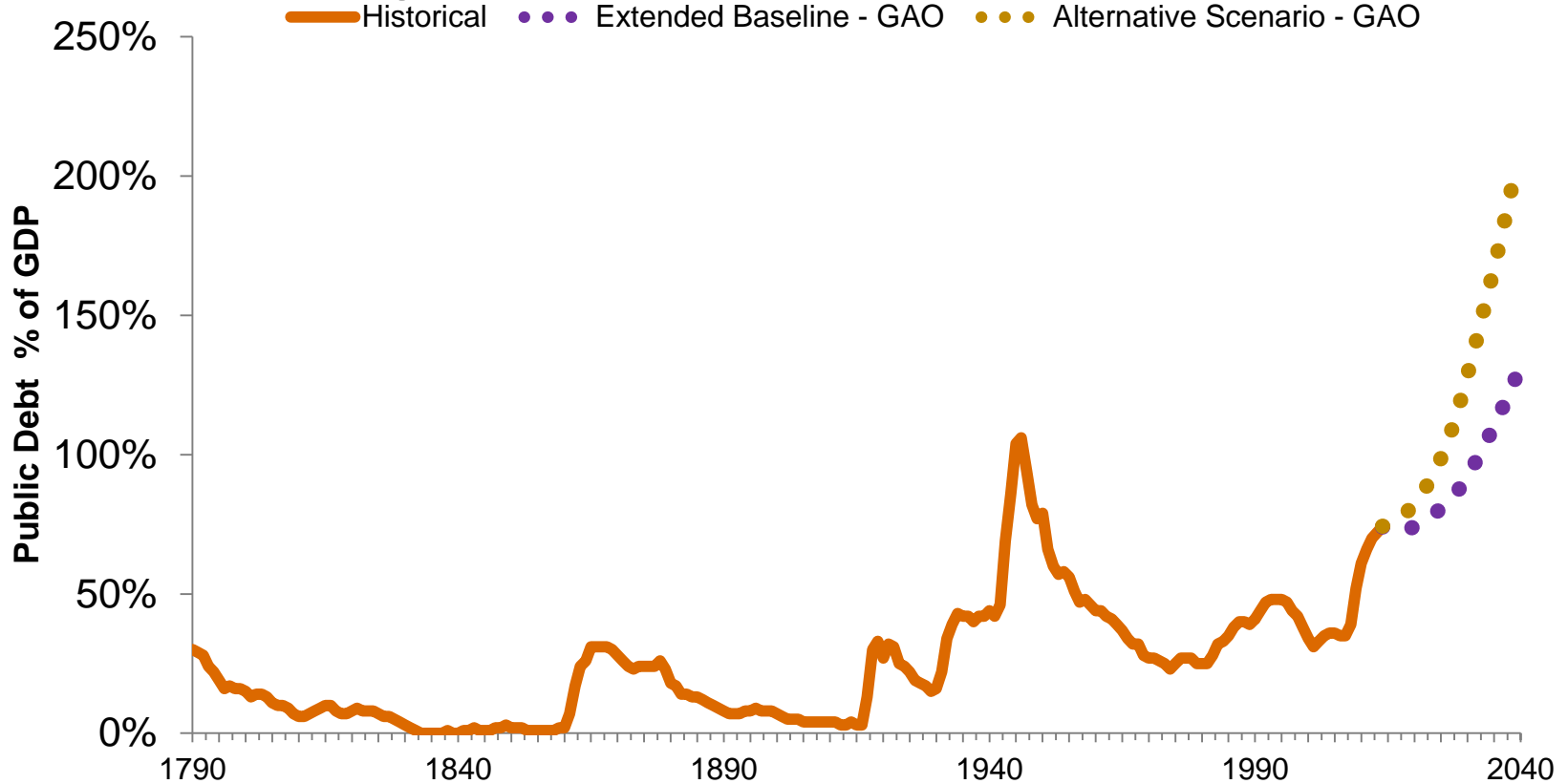
Source: Historical Statistics of the United States, Millennial Edition On Line, Cambridge 2006; Congressional Budget Office, Jan 2015.

