



t h e **B U S I N E S S** o f  
**GOVERNMENT**

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## At the Editor's Keyboard

Paul R. Lawrence



**T**hat success can not be achieved without the support and assistance of others should be obvious. It just is not widely acknowledged or practiced. That is what author and management expert Tom Peters points out in his latest book, *The Circle of Innovation*.

Peters devotes a sizable portion of his book to demonstrating that effective support increases the chances of success. Inside or outside the organization, across town or the world, Peters argues that we should establish alliances with those who can help. In particular, he points out that strategic alliances with suppliers or vendors can lead to extraordinary results.

According to Peters, a strategic alliance is characterized by:

- obtaining assistance from those who are the best-in-world at what they do,
- working well together because of great personal chemistry,
- trusting each other,
- developing a relationship over time,
- reciprocity and equality of the relationship,
- understanding the reasons for investment in the alliance, and
- integrating "your" people and "their" people.

Peters' message is being practiced by many businesses today. The quest to identify core competencies has forced companies to better understand which activities they will perform and articulate why they should continue performing them. Non-core activities are often performed through strategic alliances. An automobile company, with its host of suppliers delivering just-in-time components, is a good example of an organization capitalizing on strategic alliances.

Academia has long recognized the benefits of strategic alliances. Reaching out to alumni, businesses, and the community represents its efforts to enlist the support of others. One measure of a successful university is the number and depth of its strategic alliances.

Government has been slow to take advantage of the power of strategic alliances. The old, adversarial ways of doing business discouraged the creation of solid, long-lasting relationships. While the procurement process has been dramatically reengineered and improved under the leadership of the Office of Federal Procurement Policy, old attitudes toward suppliers still exist among some federal managers.

There is room for improvement in attitudes on both the government side and the supplier side. From the perspective of a management consultant, we need to move away from the attitude that we are "job shops," constantly shifting from one hot topic to the next. From the gov-

ernment's perspective, the federal manager needs to move away from the old image of "beltway bandits" eager to rip-off the government at any opportunity. Both attitudes are unhealthy and lead to poor working relationships.

In my company, we are working hard to create a long-term orientation on the part of our employees. We have reengineered everyone's "scorecard" to recognize and reward consultants who build long-term relationships with customers. The name of the game is no longer how many request for proposals can you respond to or how quickly can you finish a project.

On the part of the government, we applaud recent improvements in the procurement process. We especially appreciate the government-wide contract vehicles that allow all contractors to build on-going relationships with agencies. Taking past performance into account is a key part of these vehicles and a major improvement in the process. From our side of the table, we like being held accountable for our performance.

Perhaps the timing for these new attitudes is just right. In the new millennium, we will have a smaller government. The consensus is that it will do more with less. But the unanswered question is how will this be done.

Many think it will result from the streamlining due to reengineering. But a more interesting solution would feature a small government supported by an active network of strategic alliances with businesses and academia. Done properly, this government of the future would be a unique combination of the best from both the private and public sectors.

The public sector would provide leadership and direction to address complex problems. It would be liberated from non-core tasks, which could be handled by alliance partners. The private sector could supply a deeper understanding of desired goals and effective methods that produce measurable results. The net effect would be alliances between organizations and relationships between people that are focused on delivering the promises of government.

Tom Peter's description of strategic alliances preaches the wisdom of enlisting the support of others. A key part of any alliance is its mutuality. This is a message that could benefit both the public and private sector. It tells us that problems that are not solved by either sector alone could be solved if both would work closely together.

As the government of the future is envisioned, it is necessary that we focus on its size. But it is equally important that we focus on its composition and how strategic alliances could be used to increase its effectiveness.

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# Improving the Business of Government

Mark A. Abramson and Paul R. Lawrence

In March 1996, Vice President Al Gore announced the National Performance Review's initiative to create Performance-Based Organizations (PBOs) across government. In October 1996, the Defense Commissary Agency (DeCA) was given transitional status as a PBO. To better understand the concept of PBOs and to receive an update on their transitional status, we visited the Defense Commissary Agency at their headquarters in Ft. Lee, Virginia.

We were especially interested in several aspects of the PBO concept, specifically those making government more business like with an increased emphasis on objectives, measurable goals, and managerial flexibilities. Can government organizations really act like business? In many ways, DeCA is an excellent case study to seek answers to that question. Its operations are nearly identical to similar organizations in the private sector—providing groceries to customers.

The Defense Commissary Agency was created in 1990 as a consolidation of the military's commissary systems that were previously operated separately by each service. The consolidation process was completed in October 1991 when DeCA assumed full direction and control of the commissary system. Today, DeCA operates 298 commissaries with 17,000 employees worldwide. Its total sales of \$5.1 billion would make it the ninth largest grocery chain in the United States. Of its 298 commissaries worldwide, 199 are located in the continental United States with 99 commissaries outside the United States.

