

The Business of Government

*a publication of the PricewaterhouseCoopers Endowment for The Business of Government
dedicated to improving the management of government*

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The PricewaterhouseCoopers Endowment for

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Through grants for research, conferences, and sabbaticals, the PricewaterhouseCoopers Endowment for the Business of Government stimulates research and facilitates discussion on new approaches to improving the effectiveness of government at the federal, state, local, and international levels. All grants are competitive.

Founded in 1998 by PricewaterhouseCoopers, the Endowment is one of the ways that PricewaterhouseCoopers seeks to advance knowledge on how to improve public sector effectiveness. The PricewaterhouseCoopers Endowment focuses on the future of the operation and management of the public sector.

by Ian Littman



Herb Elish is a “turnaround” specialist, called on when business or government organizations desperately need to transform themselves. He led the New York City Sanitation Commission out of the “garbage riots” of the early 1970s, directed the office that

financed the City in its near bankruptcy, managed turn-arounds for steel, airline, and financial companies, and now chairs the board of a troubled public housing authority. Elish once addressed a group of government managers on the need for risk taking and rethinking the purposes and means of government. “This speech went over like cold cakes; the room was in stony silence,” he recalls. “Then the next speaker came on and talked about how to resist the forces of change and stay the course. He got a standing ovation.”

Someone once said that managers manage things and leaders take us to places we haven’t been before. Consider some of the new places where government is going: collaborating and building coalitions across agencies, among different governments within a country, and among countries; devolving, contracting out, and privatizing services; and enhancing services through technology. Think about the challenges that go along with the transformations: tight budgets, billions of dollars needed for new technologies, government work forces lacking needed knowledge and skills, and resistance at every step of the way. These are formidable obstacles to progress that will not be overcome by even the best of management ability. They require strong, visionary leadership first.

As part of the U.S. effort to reinvent government, the Office of Personnel Management (OPM) last year advised the government’s elite leadership cadre, the Senior Executive Service (SES), that their job descriptions were changing. In an article in *The Washington Post*, OPM Director Janice Lachance said that the new qualifications for SESers represent “a less passive approach to leadership and a more active one. It’s making things happen rather than just managing a process.” The new standards place more emphasis on team building, partnerships, customer service, and a willingness to take risks. In addition, noted Lachance, career executives “are going to have to have the qualities that motivate a work force and convince people to change the way they do business in the federal government.”

Great leaders with these qualities produce great followers. Being a follower is a difficult concept for Americans. But the best followers are strong, independent people who have found in someone else not necessarily perfection, but instead a vision, a process, and an end result worth committing to and working for. Ultimately, followers do the hard, detailed tasks of making change happen. The job of the leader is providing them with direction, resources, and inspiration.

Do schools of public affairs/administration, the career civil service system, and the political-appointee process deliver inspirational leaders with the characteristics and skills to invoke in managers and other followers the need to transform public sector organizations? Are these institutions able to produce leaders who are visionaries, team builders, innovators, risk takers, or customer-service zealots? The PricewaterhouseCoopers Endowment for the Business of Government believes that leadership is one of the most compelling issues for the future of the public sector. We believe we need to change how government fills top career and appointed positions so that public service will attract the caliber of leaders required for dramatic transformation. To better understand the issue, the Endowment will be funding papers and conferences on the topic of government leadership. We also plan to conduct a survey of SES members about their views on leadership. One important set of questions in the survey concerns the desired attributes of future leaders. Another set of questions focuses on the likelihood that the government will do what must be done to succeed in attracting, training, and retaining the best leaders. By asking this second question and soliciting suggestions for improvement, we hope to identify priorities for transforming the process of leadership development in the public sector.

If we have a bias in our research, it is, as organizational psychologist Edgar Schein said, that leadership is best thought of as a function within an organization rather than the trait of an individual. We believe that there are things government can do to obtain leadership. To obtain great leaders, governments must do these things better. ■

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Taking Charge at the General Accounting Office

An Interview with David M. Walker

We want to congratulate you on your appointment as Comptroller General of the United States. In assuming this important position, what do you see as the role for the General Accounting Office in the decade ahead?

First, we will continue to be the eyes and ears of the Congress. Specifically, we will continue to conduct financial audits, program reviews, investigations, legal research, and policy analyses. In doing so, we need to focus on the key issues and areas that can make a real difference for the Congress and our nation.

