

# 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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by Paul Lawrence



In his new book, *Management Challenges for the 21st Century*, Peter Drucker makes several interesting points about the need to improve the productivity of knowledge workers — points that

have significant implications for continued reform of the government procurement process in the next century.

Drucker argues that one of the most important contributions of management in the 20th century was the fifty-fold increase in the productivity of industrial workers in that century. One of the most valuable assets of the 20th-century company was its production equipment and capability. Looking ahead to the 21st century, Drucker argues that the challenge facing management is to increase the productivity of knowledge work and the knowledge worker. Drucker writes that the most valuable asset of a 21st-century institution, whether business or government, will be its knowledge workers and their productivity.

The Drucker argument can be applied to the world of procurement. It can easily be asserted that the United States won World War II because of the nation's industrial capability and productivity. During World War II and the subsequent Cold War, the U.S. federal government became expert at buying "things," ranging from airplanes to paper clips. In the decade of the 1990s, the federal government worked successfully to streamline this process, making it easier and more cost efficient to purchase such "things."

The Office of Federal Procurement Policy (OFPP), initially under the leadership of Steve Kelman, and more recently Deidre Lee, has been instrumental in improving the procurement process. The process has been streamlined, the rules are clearer, and buying is easier and faster to deploy. In other words, procurement in government has become a dramatically improved transaction.

Transaction buying is perfectly fine for purchasing commodities or goods. During the 20th century, the system worked well because the government was predominantly buying industrially produced products. If Drucker is right about the 21st century and the rise of knowledge work, however, the current governmental procurement system might not work as well.

The current procurement process is still primarily based on the concept of the government "specifying" the product (that is how the infamous term "specs" arose) and the contractor "delivering" that product. End of transaction. Product inspected. Check written. Deal done. On to the next transaction. Although the contractor can bid again on another transaction, and perhaps lower cost or improve the product on the basis of experience gained in the prior contract, learning is clearly not part of the deal.

In *Management Challenges for the 21st Century*, Drucker argues that several factors determine knowledge-worker productivity:

- The ability to ask and answer the key question, "What is the task?" In industrial work, the task is always a given. For industrial work, the key question is "How should the work be done?" and in the case of transaction procurements, the government knows "the what" and tells contractors "the how." Knowledge work doesn't work that way.
- To enhance productivity, knowledge workers have to manage themselves and have autonomy, with constant innovation as part of their work. Knowledge workers frequently need to go off in a direction different than the one in which they started. Procurement systems traditionally have frowned upon "change of work" requests, a key ingredient of knowledge work.
- Productivity of the knowledge worker is not — at least not primarily — a matter of the quantity of the output. Quality, argues Drucker, is equally as important. Procurement officers have traditionally excelled at "counting" the products produced as a result of a transaction. Assessing quality has been less important.
- Knowledge-worker productivity requires that the knowledge worker be seen and treated as an *asset* rather than as a *cost*. Again, this is a significantly different model than the current procurement model.

It is unlikely that the current procurement model can be incrementally changed to better "buy" knowledge work. A dramatically new and different model is needed. The challenge facing all of society, argues Drucker, is to begin work to improve the productivity of knowledge workers.

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# Running on All Cylinders at Commerce: The Job of the Deputy Secretary

*A Conversation with Robert L. Mallett*

“Success is measurable by many yardsticks. But one of the best definitions of success that I’ve ever heard, especially about public service, came from Secretary Daley when he first interviewed me to become Deputy. He said that in jobs like these, the definition of success is to leave your successor a new set of problems. It might seem a bit inelegant at first, but that’s about as good a working definition as you need to set your course. And that is what we have done at Commerce, even more. Practically all of the significant issues we faced upon our arrival have been fixed or are well on their way to permanent solution. Don’t get me wrong; there will always be challenges within any organization of this size and complexity, but hopefully new ones will arise to replace the ones put to rest.” So states Robert L. Mallett, Deputy Secretary of the United States Department of Commerce. As chief operating officer of the department, Mallett is responsible for day-to-day operations of one of the most diversified of Federal departments, which consists of nine agencies, nearly 40,000 employees, and a \$6 billion budget.

Secretary William M. Daley and Deputy Secretary Mallett arrived at Commerce in 1997. Secretary Daley was confirmed in January at the start of the second Clinton administration, while Deputy Secretary Mallett was nominated in June and confirmed in September. “We found a workforce that really wanted to have strong leadership,” recalls Mallett. “The department had suddenly and tragically lost an outstanding leader in Secretary Ron Brown and 11 other highly talented civil servants. That degree of loss is an enormous blow to an organization and it can be very demoralizing. Among our first tasks as stewards of this great department was to find a way to motivate our greatest asset – our employees – by providing the clearly defined direction needed to get the department back on track.”

A key initial task for Secretary Daley was selecting his deputy secretary. “The Secretary was very clear; he wanted a deputy who would be his partner in actively managing the department and its various business lines,” recounts Mallett. “We didn’t really know each other at first, but we pretty quickly developed an interdependence on one another. We are real partners and everybody can see that. The result has been

remarkable for the department. Managers know that both the secretary and deputy secretary believe in accountability and results-oriented management, and their interests are parallel. This has allowed us to stay focused on all of the policy matters facing the department, but to keep the management agenda front and center in the minds of all of our managers. We are constantly finding creative ways to reinforce that message.”

Mallett views his job as consisting of four major components: managing people, managing resources, assisting in policy development, and representing the department.

## Managing People

“The vision of any leader will remain simply that — a vision — without implementation. Implementation means people,” states Mallett. “I’ve always felt that one of my strengths is to recognize talent and to position that talent to help achieve the organization’s goals.” Mallett believes strongly in the quality of public sector employees. “I would argue that 70 percent of any job will rest with the quality of the people on your team and making sure that the right people are in the right positions to move forward successfully. We have a fine team at Commerce, and we have worked pretty tirelessly to make sure that people were properly positioned.”

The “people job” has been one of Mallett’s major responsibilities since joining Commerce. In the last two years, the department has hired new chief financial officers in seven of the nine Commerce agencies. In addition, the secretary and deputy secretary undertook the task of moving members of the department’s Senior Executive Service (SES). “We thought about this for some time before executing it. We knew it was tantamount to the third rail in government employment, but it had to be done. We found some of our senior talent stagnating in positions that were no longer challenging to them; new challenges were developing in certain areas, and we needed to put some of our demonstrated leaders into those areas and the department needed to begin to focus on how to ensure that this very diverse department pulled in the same direction. By matching skill to need, we have married the professional growth of our senior executives to our management issues. Change is often viewed with skepticism – it’s human nature.

Six months after the fact, most of those moved to new positions now view it very positively," notes Mallett.

In looking back, the challenge of moving SES members has paid off, and the department intends to retain mobility as a management tool. The department's SES training and candidate development programs are being revitalized with the intent to continue to improve the quality and experience of Commerce's senior executives. "Today," Mallett proudly states, "we have a highly effective senior management team with a wide diversity of talent, and I mean diversity in its broadest sense."