Losing Control of the Budget

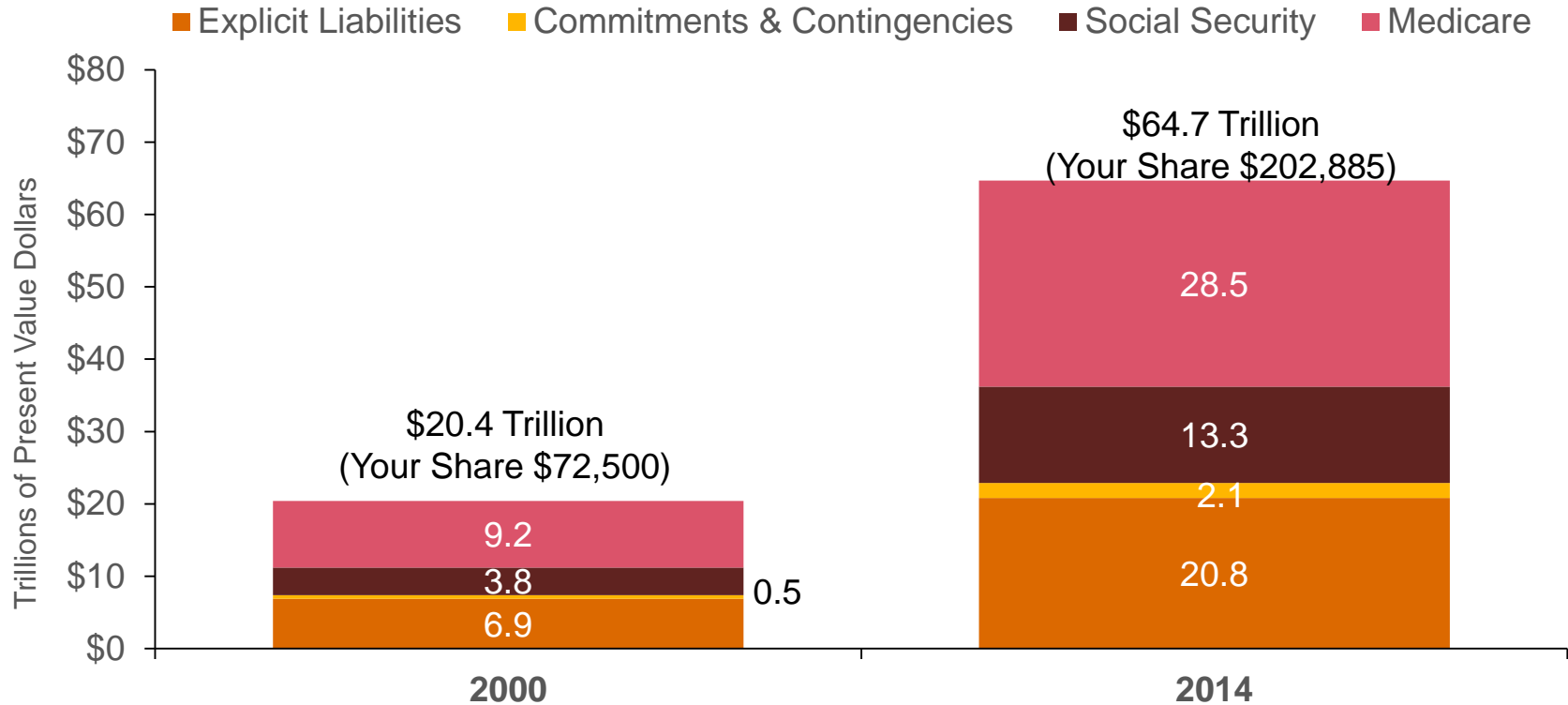


Source: Historical Statistics of the United States, Millennial Edition On Line, Table Ea636–643 Federal government expenditure, by major function: 1789–1970. Congressional Budget Office, The Budget and Economic Outlook: 2015 to 2025, Jan. 2015.

Past and Projected U.S. Public Debt Burdens



Federal Financial Sink Hole



Source: Data from the Department of Treasury, 2014 Financial Report of the United States Government.

Sovereign Fiscal Responsibility Index 2012

Country	Fiscal Space (% of GDP, 2010)	Fiscal Path (# of years)	Fiscal Governance (pts out of 100)	Overall Rank
Australia	168.2	40+	65.9	1
New Zealand	163.6	38	68.5	2
Estonia	138.1	40+	61.7	3
Sweden	153.7	40+	59	4
China	184.9	40+	49.4	5
Luxembourg	178	22	61.8	6
Chile	193.3	40+	45.9	7
Denmark	153.1	34	54.7	8
United Kingdom	90.8	27	66.4	9
Brazil	102.3	39	56.9	10
Canada	106	39	51.5	11
India	97.3	40+	56.3	12
Poland	94.9	31	58	13
Netherlands	92.7	12	72.3	14
Norway	171.6	22	47.9	15
Slovak Republic	107.7	33	50.9	16
Korea	124.9	40+	27.5	17
Mexico	112.1	30	50.7	18
Israel	113	40+	40.5	19

Source: www.deficitranger.com

Sovereign Fiscal Responsibility Index 2012 (cont.)