In the final analysis, GAO is dedicated to achieving good government through a commitment to the core values of accountability, integrity, and reliability. Accountability relates to what we do, integrity relates to how we do it, and reliability refers to how our work is received by the Congress and the American people. Given the number and nature of the challenges our nation will face during the next 15 years, the GAO is working to take on an even more expanded and important role in the future.

Do you see any change in the role of the General Accounting Office?

I see GAO becoming more involved in identifying and describing best practices, both in government and in the private sector. This includes noting when agencies are doing something right and sharing it rather than focusing solely on areas for improvement. We will also get more involved in issues relating to the business of government, especially in the strategic planning, performance management, and human capital areas.

Do you foresee any changes in the internal operations of the General Accounting Office?

The General Accounting Office is already one of the best organizations in government. We have an excellent set of dedicated professionals in a variety of areas. GAO is essentially a multidisciplinary professional service organization. We do work that centers around the program areas of government (such as our Divisions: General Government; Health, Education and Human Services; National Security

and International Affairs; and Accounting and Information Management) and various functional areas (financial management, information technology, human capital, legal issues). We will pursue a strategic and matrix management approach to our work in an effort to develop integrated solutions to the complex issues facing the government and our nation.

I've divided my 15-year term into five three-year time periods. I see us focusing on several key themes and issues during each of the three-year periods. We want to examine what big issues are likely to arise in the next three-year period and then set priorities and allocate resources accordingly. For instance, we will need to ensure that we have adequate resources to assist the Congress in the emerging Social Security, Medicare, private pension, and health care debates.

I want to see GAO become a world-class organization in each major functional area. We need to lead by example since we are the agency that reviews others. I also see GAO spending more time with our primary client – the Congress – especially key members of Congress on both sides of the aisle. We are in the process of developing a new proposed set of Congressional protocols for interfacing with the Congress and an expanded client satisfaction process. This will help to ensure that we are responsive to the needs of the Congress in connection with major current and emerging issues.

What are the major challenges facing you at the General Accounting Office?

I believe that they center around strategic planning and human capital strategies in light of recent budget reductions and increasing Congressional mandates. I've long felt that human capital is the key to the success of any organization. An organization has to give priority and visibility to human capital issues. We will do that at GAO.

We also have to develop an updated strategic plan for the agency. We need a game plan for where we are going and how we are going to get there. After we have the strategic plan, we will align our performance measures to the strategic plan. Right now, I see myself and the agency working in four

major operational areas: strategic planning, client relations, human capital strategy, and information technology.

How would you describe your previous government experience at the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor (DOL)?

At PBGC, we had a clearly defined mission and express statutory responsibilities. In many respects, we were very much like a business since we had an income statement and a balance sheet. PBGC was also a very manageable size and you could really see the results of your work.

I learned a lot about improving processes at PBGC. We changed many of the things we were doing and measured the important things. I also learned about the importance of information technology and the need to enhance the technological capability of the organization.

When I arrived at the DOL the frequent cry was that the agency needed more staff. While more staff may have been needed, we first started to work on our processes and to get technology to work for us. We worked with the Office of Management and Budget to get the necessary funding, and then after our systems were working for us, we looked at our staffing needs.

At both DOL and PBGC, I was able to help achieve a number of major pension, legislative, and regulatory reforms. I also learned that it's critical to reach outside of Washington to stay in touch with "the real world." Finally, I learned that government has many bright, capable, and dedicated individuals. In essence, they are dedicated to making a positive difference for their country. I share their dedication and commitment.

Why did you accept the position of Comptroller General of the United States?

I believe that public service is a high calling. I also believe that GAO is a very important agency and that the position of Comptroller General is unique – one in which a person can make a positive and lasting difference for our country. Finally, I enjoyed my previous government service and am looking forward to the next 15 years. ■



About David M. Walker

David M. Walker became the seventh Comptroller General of the United States on November 9, 1998. He was nominated for the post by President Clinton on October 5, 1998, and was confirmed by the U.S. Senate on October 21, 1998.

Immediately prior to his appointment as Comptroller General, Mr. Walker was a partner and global managing director of Arthur Andersen LLP human capital services practice and a member of the board of Arthur Andersen Financial Advisors.