### **Managing Resources**

As the chief operating officer, the deputy secretary is principally charged with the nuts and bolts of the department, a job that Mallett indicates occupies a high percentage of his time. "Sometimes people are shocked that I am conversant with the details of so many of the issues that come across this desk," states Mallett. "I read the work of our employees and I believe I have a reputation of being knowledgeable about the facts. I expect the front line managers to be several steps ahead of me on their particular problems."

This close attention to fundamental management is helping to forge a new synergy at Commerce. "Due to its size and diverse missions, the department has sometimes lacked a unifying voice. We have worked hard to stress the interconnection that underlies so much of what we do." As an example, Mallett offers, "statistical collection activities are found in nearly every Commerce agency, not just the Bureaus of the Census and Economic Analysis. The statistical information collected by the National Weather Service has benefited the National Institute of Standards and Technology's work in setting building standards for housing capable of surviving major hurricanes and tornadoes. By focusing on our shared mission, we increase our efficiency and quality of service to the American people."

### **Policy Development**

A significant component of Mallett's position is assisting the secretary and senior leadership in setting the policy agenda for the department. "It's vital that I help ensure that our programs, activities, and initiatives are consistent with and promote the broad objectives established by the president and the secretary," states Mallett.

Ensuring that all Commerce programs are open to the greatest number of Americans is established policy within the department. "For example, over the past two years, we have become the top agency in government in awarding procurements to small, minority, and women-owned businesses. This is a critical achievement because the government's procurement reforms have not resulted in an overall increase in contracting to these vendor communities. But as a result of our

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### **About Robert L. Mallett**

Deputy Secretary Mallett has brought an interesting background to his present position, including service in the private sector as an attorney and time in local government and on Capitol Hill.

Mr. Mallett spent three years as the District of Columbia's city administrator and deputy mayor for operations under Mayor Sharon Pratt Kelly. Prior to serving in local government, Mr. Mallett spent four years on Capitol Hill as legal counsel to former Senator Lloyd Bentsen. After serving as city administrator and deputy mayor, Mr. Mallett practiced law in Washington. He also has been an adjunct professor of law at the Georgetown Law Center and the Georgetown Graduate Public Policy Program.

Mr. Mallett graduated magna cum laude from Morehouse College in 1979 and from Harvard Law School in 1982. While at Harvard, he served as projects editor of the *Harvard Civil Rights-Civil Liberties Law Review*. Following graduation from Harvard Law School, he clerked for the late Honorable John R. Brown, United States Court of Appeals, Fifth Circuit.

# Beyond Success: Continuing the Procurement Revolution

*A Conversation with Deidre A. Lee*

The early days of reform are fun and exciting: a new agenda and, with a little luck, new legislation enacted by Congress. A bill signing at the White House, with pens being handed out by the president. A time to celebrate.

Such was the case with procurement reform during the first term of the Clinton administration. Procurement reform was on the front burner and became one of the real success stories of reinvention. In 1994, the Federal Acquisition Streamlining Act was passed. Two years later, in 1996, the Federal Acquisition Reform Act and the Information Technology Management Reform Act (better known as the Clinger-Cohen Act) were passed. The new laws made it easier to buy commercial services and products, simplified the process for small purchases, spurred performance-based contracts, incorporated past performance as a key selection criterion, and required better procurement planning.

But then the really hard work started. While academic case studies frequently describe the art of getting new legislation passed and new initiatives launched, such case studies seldom discuss the challenge of fully implementing and institutionalizing new legislation and new initiatives. The procurement revolution of the first Clinton administration term presents an excellent case study in the challenge of implementation.

“Yes, government does have the tendency to sometimes ‘announce and run,’ ” reflects Deidre Lee, administrator of the Office of Federal Procurement Policy (OFPP). “We pass legislation and then sometimes don’t fully follow through in the implementation stage.” Appointed in 1998, it is Deidre Lee’s responsibility to continue the procurement revolution and solidify the gains made during the first Clinton administration term. Ms. Lee follows the successful tenure of Steve Kelman, administrator of OFPP from 1993 to 1997. Under Steve’s leadership, OFPP spurred action on the legislative front. OFPP also served as a “bully pulpit” for procurement innovation at the agency level.

“The real legacy of Steve was not the legislation passed in 1994 and 1996, it was getting the procurement community to believe that they could make change and get things done,”

observes Lee. “Steve excelled at getting people — from agencies, the administration, and Congress — to believe that they could make things better.”

## The Second Term Challenge: Institutionalizing Change

“I don’t see us now needing more major legislation,” states Lee. “While we could use legislative tweaking in some areas, the major challenge now facing us is to institutionalize the gains made over the last several years. By institutionalizing change, I mean making the *new way* of doing business the *natural way* of doing business. The new way has to become the dominant way of doing business.” There are still some agencies, comments Lee, that feel more comfortable with the old way of doing business.

Instead of spending time on Capitol Hill negotiating new bills, Administrator Lee is spending the majority of her time working closely with the agency procurement community — both rank and file procurement officers and agency procurement leaders. As for the rank and file procurement officers (those in the 1102 job classification series), Lee sees major change ahead. Historically, the 1102 series has been one of the lower paid, lower graded job series in the administrative area. Although contracting officers were redesignated as professionals in the late 1980s, only slightly more than half have a bachelor’s degree or higher today. The training and professional development of contracting officers continues to be a major issue in the procurement community.

“I would really like for us to get started in rethinking the 1102 series,” states Lee. “This won’t be completed in the next 18 months, but we need to get started now. We have to turn procurement people into business people. We need to think about the job differently. I’ve asked the Federal Procurement Council to begin thinking about the entire 1102 series and its future.”

Administrator Lee is also concerned about the role of top ranking procurement officials in departments and agencies. Although their titles and ranks differ dramatically from agency to agency, Lee envisions a growing role for them all. “We need to get procurement executives to become leaders in their agen-

cies," states Lee. "We want to develop a new definition of a procurement executive. We want them involved in the agency's mission and business. They should be driven by the agency's mission and work toward assisting the agency to accomplish its mission. They need to be creative in designing contracts to better accomplish agency missions."

In addition to shifting top procurement officers' focus toward their agency's mission, Lee also sees another major change in the job of the procurement executive. "We want them to become real business people and begin to manage relationships," advocates Lee. "Instead of managing individual contracts, they need to manage relationships. We want them to manage the supplier, not supplies. This is very different from the way that they have traditionally done business. This is the change we need."

The challenge facing Administrator Lee in successfully implementing and institutionalizing the gains made over the last several years does not just involve the governmental procurement community. Lee also finds herself spending much time with the private sector. "Changing and improving the procurement system is not a government-only enterprise," states Lee. "We need to involve industry as our partners. We like to say that procurement is really a team sport. There is an important role for industry in institutionalizing change. They also need to change the way they do business. They have an equal responsibility to implement their part in all the changes. Past performance is an example. They have to change the way they do business and live up to their responsibility in keeping their records up to date. It isn't just a government responsibility."

Administrator Lee is frank about the length of time required to fully implement change. "We aren't there yet. It does take time and it will be a long haul," reflects Lee. In contrast to Steve Kelman's task to motivate, inspire, and encourage the procurement community to believe in themselves and to begin to make change, Administrator Lee faces a significantly different set of tasks. Her job is to change the actual behavior of those in the procurement community — both in government and the private sector. To encourage this change in behavior, Administrator Lee is also advocating a new definition and concept of the procurement official — moving from a contract officer to a business advisor. She also is spending her time exploring issues such as reevaluating job classifications (for example, the 1102 procurement job series previously discussed) that can encourage and support new ways of behavior.