The concept of military commissaries dates back to 1826, when Army officers at specific posts were allowed to make at-cost purchases for their personal use. In 1841, officers were allowed to make purchases for members of their immediate families. The modern concept of commissaries began in 1867, when officers and enlisted men could make at-cost purchases at any Army post.

The defense commissary system is frequently confused with the defense exchange system. The commissary system sells food, much like the local Giant or Safeway, whereas the exchange primarily sells hard goods, ranging from appliances and automotive supplies to toys and clothing, like the local Wal-Mart. The two systems are run separately and funded differently. While the commissary system is funded from both appropriated and customer surcharge funds, the exchange system is financed by funds generated by sales. Unlike DeCA with one unified system, there are now three exchange systems: the Army and Air Force exchange, the Navy exchange, and the Marine Corps exchange.

In the *Blair House Papers*, President Clinton and Vice President Gore set forth their vision for PBOs as discrete management units "that commit to clear objectives, specific measurable goals, customer service standards, and targets for improved performance. Once designated, they would have customized managerial flexibilities and a competitively hired chief executive, who would sign an annual performance agreement with the Secretary and have a share of his or her pay depend on the organization's performance."

To achieve full PBO status, legislation is needed by Congress. Legislation providing DeCA with PBO status was submitted by the Department of Defense (DOD) in 1997 and is still awaiting congressional action. While introduction of the legislation is pending, DeCA continues to seek DOD waivers to amend regulations as they apply to the agency. "In football terms, instead of using a 'run and gun' offense in which you can score anytime, I've moved to the Woody Hayes style of football—three yards and a cloud of dust," states retired Major General Richard E. Beale, director of DeCA. "I've found that change takes time. You have to stay at it—three or four yards at a time and soon you have a first down. If you keep getting first downs you will eventually score, but it will take awhile."

One set of first downs includes performance improvements. Since its creation in 1991, DeCA has worked hard to cut costs and improve efficiency. Headquarters staff has been reduced from 3,272 (October 1991) to 1,269 (October 1997)—a 61% reduction. During the same time period, the number of commissaries was reduced from 411 to 299.

During this time period, Beale states, "We tried to benchmark ourselves against the best in business. We want to run DeCA as an efficient, well-run business. With the end of the Cold War and the military downsizing, we had to get our costs down." As an outgrowth of the benchmarking process, DeCA improved many of its business processes: bill paying, delivery ticket invoicing, new resale ordering agreements, increasing discounts earned, and speeding up the overseas ordering and receiving system. These improvements, as well as the reductions in staff and the number of stores, resulted in \$300 million in savings. At the same time, DeCA created quality improvement teams in all of their stores. "I was really impressed by the quality and dedication of these teams. They were creative and eager to make change," reports John F. McGowan, director of operations at DeCA.

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### **How do you define empowerment and is it a good term to describe what you have done at The AES Corporation (AES)?**

Empowerment has lost a lot of its meaning in recent years. It used to be a perfectly fine word, but it has been overused. I think it means “giving people power,” but few organizations have really done it. Many have talked about it, but few have made it real. The reason that few companies have is because it is really hard to do in our society.

The concept is really about power and the relationship between people: employers and employees or professionals and clients. In our society we have created a cadre of professionals to serve the needs of various client groups. But instead of serving, professionals have often become “Kings.” Professionals now need clients more than clients need professionals.

The role of professionals also applies to roles in organizations: leaders, managers, financial specialists, human resource professionals, and so on. They become “Kings” in their organizations. They “know more about what is best” for the company than the person closest to the action. We have tried to avoid this at AES by eliminating functional and staff departments.

The basic problem is that nobody likes to give up power. It is now popular to talk about participatory management. In most instances, that just means the boss asking employees questions, after which he or she makes the decision. No power has shifted. In other instances, bosses give up all the minor decisions but keep the big decisions for themselves.

It all goes back to the difficulty of giving up power. Power brings prestige with it and frequently also money. People don’t like to give up power. If you let other people make decisions, it means that you—the manager—may not have a job. People don’t like giving up their jobs. Others of us are concerned that people in non-leadership positions will make more and bigger mistakes than the leader.

### **How do you “give up power” at AES, and what has been the impact?**

We are trying to let people make decisions. We make people responsible for making decisions. We resist the tendency to make decisions at headquarters because we think we are “older and wiser.” Most organizations still like calling the shots from headquarters. Nobody really believes that people in “non-management positions” can make good decisions.

We’ve found that being responsible for making decisions is the greatest learning device there is. We are trying to create a real learning institution at AES. People have a real incentive to learn when they are making a decision. Our only request in giving people the responsibility to make decisions is that they ask others for advice before making a decision. We say, “You are responsible and you should think about the potential impact of your decisions.” Sometimes, people blow decisions but probably no more often than I or other leaders in the company would.

## Dennis Bakke



Dennis Bakke is co-founder of The AES Corporation (AES), serves as president and chief executive officer, and is a member of the AES Board of Directors. Formed in 1981 to generate and sell electricity, AES has grown into a leading global power company. Currently, AES owns or has an interest in 82 power facilities in 12 countries, including the United States, Canada, Argentina, Brazil, Hungary, Kazakhstan, Pakistan, China, and the United Kingdom.