Before joining Arthur Andersen LLP, Mr. Walker held a variety of executive and policymaking positions in the federal government, including service as assistant secretary of labor for Pension and Welfare Benefit Programs and acting executive director of the Pension Benefit Guaranty Corporation (PBGC). His most recent government service included serving as one of the two public trustees for the U.S. Social Security and Medicare trust funds.

Prior to his government service at the Department of Labor and PBGC, his career included experience in the firms of Price Waterhouse, Coopers and Lybrand, and Source Services Corporation.

Mr. Walker is a certified public accountant and a registered investment advisor. He has a B.S. in accounting from Jacksonville University and an S.M.G. certified in public policy from the John F. Kennedy School of Government at Harvard University.

Transforming Organizations

A Conversation with Michael J. Critelli and Kenneth W. Kizer

During fall 1998, the PricewaterhouseCoopers Endowment for the Business of Government brought together two chief executive officers – Michael J. Critelli, chairman and chief executive officer of Pitney Bowes, Inc., and Kenneth W. Kizer, under secretary for health in the Department of Veterans Affairs, to discuss how they are transforming their organizations.

Both of you are managing major change initiatives in your organizations. Could you describe where your organization is now headed and where it was when you took over the organization?

Michael Critelli: For 75 years, Pitney Bowes has been a leader in mailing. We are now providing solutions for mail, copier, fax, and messaging to businesses. We work closely with the U.S. Postal Service to help it collect billions of dollars in postal revenues through our postal meters.

The challenge we had, when our new senior management team took over in 1996, was two perceived threats to our business. One was near term, because the U.S. Postal Service was mandating a transition to electronic and digital technology. The second was longer term, and that was the idea that paper was going to go away. People feared that mail and paper were going to go away, and everybody was going to

The first thing we had to do was redefine who we were and what we were doing. We consciously began to cast ourselves as a messaging company because, in fact, we provide solutions for a wide range of mailing needs and for people who send things through fax machines, people who need copying, and even people who are sending packages to fulfill an electronic commerce order. We articulated five core principles that we just reiterated over and over again.

- **Think big.** We changed the way we thought about our market, concluding that we were not a big player in a small market, but instead a small player in a larger market. I used a comparison to the way Coca-Cola redefined itself in the 1980s and 1990s from being a company that was in a mature soft drink market to a company that was providing beverages, where its market share was less than 1 percent. So we got people to think very big about the market opportunity.
- **Move faster.** We had to encourage a culture where it was okay to make mistakes. We communicated that everything didn't have to be perfect, and that you had to get things done more quickly. We told people to test things out and if they didn't work, learn from them and move on.
- **Work together.** At Pitney Bowes we also had always done everything ourselves. We were organized in silos – functional departments and business unit silos. Through incentive programs and through restructuring of the company, we encouraged people to work together.
- **Spend money wisely.** We told people to either spend money wisely or not spend it at all. We wanted people to make intelligent spending decisions.
- **Increased accountability.** We wanted to get people to take responsibility for their decisions. In the past, Pitney Bowes had

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Michael J. Critelli

use the Internet. In five years, it was feared, our business would be half its size. So, many in our organization were discouraged, even though we have been very successful for a very long time.

been a very paternalistic company. We always looked to the top person or team to make all the decisions, and many things just routinely came up to top managers. But even if I could make the decision well, I had to consciously start say-

ing to people, "It's not my decision to make, you've got to make the decision."

We went through these radical changes in very small steps. You can never make cultural change all at once, and you can't do it in big steps, unless the company is in a real crisis. We didn't have a crisis. We had to do it in very small steps, very subtle steps. We, ultimately, have ended up making a great deal of change.

Ken Kizer: I'm struck by the organizational and cultural similarities between Pitney Bowes and the Department of Veterans Affairs (VA), even though we are in radically different businesses, as well as the similarity in how we have approached the change process.

Most people have heard of VA, and have various images of it, but few actually appreciate the complexity of mission of the Veterans Health Administration. Briefly, by way of background, I should note that we have multiple statutory missions, and these sometimes conflict with each other. Indeed, I believe VA is the most managerially complex health care system in the world.