While much can be learned about making change during the early glory days of reform, there also is much to learn from the nitty gritty of institutionalizing change and actually changing the behavior and the jobs of those on the front line of change. ■



#### About Deidre A. Lee

In February 1998, Deidre Lee was nominated to serve as administrator for Federal Procurement Policy. She was confirmed by the United States Senate on July 30, 1998.

From March 1993 until her confirmation as administrator, she was associate administrator for procurement at the National Aeronautics and Space Administration (NASA). Prior to that, she served as deputy associate administrator for procurement and executive officer to the deputy administrator of NASA. From 1984 to 1990, she worked at the Johnson Space Center as chief of the Space Shuttle Procurement Division, chief of the Orbiter and STS Integration Procurement Branch, and chief of the Data Systems and Aircraft Operations Branch. She also served in the Department of Defense in a variety of procurement related positions in Okinawa, Boston, and Utah.

Ms. Lee was awarded NASA's Outstanding Leadership Medal and Exceptional Achievement Medal. She also has received the Senior Executive Service Presidential Rank Award.

Ms. Lee holds a B.A. degree in business administration from Central State University, in Edmond, Oklahoma, and an M.A. degree in public administration from the University of Oklahoma.

# Jumpstart Management: Changing Bureaucracy

*Department of Housing and Community Development, District of Columbia*

*By Eric Letsinger and Lori Mix*

In 1997, Washington, DC, had slipped to new lows. Residents and businesses were leaving the city in droves to move to neighboring Maryland and Virginia. Crime and poverty rates were up, while employment rates were significantly lower than national and regional trends. Unable to deliver basic services to its residents, the DC government was plagued with inefficiencies. Congress intervened. It revoked much of the mayor's authority over his agencies, instituted the DC Control Board, and transferred responsibility of the majority of these agencies to this new entity. The DC Control Board responded by hiring many new directors. It also hired a management consulting firm to work with each new director to improve service delivery for that agency. The Control Board hired Richard Monteilh, former executive director of the Metropolitan Atlanta Olympic Games Authority, to jumpstart the Department of Housing and Community Development. The following are some of the lessons learned from that experience.

On November 16, 1998, Richard Monteilh unveiled Washington, DC's new economic development strategy on television to a capacity crowd at the World Bank Auditorium. Additional satellite rooms in neighboring buildings had to be arranged at the last minute to accommodate the overwhelming and unexpected crowd. As the new director of the DC Department of Housing and Community Development (DHCD), Monteilh had coalesced an array of historically fragmented business, political, and academic leaders through a six-month effort to craft a strategy that enjoyed widespread support — a rare phenomenon in Washington, DC. Even more remarkable was that the strategy came from reform efforts within DHCD, a department that had been

## Richard Monteilh's Management Principles for Jumpstarting an Agency

Set Ambitious Goals

Get Outside Support

Don't Wait for Organization

Increase Accountability

on the city's chopping block as part of a proposed reorganization designed to abolish ineffective departments. In only ten months, Mr. Monteilh moved DHCD from an agency perceived as "ineffective, lethargic, and outdated" to one of prominence in articulating a vision for the economic development of the nation's capital.

To understand how he succeeded, interviews were conducted with key players involved with this turnaround. From these interviews four key management principles emerged that clearly jumpstarted DHCD into action. We believe these principles can be applied to any significant organizational change effort. They are:

- Set Ambitious Goals
- Get Outside Support
- Don't Wait for Organization
- Increase Accountability

*Richard Monteilh and Charlene Drew Jarvis at a DCHD celebration.*



## Set Ambitious Goals

### ***Spend funds at record pace***

Two weeks on the job, Director Monteilh publicly announced that within six months DHCD would clear its books of \$50 million of unspent federal funds by funding worthy community development projects. These were the same funds that the department had been unable to spend over the past four years due to a variety of internal management malfunctions.

While customers welcomed Monteilh's actions, employees perceived his brazen commitments as irresponsible and unrealistic. To make his commitment clear to his staff, Monteilh created a series of posters that measured the amount of funding committed against the goal of \$50 million. Then he replaced the old process of reviewing and funding project applications with a new process in which customers evaluated and selected projects. The results were outstanding. Applicants worked together to improve their applications and share information. Some applicants merged their projects to form new, more comprehensive applications — others dropped theirs when they learned their efforts were duplicative. DHCD employees' role changed from "funding gatekeepers," saying only "yes" or "no" to a project, to technical assistants and applicant coordinators. Five months later, the \$50 million had been committed, customers were pleased, city leadership took notice, and DHCD had momentum.

### ***Remove suspension of economic development funds***

DHCD's economic development program (approximately \$4 million annually) had been suspended for the second time because of repeated negative audit findings. Their funders had made it clear that DHCD would need to make radical improvements to the program to convince them to lift the suspension. Again, against the advice of those around him, Monteilh publicly promised to resolve the issue within 30 days. Again, his solution was not to fix the current process, but to design a new one. With some of his unspent funds, he capitalized a new community bank to operate the city's economic development program. While DHCD retained the responsibility of setting the lending guidelines, day-to-day operations were handed over to the new bank. This solution was amenable to DHCD's funders who unfroze the funds immediately, and DHCD earned another notch of much needed credibility from stakeholders.

## Get Outside Support

As a director in a new town, Monteilh needed internal and external allies to advance his aggressive goals. He worked to develop external allies quickly and strategically.

### ***Develop valuable roles for external stakeholders***

Monteilh used the new task force evaluation process to strengthen his relationships with key players in the industry. He included significant roles for senior government officials,

bank executives, and community leaders, and shared the spotlight with key city leaders: Chief Management Officer Camille Barnett, Council Member Charlene Drew Jarvis (chair of the Economic Development Committee), leading mayoral candidates, Chief Financial Officer Anthony Williams and Council Member Carol Schwartz.

### ***Communicate honestly with customers***

Monteilh garnered customers' support by conducting a workshop for all developers interested in applying for DHCD funds. He explained that the department was reengineering the application review processes, and did two more things

MONTEILH WORKED TO DEVELOP EXTERNAL ALLIES QUICKLY AND STRATEGICALLY.

that bought the department time and credibility. First, he developed a customer service contract between developers and DHCD project managers. DHCD promised to return phone calls within 24 hours, provide weekly status reports, and proactively move applications through the process. Second, Monteilh provided an overview of the application review process in order to educate DHCD customers and modify their expectations for service delivery. DHCD reached out to its customers to demystify its processes and clarify its intentions for improvement. Customers left understanding that DHCD was committed to change.

### ***Share success***

At the time Monteilh began forming a city-wide economic development strategy, DC's economic development activities were fragmented, turfs were fiercely guarded, and the path ahead of Monteilh was lined with failed attempts. Monteilh needed allies. He shared the credit widely, offered visibility to political players, and drew from the vast amount of research that had already been conducted by others in the field. Monteilh's inclusive process brought the numerous and diverse economic development players to the table in a successful attempt to define a vision for the city and chart a path for getting there. All these efforts increased DHCD visibility and credibility.