Prior to 1981, Mr. Bakke served as deputy director of the Energy Productivity Center, Carnegie-Mellon University. Previously, he was with the Federal Energy Administration as executive assistant to Administrator John Sawhill during the oil crisis period of 1973-1974. Later, he became the deputy manager for energy conservation programs. Mr. Bakke has also held positions in the U.S. Office of Management and Budget and the U.S. Department of Health, Education and Welfare

He received a Bachelors degree from the University of Puget Sound and a Master of business administration from Harvard Business School. He attended the National War College in 1977.

In addition, we hold people accountable for their decisions. Their decisions are made public and we collect and share data on corporate-wide performance.

### **How do you respond when an individual “blows” a decision?**

That is tough. We try to treat people like adults. And we try to practice forgiveness. The only exception is when somebody makes a bad decision on purpose, which violates our values and principles. But most of all, we try to maximize learning from bad decisions by critiquing it and trying to understand how we blew it. The spirit of the discussion is that we all make mistakes. We want people to acknowledge the mistake and learn from it. There are sanctions for mistakes, but we don’t kill people for making them. Mistakes happen and we try to maximize the learning in those cases.

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## CEO Perspectives on Management

**Alan G. Merten**  
President  
George Mason University

### Can you tell us about your management style and how you are trying to manage at George Mason University?

I came to the job with a strong belief that a president needs strong deans. There are 12 academic deans and directors at George Mason, and we have recruited six new academic leaders out of the 12 slots. In recruiting these people and in my discussions with the incumbents, I had the opportunity to set forth my views on the three components of their job.

First, they are responsible for making their schools or colleges the best that they can be. This job focuses internally. Second, they are responsible for interacting with each other. This is a new job for most of them. They should "service" each other by teaching students from schools other than their own. Third, they have an external job. They should be engaged in the local community, as well as their professional community. Deans typically focus on the first component, but they need to pay attention to all three because they are equally important and all should receive priority.

I've tried hard to make these leaders responsible for outcomes. I've told them what I want them to do but not how I want them to do it. It is up to them to deliver. I try not to give specifics.

We will initiate peer evaluation by the 12 deans and directors. We want to know what they say about each other and how helpful they have been to each other. We are also planning to have the deans and directors evaluate the provost and myself.

### How do you define your own job?

It is almost evenly split between internal and external activities. On the external side, I spend time on friend-raising, fund-raising and serving the community. I'm chairman of the Northern Virginia Roundtable and serve on the board of directors of the Potomac KnowledgeWay Project and the Greater Washington Board of Trade.

I also spend time meeting with the other college presidents in Virginia. We have developed a good working relationship and lobby together. I also meet with the college presidents in the Greater Washington area.

While the deans report to the provost, I spend time with them because of our mutual emphasis on external activities. We work together on fund-raising and other community activities. I also spend time with students and faculty and serving as guest lecturer in classes when I'm invited, and attending as many campus events as I can. On some evenings, there are literally five events going on at the same time.

### How have you worked with your vice presidents?

The biggest change for them has been the concept that I'll be evaluating them for their entire area of responsibility, not just the functions or activities which report to them. For example, our vice president for university life is responsible for the quality of life on campus, including



**Alan G. Merten**

Alan G. Merten became president of George Mason University in Fairfax, Virginia, on July 1, 1996. George Mason University, located in Northern Virginia, is a doctoral granting institution with a total enrollment of over 24,000 students.

Dr. Merten was previously the Anne and Elmer Lindseth Dean and Professor of Information Systems at the Johnson Graduate School of Management at Cornell University. He also served as Dean of the College of Business Administration at the University of Florida and Associate Dean for Executive Education and Computing Services at the University of Michigan.

He has an undergraduate degree in mathematics from the University of Wisconsin, a master's degree in computer sciences from Stanford University, and a Ph.D. degree in computer science from the University of Wisconsin.

activities which she runs, as well as activities sponsored by the individual colleges and schools. I've tried to get the vice presidents to work closely with the deans, help them whenever they can, and participate in discussions outside of their areas of responsibilities. Their input on areas such as finance/administration and development is important.

### What was the best decision you've made since coming to George Mason?

I think it was the time and effort that we put into recruiting for the six open dean/director slots. We took it very seriously and created search committees and hired a search firm. We worked hard at it.

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# Outstanding Leaders

## Dennis W. Bakke (continued from page 4)

### What concerns do you have about “giving up power” at AES?

I don't want it to become just another management technique that is really about improving productivity or the bottom line. All too often organizations will treat their employees well, but in an implicit exchange for greater productivity or profits. I don't want what we do to become another technique like quality circles. That is what I don't like about the term empowerment, it has begun to sound like a technique.

