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MANAGING FOR RESULTS

Observations on Agencies' Strategic Plans

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Managing for Results: Observations on Agencies' Strategic Plans

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our assessment of the strategic plans that executive agencies produced last September under the Government Performance and Results Act of 1993 (Results Act) and the current stage of Results Act implementation—annual performance planning and measurement.

The approach to performance-based management and accountability envisioned by the Results Act is a dynamic and iterative process in which one stage builds on and reinforces the progress made at earlier stages. As you know, under the Results Act, agencies first are to prepare long-term strategic plans that set the general direction for their efforts. They submitted the first cycle of their strategic plans to Congress and the Office of Management and Budget (OMB) in September 1997. Agencies then are to use these plans to prepare annual performance plans that lay out how the day-to-day activities of managers and staff are to achieve long-term strategic goals.

Agencies' first annual performance plans are due to Congress after the submission of the President's fiscal year 1999 budget. A number of agencies already have provided their annual performance plans to Congress, and the rest are generally expected to do so before the end of the month. OMB also is to prepare a federal government performance plan, which is based on agencies' plans and which OMB is to submit to Congress with the President's budget. That first federal government performance plan was provided to Congress on February 2. Finally, the Act requires that each agency report annually on the extent to which it is meeting annual performance goals and the actions needed to achieve or modify those goals that have not been met.

In the report that is being released today, we conclude that the strategic plans that agencies produced in September 1997 provide a workable foundation for Congress to use in helping to fulfill its appropriations, budget, authorization, and oversight responsibilities and for agencies to use in setting a general direction for their efforts.¹ After having reviewed both agencies' draft and September strategic plans, it was clear to us that the active engagement of Members and congressional staff contributed significantly to the progress agencies made in their strategic plans. Much of this contribution was due to the congressional consultations that the

¹Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

Act requires as agencies develop their strategic plans, which—for the first cycle of strategic plans—took place last spring and summer.

My comments are based on our large body of work in recent years on the Results Act, in particular our assessment of the draft and September 30, 1997, strategic plans of the 24 agencies covered by the Chief Financial Officers (CFO) Act; our recently issued congressional guide;² and our continuing work with congressional committees on Results Act issues. On the basis of that work, my statement will focus on (1) the extent to which agencies' strategic plans met statutory requirements, (2) critical planning challenges that remain to be addressed, and (3) a discussion of how our recent congressional guide for agencies' annual performance plans can facilitate congressional use of those plans and thereby advance the implementation of the Results Act.

Agencies' Strategic Plans Generally Met Statutory Requirements

The Results Act requires that strategic plans include six broad elements—mission statements, general goals and objectives, approaches (or strategies) for achieving goals, a description of the relationship between general goals and annual performance goals, key external factors, and a description of the actual use and planned use of program evaluations. In that regard, the strategic plans that agencies submitted in September represent a significant improvement over the draft plans we reviewed last summer. For example, we found that all but six of the draft plans were missing at least one element required by the Results Act and about a third were missing two of the six required elements. In contrast, all 24 of the September plans we reviewed contained at least some discussion of each element required by the Act. And in many cases, those elements that had been included in the draft plans were substantially improved. For example,

- the Department of Transportation explained more clearly how its mission statement is linked to its authorizing legislation;
- the Small Business Administration clarified how it would assess progress toward its strategic goals by stating when it would meet specific performance objectives;
- the Nuclear Regulatory Commission better explained the scope of its crosscutting functions by identifying major crosscutting functions and interagency programs and its coordination with agencies, such as the Department of Energy and the Environmental Protection Agency; and

²Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking, Version 1 (GAO/GGD/AIMD-10.1.18, Feb. 1998).

- the Agency for International Development improved its discussion of external factors, such as political unrest and natural disasters, that could affect its achievement of strategic goals and that are beyond its control by describing those factors and the way they can be offset by agency field missions.

Critical Planning Challenges Remain to Be Addressed

Although all of the strategic plans that we reviewed contained at least some discussion of each element required by the Results Act, we found that critical planning challenges remain. Among these planning challenges are the need to demonstrate (1) a clearly articulated strategic direction, (2) the coordination of crosscutting program efforts, and (3) reliable data systems and analytic capacity.