Country	Fiscal Space (% of GDP, 2010)	Fiscal Path (# of years)	Fiscal Governance (pts out of 100)	Overall Rank
Slovenia	105.2	21.0	54.3	20
Austria	76.4	12.0	67.8	21
Finland	99.2	13.0	57.9	22
France	58.7	15.0	62.8	23
Spain	81.5	12.0	60.7	24
Germany	75.7	18.0	57.4	25
Belgium	42.3	8.0	61.2	26
Italy	17.8	7.0	59.2	27
United States	62.4	16.0	46.0	28
Hungary	53.2	12.0	46.1	29
Ireland	38.1	6.0	48.4	30
Japan*	49.0	5.0	47.2	31
Iceland**	17.1	20.0	20.2	32
Portugal	27.8	5.0	45.1	33
Greece	0.0	0.0	45.0	34

Source: www.deficitranger.com

Taxpayer Burden by State

1. Alaska	\$ 52,300	18. Nevada	\$ 2,700	35. Alabama	\$ 13,400
2. North Dakota	\$ 28,400	19. Arizona	\$ 3,300	36. Rhode Island	\$ 13,500
3. Wyoming	\$ 22,500	20. Missouri	\$ 3,400	37. New Mexico	\$ 13,600
4. Utah	\$ 4,200	20. Colorado	\$ 3,400	38. Vermont	\$ 14,300
5. South Dakota	\$ 4,000	22. Ohio	\$ 3,900	39. Louisiana	\$ 15,200
6. Nebraska	\$ 2,800	23. Wisconsin	\$ 4,100	40. Pennsylvania	\$ 15,600
7. Oregon	\$ 2,100	24. Georgia	\$ 4,500	41. Delaware	\$ 17,400
8. Tennessee	\$ 1,300	25. New Hampshire	\$ 4,700	42. Michigan	\$ 18,100
8. Montana	\$ 1,300	26. Kansas	\$ 6,700	43. California	\$ 20,900
10. Iowa	\$ 900	27. Texas	\$ 8,300	44. Hawaii	\$ 26,500
11. Indiana	\$ 700	28. North Carolina	\$ 8,400	45. New York	\$ 26,700
12. Florida	\$ 1,100	29. Washington	\$ 8,500	46. Massachusetts	\$ 27,300
13. Virginia	\$ 1,500	30. Maine	\$ 8,800	47. Kentucky	\$ 32,600
13. Arkansas	\$ 1,500	31. Mississippi	\$ 9,200	48. Illinois	\$ 45,000
15. Minnesota	\$ 2,200	32. South Carolina	\$ 9,700	49. Connecticut	\$ 48,600
15. Oklahoma	\$ 2,200	33. West Virginia	\$ 13,000	50. New Jersey	\$ 52,300
17. Idaho	\$ 2,400	34. Maryland	\$ 13,200		

Source: 2015, Institute for Truth in Accounting. All numbers are fiscal 2014 except for New Mexico which is fiscal 2013. Numbers in red denote burden per taxpayer, Numbers in black denote a surplus per taxpayer.

Major Reasons for Transformation in the U.S.

- Changes in the size and role of the federal government
- Loss of control over federal spending
- Current and projected debt burdens
- Lower global market share and domestic GDP growth
- Known demographic trends and rising health care costs
- Increased demand and dissatisfaction within the public
- Growing gaps between the haves and the have nots
- Changing security threats
- Greater global and local challenges
- Rapid technological changes
- Adverse selection against the federal government
- Outdated tax and welfare systems
- Deteriorating critical infrastructure
- State and local fiscal challenges

Transformation is Tougher in Government

- Limited to no competition
- Dysfunctional Board and multiple bosses
- Less continuity in key positions
- Greater transparency
- Less flexibility
- Risk averse culture
- Fewer incentives and accountability mechanisms

Key Transformation Elements

- Commitment and sustained tone from the top (i.e., CEO)
- Build a “burning” platform
- People, process, partnerships, technology and environment (culture)
- Start at the top and bottom and move to the middle
- The greatest resistance will come from people near retirement and people directly affected by pay and classification changes.
- Express mission, vision and core values
- Strategic plan
- Change and integrate key performance metrics
- Institutionalize key systems, processes and controls
- Make business cases for needed investments and legislation
- Use independent experts (as appropriate)
- Do what’s right for today and tomorrow (i.e. stewardship) even though it may not be popular
- Process matters – Don’t fight a two front war
- Understand the five phases of transformation
- Communicate, Communicate, Communicate!