It matters to us why we are doing these things. We do them because we think that they are the right way to honor people and create a fun workplace, not because we think it will maximize profit or growth. The key question is why do we exist. We work hard to answer that question. AES has grown rapidly over the last several years.

### What impact has that had on how you operate?

We have had to bring in a lot of new people. We then have to teach the essence of the company to our new people and ask them to buy in to our values. AES shared principles and values are the only thing that we hold tight at the center of the corporation.

### What are the AES principles and values?

We start with the corporate mission or purpose. Our purpose is to steward resources to meet the needs of society. We want to make a difference, a contribution to the world. Profits are not our major goal, meeting the needs for safe, clean reliable electricity is. We then summarize the other important values and principles that guide us around four words—integrity, fairness, social responsibility, and fun. We work hard on these values. If we have good buy-in and understanding of these shared values, we can give power away.

### What are the roles of leaders in AES?

I've had this discussion with the AES Board of Directors. In fact, I've thought about the roles of leaders for a long time and concluded that our Board has the same job that I have and that our top leadership team has which is to fulfill four functions. The first is to be an advisor to everyone. Second is to be keeper, interpreter, and teacher of our values and principles. Third is to be a cheerleader, supporter, and encourager. People need support and encouragement. Fourth is to hold people accountable for their performance.

### How do you reinforce your emphasis on values?

We have backed it up in our pay system. At the senior team level, 50% of pay is based on an individual's performance according to our values and principles. The other 50% is based on technical performance. But we don't have a mechanical system to make these pay decisions. If we had a mechanical system, we wouldn't have to think. We try hard to treat people equally but that doesn't mean we treat people all the same. We try to give each person what they deserve. Unlike the old saying that nobody gets special treatment here, we believe that everybody should get special treatment at AES.

### What other practices reinforce the way you seek to run AES?

We have an open information policy. Everybody in the organization has access to the same information—financial and otherwise—that I do. We give everybody access to information. We are unique in that we make everyone an “insider” for SEC purposes.

In addition to equal access to information, I do think long and hard about the structure of our organization. I think about how many layers do we need and other structural issues that affect the creation of a fun environment.

## Alan G. Merten (continued from page 5)

### How difficult was it to attract the new deans?

We ended up with an excellent group. There appears to have been four factors that influenced many of them to come to George Mason: (1) the location, (2) the kind of university we are trying to become, (3) the fact that there was a new president, and (4) there were a lot of senior vacancies to be filled. The last factor really surprised me. Many candidates told me that they would not have been interested in George Mason if they were going to be filling the only empty chair. We were also able to recruit several individuals who originally were not interested in filling the dean positions.

### What was the worst decision?

During my interview for president, I asked about all the small centers, programs, etc. that I saw spread out across the university. After starting the job, I continued to ask about these programs and how the various departments and programs planned to cull or consolidate the smaller entities. But little happened. The general attitude was that my interest in this would probably go away and I would forget about it.

In late February of this year, I asked all the schools, colleges, and institutes to prepare a memo on what they are planning to do. They now know I'm serious about it. My mistake was waiting so long—I should have made the request last October. I didn't convey my sense of urgency. Proposals stemming from the request have been interesting. One department proposed to consolidate 19 centers into five. This will enable both the faculty and the outside world to have a better understanding of our niches and strengths. I actually spent too much time talking about the issue, and it wasn't a case of under communicating or lack of communication. I let the issue linger too long.

### How would you describe your “game plan” after you assumed the presidency?

The first year was consumed by five major activities: (1) the rationalization of current activities to make sure that they all made sense, (2) getting to know the community: students, faculty, staff, and the business and political community, (3) hiring key staff which I described earlier, (4) academic and administration evaluations; and (5) rebuilding relationships in the state of Virginia, both in the executive and legislative branches. It was a busr.

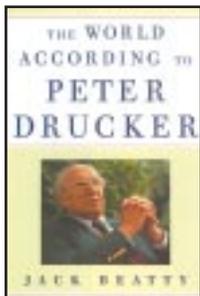


## Book Review

Management gurus are prolific writers. They keep writing and publishing books. And if they write enough books, 29 in the case of Peter Drucker, writers begin to author books about their works. In recent days, Tom Peters and Charles Handy have published new books while Jack Beatty, a senior editor at *The Atlantic Monthly*, has written a book about Peter Drucker and his writings. Each “guru” offers a slightly different perspective on management, large organizations, and careers.

Drucker, the 88 year-old Claremont University professor, is probably the world’s most famous management expert. Beatty argues that Drucker, in fact, “invented” management on November 6, 1954. The date was the publication of *The Practice of Management*. Prior to that publication, there was no single book to “explain management to managers.” In *Practice*, Drucker described what a manager does: the manager sets objectives, organizes, motivates and communicates, measures, and develops people. An interesting list, especially considering it was written nearly 50 years ago.

While Drucker’s career and various jobs are discussed by Beatty, the book is not a biography of Drucker. It is instead, an intellectual history of



Jack Beatty,  
**The World According to Peter Drucker.**  
New York:  
The Free Press, 1998,  
204 pp., \$25.00.