- **Health care.** We are the largest, fully integrated health care system in the country. Corporations like Columbia HCA and Quorum have more hospitals, but they are not fully integrated health care systems.
- **Education and Training.** Half of all American medical students and a third of all resident physicians rotate through VA facilities each year. We also train 47 other types of health care professionals through our affiliations with more than 1,200 universities and colleges. Altogether, about 110,000 receive training at VA facilities each year, so we are very much an educational institution, in addition to being a direct provider of care.
- **Research.** We also conduct about \$1.1 billion in research annually and have one of the most productive health-related research programs in the world.
- **Emergency Management.** Further, we provide contingency support to the U.S. Public Health Service and the Department of Defense in times of either natural emergency or technological disasters, as well as war. With the downsizing of the Department of Defense and the Public Health Service, the VA has, in essence, become the federal government's primary response capability to disasters requiring a medical care response.
- **Homeless.** Finally, although not statutorily based, we are the largest direct care provider of services to homeless individuals in the country.



About Michael J. Critelli

Michael J. Critelli is chairman of the board and chief executive officer of Pitney Bowes, Inc., a position to which he was elected effective January 1, 1997. He was appointed chief executive officer in May 1996.

Mr. Critelli joined Pitney Bowes as legal department counsel in 1979. Between 1979 and 1988, he assumed positions of increasing responsibility within the legal department. Mr. Critelli was appointed vice president, secretary and general counsel in 1988, with the addition of chief personnel officer responsibilities in 1990. He has also served as president of Pitney Bowes Financial Services.

Prior to joining Pitney Bowes, Mr. Critelli was associated with the Chicago law firms of Ross & Hardies and Schwartz & Freeman. He graduated from the University of Wisconsin in 1970 with a B.A. in communications and political science, and received his J.D. degree, *cum laude*, from Harvard Law School in 1974.



About Kenneth W. Kizer

Since October 1994, Dr. Kenneth W. Kizer has served as the under secretary for health in the U.S. Department of Veterans Affairs. In this capacity, Dr. Kizer serves as the chief executive officer of the Veterans Health Administration and is the highest-ranking physician in the federal government. He oversees the nation's largest fully integrated health care system, with a medical care budget of more than \$17 billion, nearly 200,000 staff and 173 hospitals, more than 600 ambulatory care and community-based clinics, 132 nursing homes, 40 domiciliaries, 206 counseling centers, 73 home health care programs, and various contract care programs.

Dr. Kizer's professional experience prior to joining VA includes positions in the private sector, philanthropy, academia, and state government. He has held senior academic positions at the University of California, Davis, and continues as an adjunct professor of public policy at the University of Southern California. Among his state government positions, Dr. Kizer was director of California's Department of Health Services for more than six years.

Dr. Kizer is an honors graduate of Stanford University and the University of California, Los Angeles. He is board certified in five medical specialties, and has authored more than 300 articles, book chapters, and other reports in the medical literature.

When you look at this mix – education, research, contingency support, homelessness – you can quickly see how there might be inherent conflict and mission competition. We have dynamic tension built into everything we do.

Over the years, since its creation in 1946, the veterans health care system had become very hierarchical, very centralized, and very command and control oriented. VA was certainly not known for its innovation. It was hospital focused and specialist based, resulting in fragmented, episodic care. We had to turn that around. Instead of being a "hospital" system, we have strived to become a "health care" system. This is very similar to what Mr. Critelli was talking about in redefining who we were and what we were doing. Indeed, I think how you conceptualize your business is probably the most crucial element in changing an organization.

What would you describe as the single most difficult element of moving your organization through the change that you described?

Michael Critelli: I think the biggest challenge was not to throw away what we had and, at the same time, add to it. If you look at our core business, mailing, there's a lot of future in mail. Direct-marketing mail is growing faster than mail that's used for paying bills. Package mail is growing explosively because of electronic commerce. So we had to get people to understand that there's still a lot of opportunity to meet the needs of our customers in the traditional business, and that there are also other opportunities for additional solutions in the software area. We had to expand the scope of the charter to meet customers' needs.

We didn't want people to sit still and become complacent. We said that depending on our existing business was not enough; we had to go out and find new business opportunities as well. This was a complicated message, but we worked hard at communicating it.