### **Don't Wait for Organization**

Monteilh's success required that he produce immediate results. City leaders evaluated his performance monthly, while routinely making requests for presentations on the status of DHCD's reform efforts. This environment was not conducive to the longer-term approach of reengineering and reorganization projects.

### ***Accept some chaos***

Monteilh needed to fix the organization's root operational problems while simultaneously demanding more from his staff and systems than they had ever been expected to produce. Monteilh repeatedly likened his efforts to "building a train while riding on it." This strategy, he knew, would require that he and his already skeptical staff accept a significant level of uncertainty and risk in the short term, as they grappled with moving money out the door at record pace while simultaneously changing their organizational structure, learning new skills, and reducing current staff levels.

### ***Be flexible — focus on results not process***

Monteilh required that all those working for him adopt a more flexible approach to strategic change and process improvement methodologies being used to effect change within the department. Monteilh crafted and approved 10 projects designed to drastically improve DHCD's service delivery to its customers. Most of these projects were scheduled to occur over a six to 12-month period. Monteilh's highest priorities were the organizational realignment and subsequent reduction-in-force in order to release funds for external projects and send a message that change was occurring. Traditionally, organizational restructuring and reduction-in-force take place after changes in an organization's processes. Monteilh saw the organizational realignment as critical to maintaining momentum. Too much criticism had already been voiced about DHCD's lack of skills and nonvalue-added bureaucratic activities. Monteilh's insight that conducting a reduction-in-force prior to the process and strategic changes was critical to achieving his overall objectives. In the end, demonstrated results kept DHCD moving forward and bought the department time to implement other, longer-term reform projects.

## Increase Accountability

### **Reduce management oversight levels**

DHCD employees were rarely accountable for producing high quality results, meeting performance targets, or delivering timely services. Realigning the organization and reengineering some core processes greatly reduced the levels of review and approval needed, which gave greater authority to each individual and improved the ability of managers to hold individual staff accountable for their decisions.

### **Design in flexibility**

New tools and templates were designed to assist DHCD employees in making those decisions. The tools were designed to be flexible to encourage staff to deviate and innovate as long as the end result was achieved. For example, Monteilh developed an automated performance measurement system to track organizational, divisional, and individual performance toward DHCD's strategic objectives. The measures were developed and selected by DHCD staff and validated against industry best practices.

### **Set the example**

Monteilh hired a chief operating officer (COO) to focus primarily on internal management activities, which freed Monteilh to focus on establishing and maintaining external relationships without jeopardizing internal controls and management practices. As Monteilh described his actions: "I've pushed the internal workings down one layer. I expect the COO to push down the decision making from there."

The principles applied to DHCD (Set Ambitious Goals, Get Outside Support, Don't Wait for Organization, and Increase Accountability) ensured that the agency remained focused on its true objectives – to turn around DHCD. Given the results of DHCD, these principles appear replicable when management is charged with jumpstarting an organization whose effectiveness has stalled dramatically. ■

**Eric Letsinger** is a consultant at PricewaterhouseCoopers. His e-mail: [eric.letsinger@us.pwcglobal.com](mailto:eric.letsinger@us.pwcglobal.com). **Lori Mix** is a consultant at PricewaterhouseCoopers. Her e-mail: [lori.mix@us.pwcglobal.com](mailto:lori.mix@us.pwcglobal.com).



### **About Richard A. Monteilh**

Richard A. Monteilh became director of the DC Department of Housing and Community Development in November 1997. He was nominated by the mayor and approved by the Financial Responsibility and Management Assistance Authority. Mr. Monteilh was brought in to help the \$51-million agency recover from its long history of underperformance in creating affordable housing and economic development opportunities for DC residents.

For the five years prior to this appointment, Mr. Monteilh served as the executive director of the Metropolitan Atlanta Olympic Games Authority. In this capacity, he orchestrated all operational and financial functions related to the Atlanta Games. He initiated, financed, and managed an array of strategic construction programs and projects designed to improve blighted areas in Atlanta.

Before commencing his Olympic efforts, Mr. Monteilh was the chief administrative officer for Newark, New Jersey. In this position, he was fully responsible for the day-to-day operations of the city's nine agencies. During his five-year tenure, he stabilized Newark's tax rate and directed a successful multiyear capital improvement program.

Prior to his government career, Mr. Monteilh served as a management consultant for Booz, Allen, Hamilton, LLP for three years.

Mr. Monteilh holds a B.A. from Grand Canyon College and an M.A. in Urban Administration from Occidental College. In addition, he has received a Fellowship in Public Administration from Yale University and a Senior Executive Fellowship for Government Officials from Harvard University. Mr. Monteilh enjoys tennis, fishing, and bicycling. He is married and the father of four children.

# On the Frontier: Launching Government's First Performance-Based Organization

*The Office of Student Financial Aid, U.S. Department of Education*

*By Hardish Nandra*

## Background

In an attempt to make government more businesslike and accountable, Congress recently created the government's first performance based organization, or PBO, at the Department of Education's Office of Student Financial Aid (OSFA). Previously, Vice President Al Gore and the National Performance Review (NPR) had sought the creation of PBOs at other agencies, including the United States Patent and Trademark Office, the United States Mint, and the St. Lawrence Seaway Development Corporation, but never obtained Congressional approval.

Faced with increasing problems in processing student applications for financial aid, tracking loans, and collecting loans, Congress gave the nod to creation of a performance-based organization in the Department of Education. Appointed as the leader of the government's first PBO, Greg Woods is charged with leading OSFA through restructuring for increased financial discipline, better internal management, and greater emphasis on results, all aimed toward turning around a giant, troubled, \$60 billion student loan and grants program.

Woods came to the PBO after being one of the leading staff members of NPR (then the National Performance Review, now renamed the National Partnership for Reinventing Government). While there, he helped develop methods to make government agencies run better. At OSFA, he is getting an opportunity to put those methods into practice. As the PBO's chief operating officer, Woods is managing under conditions that allow him and his chosen managers wide ranging management flexibility, such as broad exemptions from federal procurement and personnel rules in exchange for much tougher performance goals and accountability for results. Woods reports directly to the Secretary of Education, and his senior managers' compensation is aligned to their success in meeting measurable performance goals.

## Starting the Transformation — Know Thy Customer

Since arriving at OSFA in December 1998, COO Woods has actively worked to make the organization much more customer focused, the top priority in the PBO's list of objectives. Creating a Customer Service Task Force (CSTF) is the first of several steps in transforming OSFA to a PBO. The CSTF's ongoing mission is straightforward: Develop a comprehensive and innovative proposal to use the best business practices for improving customer and employee satisfaction, and achieving measurable business results. At OSFA, Woods has defined customers as students and their families, and has included as partners all schools and financial institutions, and the contractor community. Woods also has recruited several senior managers to help him guide this transformation, and he plans to hire up to 25 managers for the PBO.