Drucker’s writing and a description of the evolution of his thinking about management and organizations. Beatty’s major contribution is his description of Drucker’s numerous observations over the years in which he was ahead of his time. Beatty writes that Drucker’s 1969 book, *The Age of Discontinuity*,

reads as if it was written yesterday. Beatty also describes Drucker’s writings on knowledge workers and the knowledge economy. For those who desire to better understand Drucker’s management views and do not have the time or energy to read all or some of his 29 books, *The World According to Peter Drucker* is the place to go.

If Drucker “invented” management, Tom Peters and Robert Waterman “popularized” management with *In Search of Excellence*. Since publishing *Excellence* in 1982, Peters has written five more best sellers and has become a very popular speaker on the management lecture circuit. *The Circle of Innovation* includes many slides from the roughly 400 seminars that Peters has delivered over the past five years. In spite of weighing over one pound and coming in at over 500 pages, the book is a quick read. Most pages have pictures and big print. AND PETERS HAS THE ANNOYING HABIT OF WRITING IN ALL CAPS TO MAKE A POINT.

Are there interesting and thought-provoking ideas in *The Circle of Innovation*? The answer is yes. Peters continues to be entertaining and outlandish. While labeling the book to be about innovation, Peters cov-

# Drucker, Handy, and Peters on Management

Mark A. Abramson

ers a wide variety of topics, including the death of the intermediary, personal branding, new ways to market, the new role of staff offices, and the importance of recruiting creative individuals.

For those who continue to like and appreciate the written word, Charles Handy is for you. *Beyond Capitalism* is Handy’s tenth book. While better known in his native United Kingdom, Handy became recognized in the United States with the publication of *The Age of Unreason* and *The Age of Paradox*. Handy, like Peters, is also very popular on the management lecture circuit.

*Beyond Capitalism* is divided into three sections. The first section critiques the effectiveness of capitalism and markets as we approach the new century. The second and third sections focus on more traditional Handy topics -- the

individual and the organization. In the second section, Handy sets forth the concept of “proper selfishness.” He argues that it is proper to be concerned “with ourselves and a search for who we really are.” The search, according to Handy, should lead to increased self-respect and increased responsibility for oneself, as well as for other people.

The third section sets forth a series of new ideas about how to better organize our institutions. Instead of the traditional concept of worker and employees, Handy argues that individuals should be viewed as “citizens” of the organizations in which they work. He also contends that individuals are now beginning to expect the same collection of freedoms, rights, and responsibilities in their work communities as they have in the wider society. “People are property no more,” writes Handy.

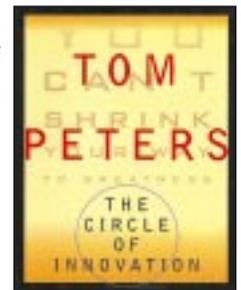
It must be difficult to be a management guru. New ideas must keep flowing and audiences must continue to seek your writings. In the case of Peters and Handy, new ideas have been forthcoming and resulted in two provocative new books.

In the case of Drucker, even his old ideas continue to sound new and fresh as described by Jack Beatty. The three books even make you want to hear more from Peters, Handy, and Drucker. If the past is a predictor of the future, we have not heard the last from them.

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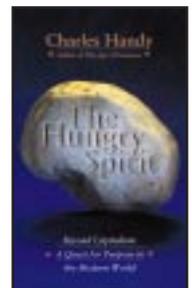
Tom Peters,  
**The Circle of Innovation**

New York:  
Alfred A. Knopf, 1997,  
518 pp., \$30.00.



Charles Handy,  
**Beyond Capitalism:  
A Quest for Purpose  
in the Modern World.**

New York:  
Broadway Books, 1998,  
267 pp., \$25.00.



# “A New Mandate for Human Resources”

David Ulrich

*Harvard Business Review*  
January/February 1998

In recent years, business pundits and practitioners alike have debated the need for human resources (HR) in an organization. Dave Ulrich continues the debate in the January/February 1998 issue of the *Harvard Business Review*. Ulrich, author of *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*, defends the existence of HR, and goes so far as to say that “HR has never been more necessary.” However, Ulrich acknowledges that the typical HR department must undergo radical change. HR must establish a new role for itself by shifting focus from standard staffing and compensation issues to outcomes. He writes, “HR should not be defined by what it does but by what it delivers to the organization’s customers, investors, and employees.” According to Ulrich, HR can deliver excellence in four ways.