We constantly wrestle with the question of how much of our corporate resources we should put into new business initiatives outside of our traditional businesses. How many resources should we keep in traditional businesses? To some degree, there is a feeling that it's not as exciting to be working in paper-based communications as it is to be working with the Internet. But the customer, the shareholder, the employee, may actually be better off working with the tried-and-true than the new methods. That's a very complex message to deliver to people. I have to say, after two and a half years, the understanding of it is still uneven inside our organization.

Both of you were very experienced in your own industries before you took over your current position. What surprised you most as you've been moving through this process of transforming your organization?

Ken Kizer: I think one of my biggest surprises has been the rapidity with which change has actually occurred in the system. Frankly, I was not expecting an organization as large and far-flung as the VA to be able to change as much as it has in a relatively short time. We still have a lot of change that needs to be made.

There were a tremendous number of people who really wanted VA to change and to succeed. One of the things that has been most helpful has been removing the shackles from people and letting them move forward and do what, in most cases, they knew needed to be done but for one reason or another had not been able to do.

Michael Critelli: We were surprised by the insularity of our organization. I'm still surprised by it today, that sometimes people do a job very well, but they do it within a tight "four corners" job description, and are totally oblivious to what's going on in the next office or in the next department or a division that's alongside of them. Somebody would have a great idea and implement it in one customer base, but nobody else knew about it.

One of the things I did, and I copied this from Microsoft, is to market what we do to our own employees. You cannot walk into a Microsoft building without seeing a poster on the wall that tells you something they've just done that educates you about the history of the company and things that are going on in other parts of the business.

So we copied that, and you can't walk into one of our buildings today and not learn about what's going on around you to a much greater degree than you did two and a half years ago.

People are so busy today, you have to get them out of their silo and actually have them see what's going on, and draw from the knowledge base. Whether you're talking about government, business, or nonprofits, there's a huge amount of know-how that we all have in our heads. Very often, the trick is to figure out who else in the organization has attacked the problem that you're dealing with and get the benefit of their learning so you don't reinvent the wheel. That's been a major

challenge for us. That's probably the one that has most surprised me.

Ken Kizer: Again, I am struck by the similarities between the two organizations. VA's historical insularity has been a major barrier to transformation. I strongly agree about the need to share ideas and information. There are very few problems that VA, as a health care provider, has not encountered multiple times across the country. VA is located in every state and every major metropolitan area. Everyone has faced or will face the same problem at some time. But the lack of intra-organizational communication and the lack of organizational learning, that's something that continues to impress me, in spite of our efforts and many specific things we've done to try

OVER THE YEARS, SINCE ITS CREATION IN 1946, THE VETERANS HEALTH CARE SYSTEM HAD BECOME VERY HIERARCHICAL, VERY CENTRALIZED, AND VERY COMMAND AND CONTROL ORIENTED. Kenneth W. Kizer

to improve that. And it's especially ironic in that it is an inherent strength of having an organized system – that when you figure out how to do something in one place, then you can potentially rapidly disseminate it throughout the system.

The final question for each of you is to comment on what you learned from each other in this discussion.

Michael Critelli: I am struck that there's more similarity than difference in terms of the challenges all organizations face in making change. We, in business, often think that we have more freedom to act and more ability to change than government. What surprised me in listening to Ken is his ability to implement change successfully in spite of many constraints. Without all the tools of business, Ken has been able to do very radical change in a relatively short period of time with a much larger organization.

Ken Kizer: I would agree. This certainly reinforces my view, based on having been in both the private and public sectors, that there are many more similarities than differences between large organizations. We face many of the same challenges and organizational dynamics in making change, regardless of what sector we are in. ■

Transforming a Traditional Agency into a Business: The United States Mint

By Paul R. Lawrence and Mark A. Abramson

The call to make government more businesslike continues to be heard within both the halls of Congress and the executive branch. While it is becoming clearer what people want to see in a businesslike government – better financial management and accountability, more emphasis on results, and improved internal management – the road to transforming traditional government agencies into businesslike entities is much less clear. For those seeking insights into how to make the transition, the experience of the United States Mint under the leadership of Director Philip N. Diehl is illustrative.

Founded in 1792, the United States Mint is one of the oldest federal agencies. It is most well-known for producing 20 billion coins for circulation each year. Its responsibilities, however, go far beyond minting circulation coins. In addition, the Mint generated sales of nearly \$600 million in 1997 in collector and investment quality coins and coin-based products. It also operates the Fort Knox Bullion Depository, which protects \$100 billion in gold. Today, the Mint produces total revenues in excess of \$1 billion and has 2,100 employees spread across the United States. It is one of the few federal agencies that annually produces a profit, with profits being returned to the U.S. Treasury.