CSTF members are from all over OSFA (including the regional offices) and represent different staff levels. Also represented are contractor staff, including those processing loan applications and servicing loans. With a mandate from Woods to "change everything — from the forms we make students fill out to the color of the phone in my office" — task force members have been brainstorming and listening to ideas, problems, and solutions from OSFA staff and customers alike. Although the CSTF report is due in the summer, they plan to fix anything that is obviously wrong as soon as they come across it.

## Changing the Structure

The mission of OSFA, simply stated, is to help put America through school. A crucial step in achieving this mission depends on the successful interaction of the key participants of this process: students, schools, and financial institutions. Accordingly, Woods is realigning the organization to the three main student financial aid channels: students, schools, and financial institutions; and he is now recruiting three senior executives — called general managers — to lead these areas. In addition, the top team at OSFA also includes a chief finan-

cial officer and chief information officer. This new alignment will support the OSFA vision — for a student financial aid delivery system striving for private sector effectiveness with readily accessible student loan account information and processing, and customer service available 24 hours a day.

The Woods team also is creating an OSFA modernization blueprint intended to address the business processes, technology (such as leveraging middleware to share data among legacy and new systems), and sequence of implementation to support the delivery vision. Even while the team is working on completing the blueprint, other staff members are busy simplifying the PBO's acquisition strategy to support the modernization blueprint. As an example, Woods wants to move away from time and material contracts to performance-based contracts that align with the organizational performance requirements. When this strategy is finalized, all participants — students, schools, financial institutions, OSFA staff, and contractors — will be aligned with the same channels.

### Rethinking Improved Delivery

At the heart of the PBO is the performance plan. While an interim plan is intended to guide operations until the end of the fiscal year, in September 1999 a five-year performance plan will be delivered that will include annual targets. Meanwhile, three interim objectives are driving the current OSFA improvement process:

- Improve customer satisfaction;
- Reduce the overall cost of delivering student financial aid; and
- Transform OSFA into a performance-based organization

In the customer service area, improved delivery focuses on the following areas: disbursing grants and loans; processing financial aid applications; processing loan consolidations; processing key financial transactions; completing all critical

*continued on page 20*



### About Greg Woods

Greg Woods became the chief operating officer of the Office of Student Financial Assistance (OSFA) in a newly created position as head of the federal government's first performance-based organization (PBO) in December 1998. Mr. Woods brought extensive experience to the position, from both the private and public sectors, including eight years as the CEO of a software company and more recently as deputy director of the National Performance Review (NPR), now called the National Partnership for Reinventing Government.

As deputy director for information technology, customer service, and regulatory reform at NPR, Mr. Woods spearheaded reinvention initiatives in customer service and the Access America technology program designed to provide families with electronic access to a broad range of government services, from applying for Medicare and pension benefits to making U.S. park reservations. One of the first pilots of Access America will allow students to use commercial financial systems and the Web to receive financial aid accounts and monitor them over the Web.

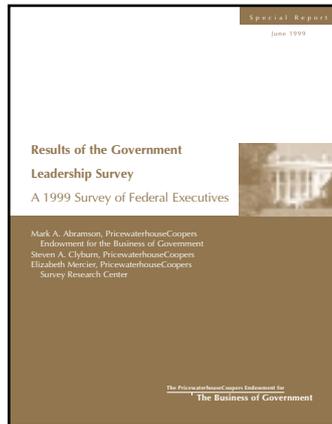
Before joining NPR, Mr. Woods served as chief executive officer of Science and Engineering Associates, a startup company that develops computer systems and innovative software products. Prior to that, Mr. Woods was the deputy chief operating officer of Science Applications International Corporation, a consulting firm, and was president of its subsidiary, JRB Associates. Mr. Woods also worked in the Office of the Secretary of Defense, where he won the Fleming Award for being an outstanding young person in government.

Mr. Woods holds a bachelor's degree in mechanical engineering from the University of Southern California.

# Results of the Government Leadership Survey

## A 1999 Study of Federal Executives

By Mark A. Abramson, Steven Clyburn, Elizabeth Mercier



Will the federal government be able to recruit and retain employees with the qualities needed for leadership in the future? To help answer that question, The PricewaterhouseCoopers Endowment for the Business of Government surveyed career and noncareer members of the federal Senior Executive Service (SES). The survey is one of several Endowment initiatives focusing on federal human resource issues and civil service reform.

Survey results showed that federal executives have a new vision of leadership and think that changes in current leadership systems will help make the vision a reality. However, they believe that some major obstacles must be overcome before success can be guaranteed.

### A New Vision for Leadership

Survey respondents have a new vision of what it will take to be a leader in the future. They say that the *most important leadership attributes* will be adaptability and flexibility when faced with change, being accountable for results, and visionary and strategic thinking. This is in marked contrast to the notion that government career executives have traditionally obtained their positions through technical expertise. In the future, say respondents, technical expertise is the *least* important of 10 leadership attributes listed in the survey.

### Rewards and Challenges of Public Service

When asked *why they have stayed in the public service*, career executives volunteered three main reasons: interesting and challenging work, the ability to make a difference, and public service.

However, four out of five career executives said they have thought, at one time or another, about leaving the govern-

ment. The most-often mentioned *reason for thinking about leaving the public service* is salary.

### Clouds on the Horizon

Although senior executives enjoy their positions and have adopted a new vision of leadership, two clouds are on the horizon. The survey found concern that inadequate salaries would become a major obstacle to both recruiting and retaining senior career civil servants. The survey also found concern that increased public and political scrutiny, as well as a cumbersome appointment process, would make it difficult to recruit future political appointees.

### Executives Say the System Needs to Change, but Are Doubtful that Major Change Will Occur

Executives think that the *most helpful civil service reforms* are related to pay. These changes include offering executive salaries and compensation comparable to the private sector, creating a more flexible salary and compensation scale, and modifying performance review systems to reward leadership attributes. Most executives do not think that the government will take action on compensation issues, except for modifying performance reviews. Most think the government will invest more in leadership training and improve recruiting and marketing strategies, but do not see these activities as being as helpful as raising pay or creating more flexible pay systems. ■

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## EXCERPTS FROM THE REPORT

**Table 2:** Critical Attributes for Future Career Senior Executives

Leadership Attributes	% Rating Attribute as Highly Important (9 or 10)
1. Adaptability/flexibility	72%
2. Accountability	69%
3. Vision and strategic thinking	64%
4. Customer orientation	58%
5. Commitment to public service	55%
6. Management of financial resources	44%
7. Ability to establish networks and alliances	41%
8. Value for cultural diversity	39%
9. Management of information technology	37%
10. Technical expertise	23%

N=347 respondents

**Table 6:** Career Executives' Opinions on Obstacles to Recruiting Future Career Leaders

Obstacle	% Rating Obstacle as Highly Significant (9 or 10)
Salary	46%
Negative perception of working for government	31%
Inflexible selection/hiring procedures	31%
Ineffective recruiting/marketing	21%
Limited opportunity to hire mid-level staff	19%
Limited career advancement opportunities	16%

N=346

## Running on All Cylinders at Commerce

*continued from page 3*

efforts, the percentage of minority contracting has increased from 3 to 28 percent of all procurements relating to the decennial census, to offer an example."

