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The Business of Government

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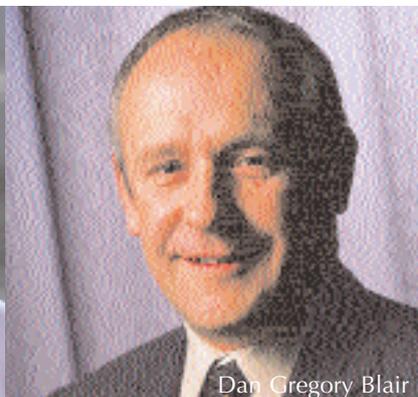
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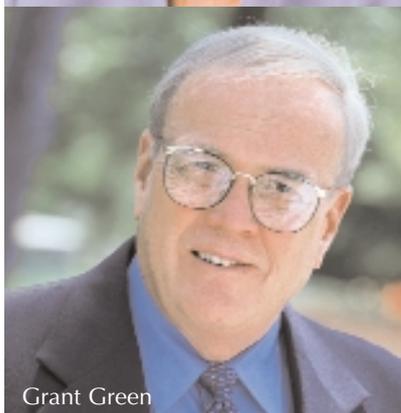
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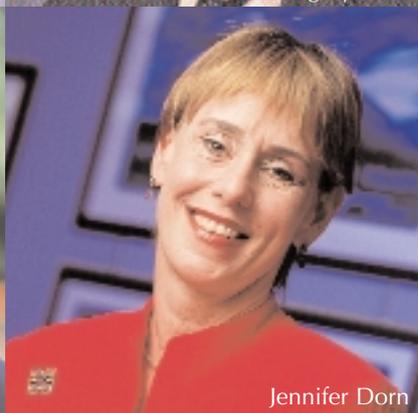
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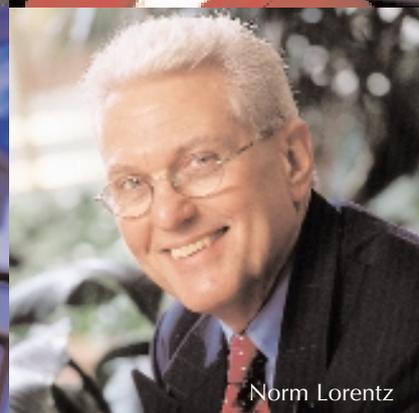
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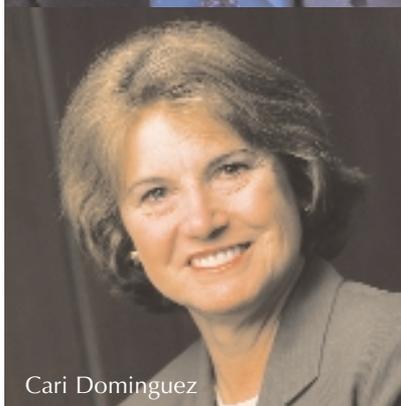
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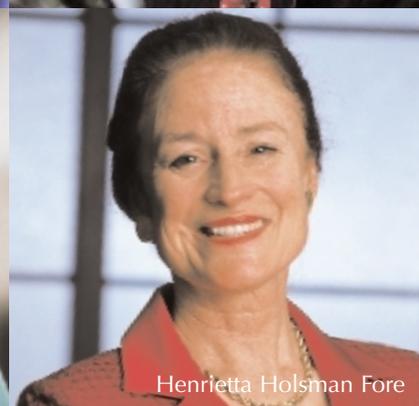
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August 30	Alphonso Jackson, Deputy Secretary, Department of Housing and Urban Development
September 6	Michael P. Jackson, Deputy Secretary, Department of Transportation
September 13	Dr. Leo S. Mackay, Jr., Deputy Secretary, Department of Veterans Affairs
September 20	Kyle E. McSlarrow, Deputy Secretary, Department of Energy

PREVIOUSLY AIRED

- Jim Moseley, Deputy Secretary, Department of Agriculture
- Claude A. Allen, Deputy Secretary, Department of Health and Human Services
- Samuel W. Bodman, Deputy Secretary, Department of Commerce
- D. Cameron Findlay, Deputy Secretary, Department of Labor

The Business of Government Hour's interviews are available via Real Audio on the Center's website at www.businessofgovernment.org

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By Paul Lawrence



It has been a quick five years. In 1998, we had a simple idea: creating a program that would provide grants to outstanding academic and nonprofit scholars across the nation to undertake research on the major management challenges facing government. We were not sure how well the idea would be received, but we decided to

give it a try. To our pleasant surprise, it was well received. The IBM Endowment for The Business of Government has been highly successful in accomplishing our original goal: stimulating top-notch research on government management. As the cliché goes, the rest is history.