Since arriving at the Mint in 1994, Director Diehl has actively sought to make the Mint more businesslike. From his experience, five key steps emerge in transforming a traditional government agency into a businesslike enterprise:

- Know the numbers
- Get the right people
- Understand your businesses
- Change the rules
- Reform your management

Phil Diehl's Five Steps to Making a Government Agency More Businesslike

Know the numbers

Get the right people

Understand your businesses

Change the rules

Reform your management

Know the numbers

"My marching orders from management at the Department of Treasury were to get financial management at the Mint under control, and our first independent audit led to a disclaimer," recalls Diehl. "To be frank, financial management at the Mint was a mess. My goal was to get a clean audit in two years, which was a tall order at the time."

Under Diehl's leadership, the clean audit was produced in one year. The clean financial audit was Diehl's first step in improving financial management at the Mint. The next challenge for the Mint was to improve the amount of time it took to close its books. Diehl states, "It took 90 days when I arrived, which meant that we were into a second quarter by the time we knew the numbers from the previous quarter. Since then, we have worked hard to reduce our closing time to 10 days, which we will achieve later this year."

Dimes, after being checked for size, ready for counting and bagging.



Get the right people

A second key step to making government more businesslike is to make sure you have the right people with a real understanding of businesslike government in the right positions. In the case of the Mint, Diehl found 10 key presidential appointee positions, including the superintendents of the four Mint field facilities – Denver, Philadelphia, San Francisco, and West Point. “It became clear to me that we needed a different type of management team at the top of the agency than the Mint had in the past,” recounts Diehl. “In many ways, the Mint reflected the 19th century spoils systems. We needed professional managers in those positions, not political appointees. So I went to Congress and we were able to get four of those positions changed to civil service positions and we eliminated the other five. We recruited two private sector manufacturing plant managers and two experienced managers from within the Mint.”

Diehl also spent much time recruiting the deputy director of the Mint and the agency’s first chief financial officer. He found both within the Department of Treasury. “The Mint’s Deputy Director John Mitchell and CFO Jay Weinstein have done outstanding jobs,” notes Diehl. “For the CFO position, I felt there was real value in finding an individual from within the Inspector General community. We needed to repair our relationship with the Office of Inspector General in the Treasury Department.”

Understand your businesses

A third key step in transforming the agency was for Diehl and his top management team to develop a better understanding of their core businesses and to reorganize the Mint to better reflect those businesses. “After getting here, it took me a little while to understand what businesses we were really in. The prior organization wasn’t organized around our lines of business,” recalls Diehl.

So Diehl set out to reorganize the Mint to reflect the agency’s lines of business. In the Mint’s 1999 Strategic Plan, Diehl writes, “Perhaps most notable among our achievements, we have reorganized the Mint, turning a criss-cross and star-crossed structure of reporting relationships into an organization clarified by strategic business units (SBU). Each SBU – named Circulating, Numismatics, and Protection – is a profit center with its own chief directing their own budgets, resources, facilities, and staff. The SBU concept brings operational efficiency, facilitates our requirement from Congress to operate in a more businesslike way, gives us a framework to pursue new revenues, and best of all, excises Mint employees from a tangle of processes that constrict their careers and performance.”

Change the rules

A fourth key step in making government more businesslike is to change the rules. “As with the need to change the number of political appointees, I found that we needed Congress to



*Mint Sculptor/Engraver
Al Maletsky at his workbench
in the engraving shop at the
Philadelphia Mint.*

Phil Diehl's Advice on Making Change in Organizations

- Involve everybody in the organization. "I thought I would find the most support at the top and bottom of the organization, but I was wrong. You cannot underestimate the support that you can receive from your middle managers."
- Use your strategic planning process. "The strategic plan really helped us involve our unions and engage them in a constructive dialogue."
- Provide a clear, compelling agenda. "A clear, well-articulated agenda will give your organization a vision to move toward."
- Be patient and impatient. "You need to find the right balance between patience and impatience. I suppose it requires a Zen-like attitude. You need to communicate a sense of urgency and let people know you mean it. But change does take time and you have to be patient sometimes."

make other changes as well," explains Diehl. "If we were going to run ourselves like a business, we clearly needed to change the way we did business. We needed to have revolving fund authority to allow us to make capital investments. The old, traditional appropriations process simply wouldn't work in this new environment. Congress went along with that change."