Mallett indicates that the department conceptualized and is now moving forward on an initiative to set up a Government-Wide Acquisition Contract (GWAC) composed exclusively of small, minority and women-owned information technology (IT) firms. "This GWAC will create a simple and easy way for government to buy IT services from small, minority and women-owned businesses that have been fully vetted," states Mallett. "Current GWACs are dominated by large, well-known companies - we wanted to create an effective option."

### Representing the Department

Another major responsibility for the deputy secretary is to represent the department and its programs in front of many diverse audiences at home and abroad. Within government, he sits on numerous inter-agency committees and councils, including the President's Management Council. Mallett has taken a lead role in promoting full market access for U.S. companies in foreign countries. He is also a member of the board of the Overseas Private Investment Corporation.

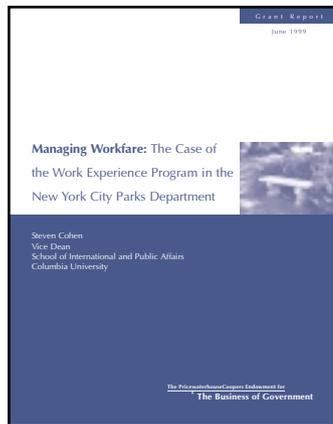
### Looking Back

After having completed two years as Deputy Secretary, Robert Mallett is proud of the department's accomplishments under Secretary Daley's leadership. "We have achieved excellent results in many areas and are making progress in many more," notes Mallett. "I am extremely proud of our fiscal year (FY) 2000 Annual Performance Plan," a management tool required by the Government Performance and Results Act. Congressional sources rate Commerce's FY 2000 submission as one of the best in government. "You have to realize that the Department's FY 1999 annual performance plan rated among the lowest in government and we have turned that around totally."

Mallett cites other major accomplishments, including consolidating security activities and reducing the risk of security threats for all Commerce activities world-wide, aggressively managing the department's entire \$1 billion IT portfolio, reducing Commerce field offices without a corresponding diminution in services, and vigorous attention to increasing the reliability and accuracy of the department's financial management. The Deputy Secretary recognizes that conducting the 2000 Census, which will be the nation's largest peacetime mobilization, remains the department's top management priority. "It has been an active two years for me and for all of us at the department," states Mallett, "and I don't see that activity decreasing. Much has been accomplished and we'll continue our efforts. Remember," he says with a smile, "the problems won't be the same." ■

# Managing Workfare: The Case of the Work Experience Program in the New York City Parks Department

By Steven Cohen



The chief goal of this study is to identify and discuss the lessons that other localities can learn from New York City's experiences with managing workfare workers; and to identify the methods used to train, manage, and deploy this temporary, part-time work force. Much of the literature on welfare-to-work includes an ideological discussion either in favor of or against workfare. The grant report

takes no position on the policy issue of workfare. Instead it treats this new workforce as a given and as a challenge that public and non-profit managers will deal with throughout the United States.

The Parks Department has been an aggressive and effective user of workfare labor. At its peak in 1998 this number topped 6,700 before stabilizing at about 5,000 in early 1999. The work of Work Experience Program (WEP) employees has substantially improved the cleanliness of the parks during a time of continued budget stringency. In December 1993, after a long period of cutback, the Parks Department had a staff of 3,192. In November 1998 the Department's head count stood at 2,122. Without WEP workers, New York City residents would have seen a noticeable decline in the cleanliness of the parks during the 1990s.

The New York City parks system consists of 27,944 acres of parkland and other properties including 2.6 million park and street trees. Total Parks personnel is less than half the level it was two decades ago. Capital and operating expenditure levels have recently increased after a long period of relative decline. Since most of the people in New York City live in apartment buildings, parks are an essential municipal service. New York City parks not only need to be managed as a business, they need to be managed according to cutting-edge business practices.

Over the past decade, the Department of Parks and Recreation has made a number of efforts to improve the management of New York's park system. In 1997, citywide cleanliness ratings for parks reached 95 percent acceptable and overall condition rose to 75 percent acceptable. This contrasts with cleanliness ratings of 75 percent acceptable and condition ratings of 39 percent acceptable in 1994.

Work that WEP workers have been assigned to varies from site to site. At New York City's Department of Parks and Recreation, common WEP worker tasks include cleaning bathrooms, sweeping leaves, picking up garbage, landscaping, removing graffiti, mowing grass, repairing and maintaining facilities, working in recreation centers, and performing routine clerical tasks in administrative offices. A large portion of the daily upkeep of parks involves the removal of litter, and therefore, most of the hours worked by WEP personnel have been devoted to picking up trash in parks.

Perhaps the most significant lesson learned in New York City's Parks WEP experiment is that workfare can work. The Department has absorbed a workforce of over 5,000 part-time, diverse, and untrained workers and put them to productive use, with visible results.

There are a number of specific lessons that other localities might consider when implementing workfare programs:

- Begin workfare employees with brief, essential training in job safety and the tasks they are being asked to perform. Provide the basic uniforms (identification, gloves, boots, winter clothing) and equipment needed to perform these tasks.
- Promote line workers with direct knowledge of the work being performed to manage crews of workfare workers.
- Create special all-workfare crews that are managed by these newly promoted regular employees.
- Make a real effort to include workfare employees in the organization's daily life. This includes employee recogni-



tion programs and recognition of workfare contributions in routine messages from management about the organization.

- Provide substantial and meaningful opportunities to find full-time regular employment both within and outside the Department. Provide training both in marketable skills and in job readiness — appearance, punctuality, and communication.
- Assume that a higher than typical amount of turnover and absenteeism will take place and build crews of sufficient size to perform without all members present.
- Create a separate organizational unit within the Parks Department to deal with the unique personnel, paperwork, and training needs of workfare workers, but then assign these workers to work units within the regular operational command structure. ■

### About Steven Cohen

Steven Cohen is the vice dean of Columbia University's School of International and Public Affairs. From 1985 to 1998, he was Director of Columbia's Graduate Program in Public Policy and Administration. From 1987 to 1998, he was also associate dean for Faculty and Curriculum at the School of International and Public Affairs.

He is a graduate of James Madison High School in Brooklyn (1970), Franklin College of Indiana (1974), and the State University of New York at Buffalo (M.A., 1977; Ph.D., 1979). In 1976-77, Dr. Cohen was a Ford Foundation Fellow in Urban Environmental Policy, and in 1978-79, he was a Rockefeller Foundation Fellow in Public and Environmental Policy and Implementation.

Dr. Cohen served as a policy analyst in the U.S. Environmental Protection Agency from 1977 through 1978 and from 1980 to 1981, and as consultant to the agency from 1981 through 1991, and from 1994 to 1996.

Cohen is the author of *The Effective Public Manager* (1988), and the co-author of *Environmental Regulation Through Strategic Planning* (1991), *Total Quality Management in Government* (1993), *The New Effective Public Manager* (1995), *Tools for Innovators: Creative Strategies for Managing Public Sector Organizations* (1998), and numerous articles on public management innovation, public ethics, and environmental management.

Dr. Cohen has taught courses in public management, policy analysis, environmental policy, and management innovation. In 1982, Dr. Cohen developed and has since directed Columbia's Workshops in Applied Public Management and Applied Policy Analysis, which bring practical professional education into the center of Columbia's public administration curriculum. He has conducted professional training seminars in total quality management, strategic planning, project management, and management innovation.