The Five Phases of Transformation

- Patience
- Persistence
- Perseverance
- Pain
- Prevail

GAO's Mission, Scope and Activities

Mission

Performance and accountability

Scope

Oversight, insight and foresight

Activities

Financial audits, performance audits, program evaluations, policy analyses, contracting adjudications, legal opinions, best practices/lessons learned, professional standards, etc.

GAO Key Leadership Transformation Concepts

- Leading by example
- Practice what you preach
- Strategic Planning
- Results orientation
- Streamlined organization
- Horizontal and external focus
- Clear, concise and compelling communications
- Constructive engagement
- Continuous improvement
- Front line perspective
- Benchmarking
- Partner for progress
- Balanced scorecard focusing on results, clients, people and partners
- Stewardship obligation

GAO Transformation Effort

- Set the tone at the top
- Communicated to a “Burning platform” case
- Developed an express mission, vision, and values
- Expanded internal and external communication efforts
- Developed formal strategic plan*
- Performed skills and knowledge assessment
- Changed organizational alignment and footprint (e.g., reduced number of offices and silos and eliminated a layer of management)
- Leveraged technology and improved knowledge sharing*
- Modified performance measurement systems
- Transparent protocols and criteria (e.g., High Risk, clients, agencies)
- Revised sourcing strategies
- Employee participation and suggestions
- Revitalized recruiting, training, and succession planning
- Revised performance management system*
- Reformed product definition and delivery
- Improved workplace practices (e.g. business casual, flex, subsidies, student loans)
- Conducted compensation studies*
- Revised classification and rewards systems*
- Changed the agency name
- Global Working Group and Domestic Working Group
- CG Forms
- INTOSAI and IGAF Strategic plans

GAO Strategic Plan Framework



MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

Trends Shaping the United States and Its Place in the World

National Security Trends	Fiscal Sustainability and Debt Challenges	Global Interdependence	Science and Technology Trends	Communication Networks and Information Technologies	Shifts in Governance and Government	Demographic and Societal Changes
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GAO Strategic Plan Framework (cont.)

Goals	Objectives
<p>Provide Timely, Quality Service to the Congress and the Federal Government to...</p> <p>Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to...</p>	<ul style="list-style-type: none"> Health care needs Lifelong learning Challenges facing an aging population Effective system of justice Housing finance and viable communities Stable financial system and consumer protection Natural resources and the environment National infrastructure Benefits and protections for workers, families, and children
<p>Respond to Changing Security Threats and the Challenges of Global Interdependence involving...</p>	<ul style="list-style-type: none"> Homeland security Military capabilities and readiness Foreign policy and international economic interests
<p>Help Transform the Federal Government to Address National Challenges by assessing...</p>	<ul style="list-style-type: none"> Government's fiscal position and approaches to address current and projected fiscal gaps Federal government audit and internal control standards Major management challenges and program risks Fraud, waste, and abuse, and improvements in internal controls
<p>Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency by focusing on...</p>	<ul style="list-style-type: none"> Efficiency, effectiveness, and quality Diverse workforce and inclusive work environment Networks, collaborations and partnerships Human, information, fiscal, technological, and physical resources

CORE VALUES

Accountability

Integrity

Reliability

Source: GAO.

GAO Strategic Plan 2014-2019

GAO Key Performance Statistics

Item	Fiscal 1998	Fiscal 2008	Fiscal 2014
Financial Benefits ⁺⁺	\$19.7B	\$58.1B*	\$54.4B
ROI ⁺⁺	53	110*	103
Non-Financial Benefits ⁺⁺	537	1,398	1,288
Products with Recommendations ⁺⁺⁺	33%	66%	64%
Recommendations Implemented ⁺⁺	69%	83%	78%
Testimonies ⁺⁺	256	304*	129
FTE's	3500 est.	3081	2891
Number of Offices	18	12	12
Best Places to Work ⁺⁺	N/A	#2*	#2*
Client Satisfaction ⁺⁺	93%	95%	95%
Net Cost of Operations	\$375M	\$530M	\$527M

*All time record

⁺⁺All time record achieved while DMW's term in office

⁺⁺⁺All time record of 68% was in 2009 and consisted of many reports started during DMW's term in office

GAO's High Risk List Addition Criteria

What

Programs, functions or activities at high risk for fraud, waste, mismanagement, or in most need of transformation.