"I also found that our commemorative coin program needed major change," recalls Diehl. "It had gotten out of control and was on its way to becoming a pork barrel program. After having ignored this program for many decades, Congress began approving too many commemorative coins in recent years. We were simply producing too many coins, which lowered their value as collectibles. We worked hard with Congress to change the ways in which commemorative coins were approved and to lower the number that they approved each year."

As a result of negotiations with the Congress, the Commemorative Coin Reform Act of 1996 was passed. The law reduced commemorative mintages by 90 percent and ensured greater financial accountability by the organizations receiving funds from these programs.

Reform your management

A fifth key step is to engage in substantial reform of the organization's internal management. "If we were going to be a business, we also had to change our internal processes," recounts Diehl. "We asked Congress to exempt us from the Federal Acquisition Rules (FAR) procurement regulations. This has had a major impact. We have reduced our procurement cycle time for major capital acquisitions from eight months under FAR to an average of less than seven weeks under the waiver."

In addition to reforming the procurement process, Diehl also moved to change the way the agency was managed on many other fronts. It developed a strategic planning process; substantially increased its investment in information and communications technology; created a new working relationship with its union and became the first bureau in the Department of Treasury to sign a partnership agreement; substantially increased its investment in training employees; and became the first government agency to develop an enterprise resource planning (ERP) system integrating all financial, accounting, manufacturing, logistics, sales, and marketing information in a single system.

Looking ahead

What does the future look like for the United States Mint? According to Director Diehl, the next several years will be devoted to successfully implementing many of the changes begun in the previous four years. "We have a pretty full plate," states Diehl. "Our Strategic Business Units need to gain more experience in acting in a businesslike manner and we need to fully implement our ERP system. We have also

launched the biggest single coin program in our history. We will be striking quarters to honor each of the 50 states. It will take 10 years to issue all 50 quarters, each with a design to honor a state."

As for additional management reforms, Diehl argues that the agency still needs personnel flexibility. "We need to have the ability to recruit, reward, and evaluate people more flexibly than we do now," notes Diehl. "We need to be able to attract top talent who will not wait the six months it now takes us to compete an important position."

If the future of government is to become more businesslike, the United States Mint offers an interesting model for other agencies to follow. Other agencies could learn from its experience.

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Cent blanks on a conveyor before minting.



About Philip N. Diehl

"I brought an unusual background to this position," states Phil Diehl. "In many ways, it was an unconventional career move for Washington. My career has always involved the interface between business and government. I've been in both public service and the private sector. When I got to the Mint, it became obvious to me that this place is really a business. It is the size of a Fortune 500 manufacturing and international marketing enterprise."

Mr. Diehl was confirmed by the United States Senate as Director of the United States Mint on June 24, 1994. From 1993 to 1994, Mr. Diehl served as counselor to Treasury Secretary Lloyd Bentsen and chief of staff at the Department of Treasury. Before joining the Department of Treasury, he was staff director of the Senate Finance Committee and legislative director for Senator Bentsen. He also has served as vice president of regulatory affairs for International Telegecharge Inc., a long-distance telephone company, and as director of telephone regulation for the Texas Public Utility Commission.

Mr. Diehl earned an M.A. in government from the University of Texas at Austin and a B.A. from Austin College.

Grant Award Winners

Since its creation in July 1998, the PricewaterhouseCoopers Endowment for the Business of Government has awarded 25 research grants. All research award winners will produce a monograph on their topic that will be published by the Endowment. Research reports will start being published in June as the grant award projects are completed. *The Business of Government* will publish abstracts from each of the research award grants.