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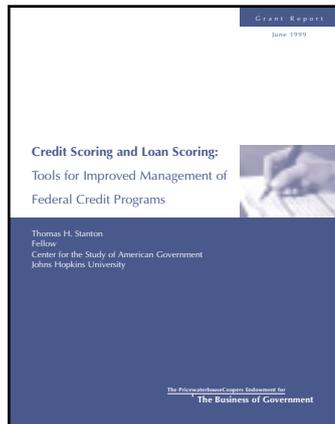
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# Credit Scoring and Loan Scoring: Tools for Improved Management of Federal Credit Programs

By Thomas H. Stanton



New information-based technologies are transforming the credit markets at a rapid pace. Lenders use credit scores and loan scores to generate loan-level information about a borrower's propensity to repay a particular loan. They measure the borrower's creditworthiness against a representative database, and use the resulting information to decide whether a loan should be made and, increasingly, on what terms.

Once the loan is made, lenders and servicers use scoring to help determine the most effective servicing and collection techniques to deal with a borrower who is delinquent or in default on a loan. Finally, credit scores and loan scores help lenders to assess risk and decide which loans and loan portfolios to securitize or otherwise sell, and help to price the sales transaction. When linked to data management systems, scoring-based systems allow lenders to originate and service high volumes of loans with unprecedented speed and accuracy.

Credit scoring and loan scoring create both opportunities and risks for federal credit programs. On the one hand, federal direct loan and loan guarantee programs can adopt some of the new technologies to improve their own credit administration. On the other hand, in today's environment the government will lag the private sector in resources and general capacity to adopt new information-based systems. This increases the prospect for adverse selection as private lenders use credit scoring and loan scoring to serve an increasing number of creditworthy borrowers who formerly would have been borrowers in a federal program.

The grant report presents four recommendations concerning ways that federal credit programs can use scoring to help manage credit risk:

- Major federal credit programs that involve loans of a type

for which scoring is suitable, especially including the single-family mortgage programs of the Federal Housing Administration (FHA) and Department of Veterans Affairs (VA), should create scoring-based systems to provide financial early warning of a deterioration in credit quality of loans being originated under the program.

- Major federal guarantee programs, including the single-family mortgage programs of the FHA, VA, Rural Housing Service, Ginnie Mae, and the guaranteed loan programs of the Small Business Administration (SBA) and Department of Education, should adopt loan-level scoring systems to monitor the quality of performance of institutions that originate and service their guaranteed loans.
- Federal direct loan programs, including federal direct student loans, the SBA disaster loan programs, and Rural Housing Service direct loans, should use scoring to help conduct controlled experiments in improved approaches to loan servicing.
- Federal credit programs, including the FHA single-family and SBA business loan programs should use credit scoring and loan scoring to experiment with improved targeting of creditworthy borrowers for whom traditional credit scores may be inappropriate.

Rapid deployment of scoring-based systems in the private sector means that some federal programs may be at risk if they continue to do business in the old ways. The grant report presents three recommendations for dealing with this change in strategic environment:

- Federal policymakers, especially at the Office of Management and Budget, should encourage appropriate federal credit agencies to make multiyear commitments of resources to adopt scoring-based systems in the context of well-designed strategic plans.
- Federal credit agencies should devote needed resources to assuring that they remain well informed about technological developments and the implications for the markets in which their programs operate.
- Federal policymakers in the executive branch and Congress should consider structural changes to credit programs and organizations to increase their flexibility and capacity to

respond to the many technology-driven changes that affect their ability to serve their public purposes.

Credit scoring and loan scoring offer many possible benefits but also raise public policy concerns that must be addressed. Federal credit agencies already have begun to partner with private lenders to apply scoring-based systems to the origination and underwriting of government-insured or guaranteed loans. FHA, VA, and SBA are incorporating scoring into the loan origination process. The VA also is conducting an experiment with the application of scoring-based systems to loan servicing. Other federal credit agencies are likely to follow soon.

Other important applications include the use of scoring-based systems to develop or enhance financial early warning systems, to monitor lender performance, to improve the targeting of federal credit to the most appropriate borrowers, and to experiment with lending to subgroups of underserved borrowers in an effort to increase their access to credit.

Not all loans benefit from credit scoring or loan scoring. If the probability of default varies largely based upon factors other than the borrower's individual credit, then credit scores do not add much value to credit administration. If loan data are not standardized, or if sound historical data are unavailable, then loan scores will lack predictive value.

Ultimately, the application of new technologies may require some federal credit agencies to develop more flexible organizational structures and programs if they are to continue to serve their public purposes. Leaders of some federal credit agencies, and especially those that benefit from significant external support, may need to begin a process of dialogue with stakeholders as a way to begin to enlist their participation in a consensus that might be built around the need to improve the design of some programs and organizations. ■

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#### About Thomas H. Stanton

Thomas H. Stanton is a Washington, DC, attorney. He is a Fellow of the Center for the Study of American Government at the Johns Hopkins University, where he teaches graduate seminars on the law of public institutions; government and the American economy; and government and the credit markets.

Mr. Stanton's academic, legal and policy experience relates to the capacity of public institutions to deliver services effectively, with specialties relating to federal credit and benefits programs, government corporations and financial regulation. In recent years, he has provided legal and policy counsel relating to the design and operation of a variety of federal government programs.

Mr. Stanton is chair of the Standing Panel on Executive Organization and Management of the National Academy of Public Administration (NAPA) and has helped to teach NAPA's seminar on government enterprises. He is a former member of the Senior Executive Service.

His writings on government and the financial markets include a book on government-sponsored enterprises, *A State of Risk* (HarperCollins, 1991), and numerous articles. He is a member of the Advisory Board of a journal, *The Financier: Analyses of Capital and Money Market Transactions*.

Mr. Stanton earned a B.A. degree from the University of California at Davis, an M.A. from Yale University, and a J.D. from the Harvard Law School. The National Association of Counties has awarded him its Distinguished Service Award for his advocacy on behalf of the intergovernmental partnership.

## [ AWARD WINNERS ]

## Spring 1999 Grant Award Winners

In April 1999, The PricewaterhouseCoopers Endowment for The Business of Government announced the award of nine research grants, seven in the United States and two in Canada. All research grant award winners will produce a monograph on their topic that will be published by the Endowment.

### Gerald Barkdoll

*School of Public Administration*

*Washington Center*

*University of Southern California*

**Project Title:** "Applying Balanced Scorecard Principles to Public Sector Organizations"

**Description:** This project will address the applicability of the Balanced Scorecard (BSC) approach to public sector organizations that are implementing performance measurement and management initiatives, such as the Government Performance and Results Act (GPRA). This research will assist public managers in making informed decisions about when and where the application of BSC principles would be effective and efficient for their organization.

### Ray Blunt

*Council for Excellence in Government*

**Project Title:** "Best Practices for Developing Effective Public Service Leaders for the Next Generation"

**Description:** The current imperatives within public service are creating the need for leaders with the ability to bring about large-scale change. This research will focus on the practices of public sector leaders and organizations with a track record of developing other leaders while also producing significant organizational change.