- **Becoming a Partner in Strategy Execution.** Although strategy should remain the responsibility of a company’s executives, HR should direct discussions about how the company should be organized to best meet strategic goals. First, HR should define the “organizational architecture” by identifying a business model to drive the company’s decisions and actions. Next, HR should conduct an “organizational audit” to identify those elements which must change to meet the company’s strategy. Third, HR must identify components of the organizational architecture that need improvement.
- **Becoming an Administrative Expert.** HR must overcome its image as “rule-making policy police” by improving the efficiency of its own function and the whole organization. Fixing broken processes and leveraging technology allows HR to reduce costs and improve the quality of work. In addition to the obvious benefits of improving efficiency, such improvements can also increase HR’s credibility in the eyes of the CEO and other executives.
- **Becoming an Employee Champion.** As many organizations demand more from employees while providing less professional security, productivity suffers. Ulrich writes that this condition is a “recipe for organizational failure.” In HR’s new role, these professionals should be responsible for ensuring that employees feel valued in order to stimulate their productivity. HR must be accountable for training line management to build high employee morale. Finally, HR staff must themselves serve as employee advocates by voicing employee concerns in management discussions.

- **Becoming a Change Agent.** Ulrich states that “the primary difference between winners and losers in business will be the ability to respond to the pace of change.” The fourth responsibility of the transformed HR function will be to improve the organization’s ability to quickly “embrace and capitalize on change.” It must ensure that change initiatives are clearly defined, developed, delivered, and focused on desired outcomes. It should be HR’s responsibility to take a company’s vision and assist in developing the behavior required to turn that vision into reality. HR can help facilitate change by providing the organization with a change model. Ulrich references a successful change model implemented at GE which states that “Change Begins by Asking Who, Why, What, and How.”

Ulrich does not expect HR to undergo such dramatic change on its own. Rather, he feels that the primary responsibility for HR’s transformation rests with the CEO and “every line manager who must achieve business goals.” Ulrich states that because they are the ones who must answer to shareholders, customers, and employees, they should lead the effort to integrate HR into the company’s “real work.” He suggests that both operating and HR managers form a partnership to develop and implement a HR operation that is “devoted to activities and committed to outcomes.” This change in HR’s behavior requires senior executives to change their expectations and their interactions with HR staff. Ulrich suggests four ways executives and senior operating managers can ensure that HR focuses on outcomes rather than activities:

- communicate to the organization that the “soft stuff” matters,
- explicitly define the deliverables from HR and hold it accountable for results,
- invest in innovative HR practices, and
- upgrade HR professionals.

Ulrich concludes his article by advising senior executives to demand more from HR. He suggests that executives need to “invest in HR as if it were a business.” Such investment, coupled with a better appreciation for the value and ability of HR professionals, will allow an organization to realize the full potential of its human resources.

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## Article Abstract



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Public Administration Review

## “Estimates of Burnout in Public Agencies”

Robert T. Golembiewski, Robert A. Boudreau,  
Ben-Chu Sun, Huaping Luo

*Public Administration Review*  
January/February 1998

In the January/February issue of *Public Administration Review*, Golembiewski and his colleagues define and present the results of a model designed to help managers identify and manage employee burnout in the workplace. Although the article focuses on burnout in the public sector, it presents tools for both public and private sector managers.

### The Phase Model of Burnout

The authors present a model that estimates burnout by placing individuals into one of eight phases (Phase I through Phase VIII). On this burnout “continuum,” the lower phases represent minor degrees of burnout while the higher phases represent more extreme degrees.

The authors placed individuals into specific burnout phases using a survey called the Maslach Burnout Inventory (MBI). This survey captures information on individuals by asking questions such as, “How are things at work, relative to your comfortable coping attitudes and skills.” The MBI generates scores on individuals based on three primary factors:

- **depersonalization** represents the tendency for an individual to think of others as things or objects and to distance oneself from others,
- **personal accomplishment** represents the tendency for an individual to believe that he is doing well and working in a worthwhile job, and
- **emotional exhaustion** represents how close an individual is to the “end of the rope” in emotional terms.

The MBI scores are then used to place individuals in one of the eight phases of burnout. Individuals assigned to Phase I tend to value people, see themselves as doing well on jobs that are socially worthwhile, and can cope with added stress factors. In contrast, individuals placed in Phase VIII keep themselves distant from people, lack information and social support, believe their work is not rewarding psychologically, and are unable to cope with new stress.

### Applying the Model to the Workplace

The authors used the MBI survey to collect data from employees at over 100 work sites around the world. These work sites included both public and private sector organizations in the U.S. and Canada. Applying the data that they collected to the model, the authors reported that the results indicated bad news everywhere and that the proportions of people in advanced phases of burnout were so high the term “pandemic” applies.

The study indicates that there are almost as many people suffering from extreme phases of burnout as there are those coping with the minor phases. However, the results indicate that public sector workplaces are not much different than those in the private sector.

### Managing Burnout

The authors present evidence that organizations incur significant costs as the level of burnout among employees rises. As individuals move along the phases of burnout, the authors report the following changes in the character and quality of life in organizations:

- job satisfaction decreases,
- turnover increases,
- group cohesiveness decreases,
- physical and emotional burnout symptoms increase,
- features of family life deteriorate,
- indicators of performance fall, and
- costs of medical insurance increase significantly.

The authors also point out several interesting observations for managers in dealing with burnout.