AREA ONE: OUTSTANDING LEADERS

Robert B. Denhardt

School of Urban Affairs and Public Policy
University of Delaware

Project Title: "Leadership for Change in American Cities"

Mark W. Huddleston

Department of Political Science and International Relations
University of Delaware

Project Title: "Profiles in Excellence: Outstanding Leadership in the Senior Executive Service"

Michael D. Serlin

International Institute of Business Technologies

Project Title: "Multiple Agency Careers Produce Responsive Federal Leaders"

AREA TWO: NEW TOOLS, TECHNIQUES, AND DELIVERY OF SERVICES

Privatization

Jocelyn M. Johnston and Barbara S. Romzek

Edwin O. Stene Graduate Program in Public Administration

The University of Kansas

Project Title: "Contracting for Case Management Services"

Lawrence L. Martin

School of Social Work

Columbia University

Project Title: "Creating a Level Playing Field for Public-Private Competitions"

Economic Development

Jerry Mitchell

School of Public Affairs

Baruch College, The City University of New York

Project Title: "Business Improvement Districts and Innovative Service Delivery"

Social Services

John Bartkowski

Department of Sociology, Anthropology and Social Work

Mississippi State University

Project Title: "Religious Organizations as Social Service Providers"

Regulation

Gary C. Bryner

Department of Political Science

Brigham Young University

Project Title: "Improving Government Regulation: Market-based Regulatory Tools"

Richard Hula

Department of Political Science

Michigan State University

Project Title: "An Assessment of the Brownfield Redevelopment Policies in Michigan"

New Techniques

Michael H. Granof, David E. Platt, and

Igor Vaysman

College of Business Administration

The University of Texas at Austin

Project Title: "Applying Activity Based Costing to a Public University"

Ronald C. Nyhan

School of Public Administration

Florida Atlantic University

Project Title: "Benchmarking for Improved Performance: Data Envelopment Analysis as a Tool for Public Managers"

Thomas H. Stanton

Center for the Study of American

Government

Johns Hopkins University

Project Title: "Federal Loan Programs: Risk Management"

Technology

David S. Birdsell

School of Public Affairs
Baruch College

Project Title: "Public Internet Access: An Institutional Analysis"

Wayne T. Curtin and Melissa Marschall

Department of Government and
International Studies
University of South Carolina

Project Title: "The Impact of Electronic
Communication on the U.S. House of
Representatives"

Samuel M. DeMarie

College of Business
University of Nevada-Las Vegas

Project Title: "Using Virtual Teams to
Manage Complex Projects: Case Study
of the Department of Energy"

Anthony M. Townsend

College of Business
University of Nevada-Las Vegas

Project Title: "Supercharging the Employ-
ment Commission: An Investigation of Tools
and Technology to Improve the Service of
State Employment"

AREA THREE: CHANGING ORGANIZATIONS, PEOPLE, AND CULTURE

Local Government Case Studies

Steven A. Cohen

School of International and Public Affairs
Columbia University

Project Title: "Implementing Welfare
Reform"

Mark Schneider and Paul E. Teske

Department of Political Science
State University of New York at Stony Brook
Project Title: "Changing Schools to Improve
Performance: Role of Leadership"

Scott E. Tarry

Department of Political Science
Southern Illinois University
Project Title: "Strategic Innovation in Air-
port Management and Administration"

Federal Government Case Studies

R. Steven Daniels and

Carolyn L. Clark-Daniels

Department of Government and Public
Service
The University of Alabama at Birmingham
Project Title: "Managing in the Face of
Catastrophe: The Transformation of Federal
Disaster Management"

Marilyn A. DeLuca

Robert Wagner School of Public Health
New York University
Project Title: "Health Reform in Public
Systems: An Evaluation of the Recent
Reforms in the United Kingdom National
Health Service (NHS) and the United States
Veterans Health Administration (VHA)"

Anne Laurent

Government Executive Magazine
Project Title: "Entrepreneurial Government"

Beryl A. Radin

Rockefeller College, School of Public Affairs
State University of New York at Albany
Project Title: "Managing Decentralized
Departments: The Case of the Department
of Health and Human Services"

Gary J. Young

School of Public Health
Boston University
Project Title: "Transforming Public Sector
Organizations: The Case of the Veterans
Health Administration"

Canadian Case Studies

Harrie Vredenburg

Faculty of Management
University of Calgary
Project Title: "New Approaches to
Sustainable Development"

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwcglobal.com) helps its clients develop and execute integrated solutions to build value, manage risk, and improve their performance. Drawing on the knowledge and skills of 150,000 people in 150 countries, we provide a full range of business advisory and consulting services to leading global, national and local companies, and to public institutions. Our objective is to have measurable impact. Our goal is to work with clients to make the world a better place.

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