### Jim Cutt

*School of Public Administration*

*University of Victoria*

### Christopher Corbett

*Health Information Science*

*University of Victoria*

**Project Title:** "Integrated Performance Accountability and Resource Allocation Decision Making"

**Description:** This research will explore how public sector and non-profit organizations perceive accountability for performance on the basis of available information, and how this

performance assessment affects decisions regarding resource allocation.

### Dwight V. Denison

*Robert F. Wagner Graduate School of Public Service*

*New York University*

**Project Title:** "An Assessment of States' Investment of Idle Cash"

**Description:** This research will examine state governments' investment of temporary cash balances and will compare public sector practices with corporate investment practices. This research will provide state investment managers with information on improving return on investments by considering various securities and effective strategies employed by other states earning above-average returns on their investment of idle cash.

### William B. Eimicke

*School of International and Public Affairs*

*Columbia University*

**Project Title:** "Using Competition to Improve Public Services: A Practical Strategy or Pleasing Rhetoric?"

**Description:** This research will focus on the lessons learned during the first year of welfare-to-work managed competition in San Diego County, California, where for-profit, non-profit and government organizations competed for welfare-to-work case management service contracts in an effort to cut costs and improve the quality of services. The lessons learned from San Diego will be used to make recommendations for other jurisdictions that may consider introducing competition to the public sector.

**Gerald T. Gabris**

*Division of Public Administration  
Northern Illinois University*

**Douglas M. Ihrke**

*Department of Political Science  
University of Wisconsin-Milwaukee*

**Project Title:** "Measuring Leadership in Public Organizations"

**Description:** This research will examine the links between leadership characteristics and successful change efforts in the public sector. The result of this research will be the creation of practical training tools to assist public managers in meeting the challenges of the 21st century. Currently, few materials exist, resulting in a shotgun approach to advanced leadership training for public managers.

**Mel D. Gill**

*Gloucester, Ontario Canada*

**Project Title:** "Improving Governance of Non-Profit Organizations"

**Description:** This project will examine the intersection between the non-profit boards and their governance style, and the impact of the board on the organization's delivery of services. This research will result in the production of a practical guide for improving the effectiveness of non-profit boards that will propose a new theoretical framework for understanding boards and governance issues.

**Kimberly A. Harokopus**

*Political Science Department  
Boston College*

**Project Title:** "Entrepreneurial Leaders: Creating the New Defense Procurement System"

**Description:** This research focuses on the government leaders within the Pentagon and the White House who transformed the weapons procurement process from a rule-bound, inflexible, and inefficient system to a more subjective, cost-effective, and innovative public acquisition process. The paper seeks to discover how these public sector leaders injected private sector business methodologies into the traditional federal bureaucracy and offers an illustration of how this government team exemplified leading widespread change and instilling innovation.

**J. Thomas Hennessey, Jr.**

*The Institute of Public Policy  
George Mason University*

**Project Title:** "Web Enabled Government Research Description"

**Description:** The purpose of this research is to examine how state government, specifically the Commonwealth of Virginia, has developed and implemented public policy on the use of the Internet as a new tool and technique for delivering services. This research will be used to determine whether the state of Virginia been successful in: 1) increased customer service; 2) greater access to government services and information; 3) the appropriate level of security for individual information; and 4) continued privacy of personal information by providing services over the Internet.

**On the Frontier**

*continued from page 11*

transactions affecting schools; participation in OSFA programs; and implementing all Y2K systems conversions. OSFA is taking several steps to achieve improved delivery. As an example, it is creating new positive experiences in service delivery by pursuing a business partnership initiative with the Guaranty Agency Debt Management Committee. In another example, it is developing the infrastructure to support lender electronic billing submissions. Other ways to accomplish improved delivery include introducing new electronic products and services that move the OSFA toward the Project EASI vision. Project EASI (Easy Access for Students and Institutions) is a collaborative effort to use cutting-edge technology and business processes to dramatically transform the administration of student financial aid, and improve customer access to information and funding for education beyond high school.

As for reducing delivery costs, improved delivery success indicators include maintaining a minimum loan default recovery rate (10 percent or less); designing a financial management system that supports OSFA management, process, and legislative mandates; achieving clean opinions on financial statement audits; establishing a baseline for overall costs associated with student aid delivery; maintaining a cohort default rate at 10 percent or below; using performance-based contracts on all major new awards; and offering incentives for high performance by OSFA partners.

Success indicators related to transforming OSFA into a PBO include collaborating with partners (schools and financial institutions); developing a human resources and organizational plan with the help of OSFA employees; testing all major new products with users prior to release; delivering a five-year performance plan for the PBO; formulating a PBO budget plan; determining industry best practices in processes, systems, and organizations; establishing customer service improvements; and completing a modernization blueprint for all major PBO processes and systems.

Woods sees the PBO's success as predicated on OSFA's ability to quickly transform into an organization that thinks and acts like a traditional business. He greatly enjoyed his tenure at NPR. "We had the best minds of business and industry available to us. We learned from them and solicited their advice. It prepared me with management best practices from a Who's Who of American business," states Woods. Also, Woods' mix of experience in both the public and private sectors prepared him well for the challenges he faces. "My experience from my days as the CEO of a private sector

company with a good track record really helps. I'm also very lucky that the OSFA has seasoned managers and staff who understand the details of the business, and partners who can help us in planning and implementing our decisions. This way, we can work together to achieve success."

**Hardish Nandra** is a principal consultant at PricewaterhouseCoopers. His e-mail is [hardish.nandra@us.pwcglobal.com](mailto:hardish.nandra@us.pwcglobal.com)

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[ FROM THE EDITOR'S KEYBOARD ]

*continued from page 1*

It is possible to outline some characteristics of a procurement system that would be geared to "buying" knowledge work. A new model might include:

- Improved mechanisms for government to start, expand, alter, or stop work;
- The ability to "purchase" knowledge in smaller, more incremental pieces;
- The opportunity to engage in true problem definition (or what Drucker calls "task defining");
- Innovative ways to give contractors "credit" for "learning while doing"; and
- Increased accountability for contractor performance, including performance-based contracting.

While the above list is not a fully designed procurement system for the purchase of knowledge work, it does provide some ideas as to what such a procurement system might look like. It is my hope that the government and the professional services community will begin to work together to create a new procurement model.

In the words of Peter Drucker, "Knowledge-worker productivity is the biggest of the 21st century management challenges. In the developed countries it is their first survival requirement. In no other way can the developed countries hope to maintain themselves, let alone to maintain their leadership and their standards of living." Let work on a new model begin. ■

**Paul Lawrence** is a partner at PricewaterhouseCoopers and co-chair of the Endowment Advisory Board. His e-mail: [paul.lawrence@us.pwcglobal.com](mailto:paul.lawrence@us.pwcglobal.com).

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### For additional information, contact:

**Mark A. Abramson**

Executive Director

The PricewaterhouseCoopers Endowment  
for the Business of Government  
1616 North Fort Myer Drive  
Arlington, VA 22209

(703) 741-1077

fax: (703) 741-1076

e-mail: [endowment@us.pwcglobal.com](mailto:endowment@us.pwcglobal.com)

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