A Clearly Articulated Strategic Direction

We found that the strategic plans often lacked clear articulation of the agencies' strategic direction, a sense of what they were trying to achieve, and how they would achieve it. For example, we found that the goals and objectives in many agencies' strategic plans could be more results oriented and stated in a way to better enable the agency to make a future assessment of whether goals and objectives were being achieved. In addition, the plans often did not establish linkages among planning elements, such as goals, objectives, and strategies for achieving those goals and objectives.

Another weakness of agencies' strategic plans was incomplete and underdeveloped strategies for achieving long-term strategic goals and objectives. Specifically, we found that agencies did not always provide an adequate discussion of the resources needed to achieve goals. In particular, the role that information technology played, or can play, in achieving agencies' long-term strategic goals and objectives was generally neglected in agencies' strategic plans. For example, most of the Department of Defense's (DOD) goals and objectives rely on the effective use of information technology to obtain a given goal as well as to measure progress toward its achievement. DOD's strategic plan would be significantly enhanced if it more explicitly linked its strategic goals to a strategy for improving management and oversight of information technology resources. In addition, DOD's strategic plan—as well as the plans of other agencies—did not fully recognize the dramatic impact the Year 2000 problem will likely have on DOD's operations.³

³On January 1, 2000, many computer systems, if not adequately modified, will either fail to run or malfunction simply because the equipment and software were not designed to accommodate the change of the date to the new millennium.

The Department of State's strategic plan also does not specifically address the serious deficiencies in its information and financial accounting systems. Rather, the plan notes, in more general terms, that it will take several years for State to develop performance measures and related databases in order to provide sufficient information on the achievement of its long-term goals. We believe that information technology issues deserve attention in strategic plans so as to provide assurance that agencies are (1) addressing the federal government's long-standing information technology problems and (2) better ensuring that technology acquisition and use are targeted squarely on program results.

Agencies can continue to address the critical planning challenges associated with setting a strategic direction as they develop their annual performance plans. Building on the decisions made as part of the strategic planning process, the Results Act requires executive agencies to develop annual performance plans covering each program activity set forth in the agencies' budgets.⁴ Each plan is to contain an agency's annual performance goals and associated measures. If successfully developed, those annual performance goals can function as a bridge between long-term strategic planning and day-to-day operations, thereby assisting agencies in establishing better linkages among planning elements. For example, agencies can use performance goals to show clear and direct relationships in two directions—to the goals in the strategic plans and to operations and activities within the agency.

By establishing those relationships, agencies can (1) provide straightforward road maps that show managers and staff how their daily activities can contribute to attaining agencywide strategic goals, (2) hold managers and staff accountable for contributing to the achievement of those goals, and (3) provide decisionmakers with information on their annual progress in meeting the goals. As agencies gain experience in developing these annual performance goals, they likely will become better at identifying and correcting misalignment among strategic goals, objectives, and strategies within both their strategic and annual plans.

Coordinated Crosscutting Program Efforts

A focus on results, as envisioned by the Results Act, implies that federal programs that contribute to the same or similar results should be closely coordinated to ensure that goals are consistent and, as appropriate,

⁴The term "program activity" refers to the listings of projects and activities in the appendix portion of the Budget of the United States Government. Program activity structures are intended to provide a meaningful representation of the operations financed by a specific budget account.

program efforts are mutually reinforcing.⁵ We have found that uncoordinated program efforts can waste scarce funds, confuse and frustrate program customers, and limit the overall effectiveness of the federal effort.⁶ This suggests that federal agencies are to look beyond their organizational boundaries and coordinate with other agencies to ensure that their efforts are aligned and complementary.

Agencies' strategic plans better described crosscutting programs and coordination efforts than their draft plans did. Some of the strategic plans we reviewed contained references to other agencies that shared responsibilities in a crosscutting program area or discussed the need to coordinate their programs with other agencies. These presentations provide a foundation for the much more difficult work that lies ahead—undertaking the substantive coordination that is needed to ensure that those programs are effectively managed. However, although agencies have begun to recognize the importance of coordinating crosscutting programs, it is important that they undertake the substantive coordination that is needed for the effective management of those programs. For example, in an improvement over its draft plan, the Department of Labor's plan refers to a few other agencies with responsibilities in the area of job training programs and notes that the agency plans to work with them. But the plan contains no discussion of what specific coordination mechanism Labor will use to realize efficiencies and implement possible strategies to consolidate job training programs to achieve a more effective job training system.