Criteria

- A systematic problem
- An issue/area of national significance
- Significant financial or non-financial risk
- Status of agency's current efforts to address issue
- Likely correction time frame

GAO High Risk List

Strengthening the Foundation for Efficiency and Effectiveness

- Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks
- Management of Federal Oil and Gas Resources
- Modernizing the U.S. Financial Regulatory System and the Federal Role in Housing Finance^a
- Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability^a
- Funding the Nation's Surface Transportation System^a
- Strategic Human Capital Management
- Managing Federal Real Property
- Improving the Management of IT Acquisitions and Operations (**new**)

Transforming DOD Program Management

- DOD Approach to Business Transformation
- DOD Business Systems Modernization
- DOD Support Infrastructure Management^a
- DOD Financial Management
- DOD Supply Chain Management
- DOD Weapon Systems Acquisition

^aLegislation is likely to be necessary to effectively address this high-risk area.

GAO High Risk List (cont.)

Ensuring Public Safety and Security

- Mitigating Gaps in Weather Satellite Data
- Strengthening Department of Homeland Security Management Functions
- Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland
- Ensuring the Security of Federal Information Systems and Cyber Critical Infrastructure and Protecting the Privacy of Personally Identifiable Information^a
- Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests^a
- Improving Federal Oversight of Food Safety^a
- Protecting Public Health through Enhanced Oversight of Medical Products
- Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals^a

Managing Federal Contracting More Effectively

- DOD Contract Management
- DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management
- NASA Acquisition Management

^aLegislation is likely to be necessary to effectively address this high-risk area.

GAO High Risk List (cont.)

Assessing the Efficiency and Effectiveness of Tax Law Administration

- Enforcement of Tax Laws^a

Modernizing and Safeguarding Insurance and Benefit Programs

- Managing Risks and Improving VA Health Care (**new**)
- Improving and Modernizing Federal Disability Programs
- Pension Benefit Guaranty Corporation Insurance Programs^a
- Medicare Program^a
- Medicaid Program^a
- National Flood Insurance Program^a

^aLegislation is likely to be necessary to effectively address this high-risk area.

GAO's High Risk List Removal Criteria

Criteria

- Leadership commitment
- Capacity to address
- Action plan
- Systematic monitoring
- Consistent progress (and success is within sight)

Progress (Star Rating)

- Met
- Partially Met
- Not Met

Three Types of Transformation Advisory Services

- **Lean/Six Sigma Consulting** - Operational process reviews designed to combat waste, reduce costs, improve performance, enhance employee involvement, improve customer satisfaction and ensure continuous improvement (Historical ROI of at least 5:1)
- **Strategic Operational Consulting** - Assistance in connection with planning, organizational alignment, performance measurement/ management, human capital strategy, sourcing strategies, _ practices, risk management, and change management (Historical ROI of at least 10:1)
- **Financial Restructuring Consulting** - Reviewing and recommending changes to current retirement programs (e.g., pension, retiree health care plans), welfare systems, tax structures, and/or other areas (Historical ROI of at least 100:1)

Targeting Criteria

- Clear and compelling need
- External visibility
- Committed leader
- Understanding the need for independent expert assistance
- Willing to invest to save money and/or generate additional revenue and ROI

\$10 Million a Minute Tour in 2012

- 10,000 miles through 27 states with events in 17 states
- Focused on fiscal responsibility and sustainability
- Two unprecedented representative Town Hall Forums in Ohio and Virginia
- Super-majority agreement on:
 - Significance of the challenge
 - A public debt/GDP goal focus
 - Six principles/values for reform
 - Specific illustrative reforms relating to the budget process, Social Security, Medicare/Medicaid, health care, taxes, defense, management reforms and political reforms.

Conclusion

- Governments at all levels are in need of transformation and financial restructuring assistance.
- Project management professionals can play an important role in helping to ensure the success of related transformation efforts.
- Government transformation leaders will need independent, comprehensive, integrated and results oriented advice AND implementation assistance.
- Effective targeting, communication, and execution strategies, including project management, are key.
- PwC can help.