Since the Endowment opened its doors in July 1998, we have awarded 180 grants to individual scholars. The grants have resulted in over 100 research reports to date. On pages 69–75 of this issue of *The Business of Government*, you can learn about recent reports. If you have never read an Endowment report, we encourage you to do so. An order form is on page 76. We also encourage you to subscribe to *The Business of Government* if you have not been regularly receiving this publication. All you need to do is to mail us the subscription form enclosed in this issue.

If I have learned anything during my career in professional services, it is that change is constant—that one must always expect change, welcome it, and embrace it. So I am pleased to announce another major change in the history of the Endowment: our new name. As of July 2003, the Endowment becomes the IBM Center for The Business of Government. The new name was needed because we have expanded our activities beyond our original mission: providing grants to outstanding scholars. While the Center will continue supporting scholars across the nation, we will also continue to undertake a variety of related activities that have been added since our creation in 1998. I would like to outline these other activities, which might not be as well known to you as our research program.

In 1999, we launched a weekly radio show, *The Business of Government Hour*, in which we interview outstanding government leaders about innovation and best management practices in their organizations. Since the show premiered, we have interviewed nearly 130 government leaders. The

show airs weekly on Saturday mornings on WJFK-FM (106.7). In June 2003, we moved to a new time: 9:00 a.m. This issue of *The Business of Government* presents articles based on 17 of our recent shows. Recently, I enjoyed the unique opportunity to interview nine deputy secretaries—the federal government's chief operating officers. I hope you learn as much from this outstanding group as I have. We are devoting nine weeks to broadcasting our interviews with this important group of government leaders.

In addition to our weekly radio show, the Center will also continue to frequently sponsor seminars and our annual Business of Government Lecture. This issue of *The Business of Government* contains our recent lunch conversation with Representative Tom Davis, chair of the House Committee on Government Reform. From our conversation with Chairman Davis, we learned about his extensive reform agenda for government management in the year ahead. In April, we hosted another seminar in which Under Secretary of Defense for Personnel and Readiness David Chu described the Defense Transformation for the 21st Century Act and the personnel reforms contained in the proposed legislation. Throughout the remainder of 2003, we plan to host additional seminars in which the Center will serve as a forum for discussion of the many significant management reforms now under consideration throughout government.

Finally, we “opened” our website in late 1998. Since then, we have continued to make additional changes and refinements. And we plan to make more improvements to make it easier for you to obtain the most recent Center reports. If you haven't done so, visit us at www.businessofgovernment.org.

As you can see, we have come a long way from our original idea of supporting scholars. We are excited about the next five years and about continuing to develop and communicate new ideas for improving the management and performance of government. Our new name, the IBM Center for The Business of Government, reflects this larger mission. It should keep us busy. Stay tuned!

Paul Lawrence is partner-in-charge, the IBM Center for The Business of Government, and partner, IBM Business Consulting Services. His e-mail: paul.lawrence@us.ibm.com.

Four Trends Transforming Government

By Mark A. Abramson, Jonathan D. Breul, and John M. Kamensky

The Four Trends Transforming Government

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Changing rules
- 2 **Trend Two:**
Emphasizing performance
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Improving service delivery
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Increasing collaboration

Government is now being transformed. In governments around the world—at the federal, state, and local level—major change is taking place in how government operates and does business. It is clearly not business as usual. Since 1998, the IBM Center for The Business of Government (formerly the IBM Endowment for The Business of Government) has been studying the substantial changes now under way in government. Based on five years of research on the changing ways of doing business in government, the Center has identified four significant trends that are now transforming government: trend one: changing rules; trend two: emphasizing performance; trend three: improving service delivery; and trend four: increasing collaboration.