Our work has shown that the performance planning and measurement stage of the Results Act's implementation will offer a structured framework to address crosscutting issues.⁷ For example, the Act's emphasis on results-based performance measures as part of the annual performance planning process should lead agencies to more explicit discussions concerning the contributions and accomplishments of crosscutting programs. Furthermore, if agencies and OMB use the annual planning process to highlight crosscutting program efforts and provide evidence of joint planning and coordination of those efforts, the individual agency performance plans and the governmentwide performance plan should help provide Congress with the information needed to identify agencies and programs addressing similar missions.

⁵Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997).

⁶The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

⁷GAO/AIMD-97-146, August 29, 1997.

Once these programs are identified, Congress can consider the associated policy, management, and performance implications of crosscutting program efforts and whether individual programs make a sufficiently distinguishable contribution to a crosscutting national issue. This information should also help identify the performance and cost consequences of program fragmentation and the implications of alternative policy and service delivery options. These options, in turn, can lead to decisions concerning department and agency missions and the allocation of resources among those missions.⁸

Reliable Data Systems and Analytic Capacity

Our previous work has shown that for agencies to set realistic goals, they need to have reliable data during their planning efforts. They also need reliable data, later, as they gauge the progress they are making toward achieving those goals.⁹ To provide such reliable data, agencies need a strong performance measurement system. In addition, to provide feedback on how well activities and programs contributed to achieving goals and to identify ways to improve performance, agencies need a strong program evaluation capacity.¹⁰ However, our work has found serious shortcomings in agencies' ability to generate reliable and timely data to measure their progress in achieving goals and to provide the analytic capacity to use those data.

The absence of both sound program performance and cost data and the capacity to use those data to improve performance is a critical challenge that agencies must confront if they are to effectively implement the Results Act. Efforts under the CFO Act have shown that most agencies still have a substantial amount of work to do before they are able to generate the reliable, useful, relevant, and timely financial information that is urgently needed to make our government fiscally responsible. The widespread lack of available program performance information is equally troubling. For example, in our June report on the implementation of the Results Act, we included the results of a survey of managers in the largest federal agencies. Our survey results indicated that fewer than one-third of those managers said that results-oriented performance measures existed to a great or very great extent for their programs.¹¹

⁸GAO/AIMD-97-146, August 29, 1997.

⁹GAO/GGD-97-109, June 2, 1997.

¹⁰Managing for Results: Analytic Challenges in Measuring Performance (GAO/HEHS/GGD-97-138, May 30, 1997).

¹¹GAO/GGD-97-109, June 2, 1997.

Moreover, our work has shown that in agency after agency, efforts to generate reliable data for measuring cost and results have been disappointing.¹² As this Subcommittee is well aware, the federal government has had chronic problems harnessing the full potential of its vast expenditures in information technology. Further complicating efforts to collect reliable performance information is that many agencies must rely on data collected by parties outside the federal government. In a recent report, we noted that the fact that data were largely collected by others was the most frequent explanation offered by agency officials for why determining the accuracy and quality of performance data was a challenge.¹³

Under the Results Act, strategic plans are to contain discussions of how agencies used and planned to use program evaluations that are to provide feedback on how well an agency's activities and programs contributed to the achievement of its goals and to assess the reasonableness and appropriateness of those goals. Although all of the strategic plans we reviewed included some discussion of program evaluations, we found weaknesses in those discussions. For example, many agencies did not discuss how they planned to use evaluations in the future to assess progress or did not offer a schedule for future evaluation as required by the Results Act. In contrast, the National Science Foundation's strategic plan represents a noteworthy exception. The plan discusses how the agency used evaluations to develop key investment strategies, action plans, and its annual performance plan. It also discusses plans for future evaluations and provides a general schedule for their implementation.

Agencies are also to discuss in their annual performance plans how they will verify and validate the performance information that they plan to use to show whether goals are being met. Verified and validated performance information, in conjunction with augmented program evaluation efforts, will help ensure that agencies are able to report progress in meeting goals and identify specific strategies for improving performance.