- **Public sector managers are not alone in the need to address burnout** as the data suggests only minor differences between public and private sector burnout.
- **Employees could benefit from corrective interventions** by management through the use of effective feedback, job rotation, job enrichment, and use of autonomous teams.
- **Successful reengineering efforts require low burnout** among employees who facilitate change and empowerment efforts.
- **Identifying the level of burnout of one employee can indicate the disposition of an entire work group.** The authors report that if managers identify a single individual’s level of burnout, they have a 75 percent chance of knowing the overall level of burnout of the entire workgroup.

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## New from the Office of Management and Budget

Remember when the federal budget documents were one of the most closely held secrets in Washington? Before trial balloons, selected leaks, and Sunday morning talk show “off-the-record” comments, the release of the federal budget involved suspense, expectation and ritual. And what ever hap- pen to television coverage of the throngs camped out before the doors of the Government Printing Office waiting to purchase the first copy of the bud- get documents and meditate over their meaning?

It is true that the budget process has been democratized by the Internet. Now everyone can gain simultaneous access to the budget. But it has taken the fun out of the ritual. Would you rather camp out for tickets to a Rolling Stones world tour or just click on their digital incarnation? Let’s face it, an ersatz budget is no substitute for the genuine published document.

If you are a self-motivated policy wonk, then the annual budget release feels like manna from heaven. The budget defines problems by issues and answers are value laden as to how things should be. A consistent customer focus story line runs throughout the document.

A summary of the contents of each document, abbreviated highlights and policy nuggets follow:



**Budget of the United States Government, Fiscal Year 1999** contains the President’s budget message supplemented with thematic presentations of proposed initiatives and priorities. Chapter 5, “Preparing for the 21st Century,” lists 10 priority agency cross-cutting policy arenas proposed by the Administration as its core value statement. This document also con- tains the biggest uncovered news story of the year—the nation’s first comprehensive government-wide performance plan organized by budget function. The introduction of this chapter opens with a provocative challenge:

“The commitment of the President and Congress to balance the budget – and keep it in balance – means that, if all Federal programs want to continue receiving funds, they will have to distinguish themselves by demonstrating good, measurable performance. Policy-makers will have to allocate resources to programs that can prove they are well-run and can successfully produce results.”

### Budget Message of the United States, Fiscal Year 1999

\$27.00  
Stock #: 041-001-00495-5

The Administration sets out three dimensions of performance:

- Fiscal performance (Chapter III - “Creating a Bright Economic Future”),
- Management performance (Chapter IV - “Improving Performance Through Better Management”), and
- Program performance (Chapter VI - “Investing in the Common Good”).

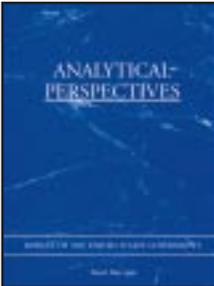
These are the benchmarks, or targets, that programs will use to “prove” that are well run and can produce results. Policy wonks can add these performance goals to their understanding of why and how programs work. Here are three notable measurable performance goals:

Department	Performance Goal
The Department of Justice will ...	maintain the Federal Government’s commitment to reducing the incidence of violent crime below the 1996 level of 634 offenses per 100,000 population.
The Department of Energy will ...	develop advanced simulation, modeling, and experimentation technologies to replace underground testing by 2004, including installing a computer system capable of three trillion operations per second in 1999.
The Health Care Financing Administration will ...	increase the percentage of Medicare beneficiaries who receive a mammogram once every two years from 49 % in 1994 to 59 % in 1999 and 60% in 2000.



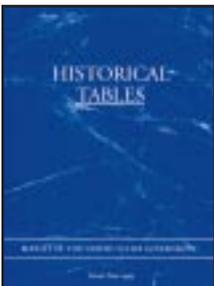
# A Policy Wonk's Guide to the Federal Budget

Perry Pockros



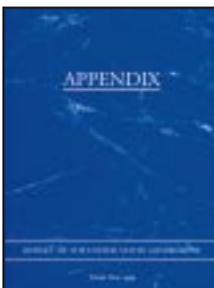
**Analytical Perspectives,  
Fiscal Year 1999**  
\$42.00  
Stock #: 041-001-00497-1

*Analytical Perspectives, Budget of the United States Government, Fiscal Year 1999* provides the framework that encompasses secondary budget highlights and the nuts and bolts of budgeting – economic and accounting analysis, current services estimates, and fund flows. The Special Analysis and Presentations chapters should whet the information appetite of any bona fide policy wonk. My favorite chapter, “Strengthening Federal Statistics,” gives me assurance that others are also worried about the “growing inability of our statistical system to mirror accurately the economy and society,” and thereby question the reliability and value of policy-making information. Also, if you want to participate in the current budget “surplus” debate, readers should turn to the chapter entitled, “Trust Funds and Federal Funds.”