This transformation is being driven, in part, by advances in technology that have resulted in significant changes in the operation of organizations in both the public and private sectors. The technology budget for the federal government has doubled in the past five years to about \$60 billion. Technology should now be viewed not only as a fundamental tool for government but also as a driver for transforming the operations of government. For example, the Internal Revenue Service is shifting from an organization managing over a billion pieces of paper each year to one now managing millions of paperless electronic tax filing transactions—and increasing customer satisfaction dramatically.

Just as the past five years have seen a shakeout in the business world with a substantial reduction in new start-up companies, there has been a shift in government from a focus on innovation to a more disciplined execution of a smaller number of key drivers of management transformation. The spear point for this approach is the President's Management Agenda, which focuses on five interrelated initiatives intended to transform the basic operations of federal agencies. The President has turned to the deputy secretaries, the federal government's chief operating officers (COOs), to lead this effort in their own departments and agencies. Through the President's Management Council (PMC), the COOs work in subcommittees to oversee the administration's progress in human capital, competitive sourcing, financial performance, e-government, and budget and performance integration. This issue of *The Business of Government* includes interviews with eight of the deputies, who describe their experiences in leading this reform effort.

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Trend One: Changing Rules

The first major trend transforming government involves the various efforts now under way to change the “rules of the game”—the formal laws, informal norms and practices, and organizational structures—that create and shape the actions of civil servants and citizens. The “rules of the game” relate to core public sector institutions, such as civil service systems, procurement practices, budgeting, and financial management. Governments are increasingly discarding one-size-fits-all approaches, and permitting more “managerial flexibility” with customized and

tailored operating procedures and approaches to delivering services. Providing program managers with more managerial flexibility in combination with holding them increasingly accountable for performance (trend two) appears to be a powerful incentive for encouraging results-based management. Additionally, providing managers with such authority gives those who know the most about an agency's programs the power and flexibility to make those programs work.

Two useful ways of thinking about managerial flexibility are "letting" managers manage and "making" managers manage. The first, "letting" managers manage, is predicated on liberating them from ex ante controls on inputs and operating procedures maintained by central agencies like the Office of Management and Budget or the Office of Personnel Management (especially with respect to financial and human resources). The second, "making" managers manage, is premised on setting clear and reachable targets and holding managers personally and organizationally responsible for improved performance.

Reforming human capital. Reform of the federal civil service system has become a major national issue. After decades of relative stability, the federal personnel system is now in the midst of a period of profound change. Beginning in the 1990s, a number of federal agencies that were experiencing pressure to improve performance were granted special personnel flexibilities. The Internal Revenue Service (IRS), for example, received significant human resource flexibilities as part of the IRS Restructuring and Reform Act of 1998. Since passage of that law, the IRS has made remarkable strides in modernizing its structure, its business practices, its technology, and the processes by which it collects taxes. The human resource management (HRM) flexibilities provided in the reform act were critical to the success of that transformation. In their report for the Center, James R. Thompson and Hal G. Rainey write, "The scope and nature of the HRM changes at IRS exemplify many of the ideas associated with strategic HRM and human capital philosophy. One of the tenets of strategic HRM is that practices must be 'tailored' to an organization's particular mission, technology, and culture. IRS leadership has designed and implemented the new set of HRM practices to support organizational transformation as well as to reinforce the values and practices upon which that transformation is based."

The IRS's use of special authorities has not been without controversy. There have been complaints from some senior career civil servants that executives hired under the new special authority are receiving a higher level of pay than members of the career Senior Executive Service. Yet, special recruiting authorities have proven to be a valuable addition to the agency's hiring portfolio.

A major issue in the debate over the creation of the Department of Homeland Security was the amount of managerial flexibility to be given to the new department in the areas of hiring, firing, promoting, moving, and retaining federal civil servants. The Homeland Security Act of 2002 authorized significant changes in the management of human capital. Congress and the President exempted the Department of Homeland Security from key provisions of the federal civil service law, including those relating to compensation, classification, hiring, and promotion. In addition, on a government-wide basis, the same law did away with the "rule of three," an artifact of federal hiring practices that dates back to the 1870s.