¹²High-Risk Series: Information Management and Technology (GAO/HR-97-9, Feb. 1997).

¹³GAO/HEHS/GGD-97-138, May 30, 1997.

Our Guide Is Intended to Assist Congress in Using Agency Performance Plans

At the request of the Chairmen of the House Committees on Government Reform and Oversight, Appropriations, and the Budget, in May 1997, we developed a guide to assist the congressional consultations on the development of agencies' strategic plans.¹⁴ As we entered the annual performance planning and measurement stage of the Act, those Chairmen, the Speaker of the House, the House Majority Leader, the Chairman of the House Committee on Science, and the Chairmen of the Senate Committees on the Budget and Governmental Affairs asked us to develop a guide to help congressional decisionmakers both elicit the information that Congress needs from agencies' annual performance plans and assess the quality of those plans. That guide was issued last week.¹⁵

Our guide to facilitate congressional decisionmakers' use of agencies' performance plans is organized around three core questions that correspond to the Act's requirements for performance plans. For each core question, we identify issues that need to be addressed and present key assessment questions that can help congressional users elicit the cost and performance information that is relevant to their decisionmaking from agencies' performance plans:

- The first core question is—To what extent does the agency's performance plan provide a clear picture of intended performance across the agency? This question has three related issues: defining expected performance; connecting mission, goals, and activities; and recognizing crosscutting efforts.
- The second core question is—How well does the performance plan discuss the strategies and resources the agency will use to achieve its performance goals? This question has two related issues: connecting strategies to results and connecting resources to strategies.
- The third core question is—To what extent does the agency's performance plan provide confidence that its performance information will be credible? This question also has two related issues: verifying and validating performance and recognizing data limitations identified in the plan.

The answers to the questions are intended to facilitate a complete assessment of agencies' performance plans and address concerns that are likely to be common across a variety of congressional users.

¹⁴Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review, Version 1 (GAO/GGD-10.1.16, May 1997).

¹⁵GAO/GGD/AIMD-10.1.18, February 1998.

In summary, Mr. Chairman, although agencies have generally met the statutory requirements of the Results Act in their first cycle of strategic planning, federal strategic planning—and Results Act implementation in general—is still very much a work in progress. Some critical planning challenges remain before the type of performance-based management and accountability envisioned by the Results Act becomes the routine way of doing business in the federal government. As they develop their annual performance plans, agencies will likely need to revisit and improve upon their strategic planning efforts. The annual performance plans offer the opportunity for Congress and the agencies together to sustain the momentum of the implementation of the Results Act and of performance-based management.

We are pleased that Congress has turned to us to assist in the implementation of the Results Act. Over the last few years, we have issued a number of products on the key steps and practices needed to improve the management of the federal government.¹⁶ These key steps and practices are based on best practices in private sector and public sector organizations. We look forward to continuing to support Congress' efforts to better inform its decisionmaking, improve the management of the federal government, and strengthen accountability.

This concludes my prepared statement. I would be pleased to respond to any questions you or other Members of the Subcommittee may have.

¹⁶See, for example, Executive Guide: Effectively Implementing the Government Performance and Results Act ([GAO/GGD-96-118](#), June 1996); Financial Management: Momentum Must Be Sustained to Achieve the Reform Goals of the Chief Financial Officers Act ([GAO/T-AIMD-95-204](#), July 25, 1995); and Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology ([GAO/AIMD-94-115](#), May 1994).

Related GAO Products

Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking, Version 1 (GAO/GGD/AIMD-10.1.18, Feb. 1998).

Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

Managing for Results: The Statutory Framework for Performance-Based Management and Accountability (GAO/GGD/AIMD-98-52, Jan. 28, 1998).

Managing for Results: Building on Agencies' Strategic Plans to Improve Federal Management (GAO/T-GGD/AIMD-98-29, Oct. 30, 1997).

Managing for Results: Critical Issues for Improving Federal Agencies' Strategic Plans (GAO/GGD-97-180, Sept. 16, 1997).

Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997).

Managing for Results: The Statutory Framework for Improving Federal Management and Effectiveness (GAO/T-GGD/AIMD-97-144, June 24, 1997).

The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review, Version 1 (GAO/GGD-10.1.16, May 1997).

Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation (GAO/AIMD-97-46, Mar. 27, 1997).

Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

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