**Historical Tables,  
Fiscal Year 1999**  
\$22.00  
Stock #: 041-001-00498-0

*Historical Tables, Budget of the United States Government, Fiscal Year 1999* provides a generation worth of data on budget receipts, outlays, federal debt and employment. Common themes comprise each of the document's 17 sections. Over 60 tables provide a perspective of federal fund flows and programmatic relationships. I especially like the 35-year comparison of government employment and population. It exhibits the inverse relationship between the decline in federal employment and growth in state and local governments. The bottom line, since 1962 total government employment per 1,000 population has dropped from 15.7 percent to 12.6 percent in 1997. Not bad for a population that increased by more than 80 million persons during the same period.



**Budget of the United  
States Government,  
Fiscal Year 1999-Appendix**  
\$62.00  
Stock #: 041-001-00496-3

*Budget of the United States Government, Fiscal Year 1999 - Appendix* contains point-by-point information on agency and program appropriations' accounts with supporting legislative language as necessary. Policy wonk practitioners need this information to enlist in the annual congressional appropriations marathon. The 1,100 page reference provides the Office of Management and Budget proposed program and financing schedule information, such as program activity obligations, budget authority and outlays. The first five pages explain the detailed material. Once you understand how to use this important volume, it will become a crucial part of your reference library.

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## How to obtain

**Hard copies:** Each of the budget volumes described can be ordered from the Government Printing Office by calling (202) 512-1800. Orders can be faxed to (202) 512-2250.

**CD-ROM:** The CD-ROM contains all the budget documents and software to support reading, printing, and searching the documents. The CD-ROM also has many of the tables in the budget in spreadsheet format. It can be ordered from the Government Printing Office for \$14.00 (Stock number 041-001-00501-3) by calling the above number.

**Internet:** All budget documents, including documents that are released at a future date, will be available for downloading in several formats from the Internet. To access the documents through the World Wide Web, use the following address:  
[http://www.access.gpo.gov/su\\_docs/budget/index.html](http://www.access.gpo.gov/su_docs/budget/index.html)



## Improving the Business of Government (continued from page 3)

But, according to Beale and McGowan, much remains to be done to make DeCA even more business like. There are numerous pending proposals in the areas of financial management, procurement, and personnel that would give DeCA more flexibility in running their operations. In financial management, DeCA sought to move from its current structure of three distinct funds to a single fund. A single fund would have reduced accounting costs, as well as provided the flexibility to



**Richard E. Beale, Director,  
Defense Commissary Agency**

move money from one area to another. DeCA withdrew the initiative when it determined switching over would create an unacceptable one-time drain on the surcharge account paid by its customers.

DeCA also sought major change in the way it operates within the Department of Defense. Instead of being required to use DOD-wide area network services from the Defense Information Systems and Agency (DISA) and transportation from the Defense Transportation System (DTS), DeCA asked last year for authority to use less expensive commercial vendors. "Giving DeCA a cost break is no simple decision for DOD," said Timothy C. Ford, director of public affairs at DeCA. "Commissary commerce helps support the military's communication and transportation systems during peacetime, so letting DeCA go 'outside the fence' for these services could affect readiness." Neither proposal is expected to gain DOD approval anytime soon.

While DeCA is seeking legislation from Congress and waivers from the Department of Defense, it continues to operate in a highly politicized environment. At the same time that DeCA is attempting to improve its operations and efficiency, the mission of the organization—to provide a non-pay benefit to military personnel, reservists, and retiree's—is also being debated. In October 1997, the Congressional Budget Office (CBO) issued a report that concluded that "government-run stores with below-market prices are not a cost-effective alternative to cash compensation."

The CBO report, like other previous reports over the years, questioned the basic premises for DeCA existence: (1) that the commissaries are a vital part of the military total compensation package, and (2) DeCA is needed because it serves military personnel in far-off isolated foreign bases, such as Keflavik, Iceland and Izmir, Turkey, and remote bases in the United States, such as Minot Air Force Base, North Dakota and Fort Irwin, California. The CBO report set forth four alternatives for Congress to consider, including adopting the PBO approach, contracting-out the commissary function both within the

United States and overseas, or providing cash allowances to active duty personnel.

"I realize that I work in a political environment," states Beale. "As a military officer, I learned that many decisions are made for diplomatic and political reasons. Our political leaders have to make trade-offs and tough decisions. In the final analysis, government is about trade-offs."

Do society and our political leaders want government organizations to truly act like a business? Based on the experience of the Defense Commissary Agency to date, there are no clear answers. Disagreements arise as to how far government should go in the quest for efficiency. Should DeCA operate outside of the Department of Defense existing systems and be allowed to use lower cost alternatives? How much autonomy should a government taxpayer-supported entity have in making decisions about its internal operations? Is it sound public policy to use the commissary system as part of the military compensation system?

We did not come away from our visit to Fort Lee with answers to the above questions. We did, however, come away with an increased understanding of the complexity of the simple premise that government should operate more like business. In the years ahead, this debate will continue to rage as our political leaders wrestle with this complex set of questions.



the **BUSINESS** of  
**GOVERNMENT**

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