Pentagon officials are now busy working with Congress to get approval for a plan to overhaul World War II-era personnel policies for civilian Department of Defense (DoD) employees. DoD is seeking a new personnel system that has the capability to respond



TO LEARN MORE ABOUT

The Internal Revenue Service Transformation

A Weapon in the War for Talent: Using Special Authorities to Recruit Crucial Personnel (December 2001)
Hal G. Rainey

Government Management of Information Mega-Technology: Lessons from the Internal Revenue Service's Tax Systems Modernization (March 2002)
Barry Bozeman

Modernizing Human Resource Management in the Federal Government: The IRS Model (April 2003)
James R. Thompson and Hal G. Rainey



TO LEARN MORE ABOUT

Human Capital Reform

Human Capital Reform: 21st Century Requirements for the United States Agency for International Development (March 2003)

Anthony C. E. Quainton and Amanda M. Fulmer

Human Capital 2002 (Rowman & Littlefield Publishers, Inc., 2002)

Mark A. Abramson and Nicole Willenz Gardner, editors

more quickly and creatively to new demands placed on the department. Details of the wide-ranging plan include switching to a pay-banding system, implementing a separate pay structure for managers, modifying job classifications, changing hiring authorities and pay administration, and using a pay-for-performance evaluation system and new reduction-in-force procedures. Many of the personnel flexibilities in the proposed legislation mirror those that were created for the Department of Homeland Security. At an April 2003 forum sponsored by the IBM Center for The Business of Government, Under Secretary of Defense for Personnel and Readiness David Chu said, “The current system is not agile enough. The civil service system has the right values, but its processes are outdated.”

The National Aeronautics and Space Administration (NASA) is also seeking personnel flexibilities, with proposed legislation that would allow the agency to pay bonuses for recruitment and relocation of employees. It would also allow exchanges of NASA personnel with private companies and other organizations, as well as create a scholarship program for graduate students who want to work with the space agency.

Even without further statutory flexibility, other federal agencies are taking important steps to examine their human resource requirements and to identify personnel policies in need of reform. The U.S. Agency for International Development (USAID), for example, has focused on a range of workforce issues in the context of America’s worldwide responsibilities. The role of USAID in U.S. global security strategy and its implementation requires a cadre of talented, dedicated, and well-trained professionals. In a report

Why the Center?

By 1998, government—at all levels—had witnessed a decade of rapid change and innovation. While tales of great deeds and reinvention had become folklore among government executives, there was little systematic understanding of what had actually occurred during the preceding decade and what had been the impact of this increased emphasis on change. To document and better understand the impact of change and reform in government, the IBM Center for The Business of Government (formerly the IBM Endowment for The Business of Government) was created in July 1998.

The primary focus was the research program, to which leading researchers in the academic, nonprofit, and journalism communities across the nation could apply. Recipients of the \$15,000 research stipends produce a 30- to 40-page research report in a six-month time period. The Center publishes these reports and widely disseminates them to managers at all levels of government. Since its creation, the Center has awarded nearly 180 stipends to experts in the field of public management and published over 100 reports to date.

To download or order a copy of a report cited in this article, visit the Center’s website at www.businessofgovernment.org or call (703) 741-1077.

for the Center based on a Thought Leadership Forum held in October 2002, the National Policy Association states, “An overarching conclusion of the participants was that the constraints that have been imposed on USAID by the Department of State, the Office of Management and Budget, and Congress have had a seriously adverse effect on USAID’s ability to recruit, train, and reward its employees, and have reinforced a perception among USAID employees that they enjoy stepchild status within the foreign affairs community.”

Changes in personnel rules have not been limited to the federal government. As the debate over how to fix the civil service has played out nationally, states—for the most part—have adopted incremental approaches to reform. Specifically, many states have adopted reforms such as streamlining testing, simplifying job classifications, and building more flexibility into compensation systems. They have proceeded with such reforms sometimes in cooperation with organized labor but more often with some form of opposition, or at least considerable skepticism.

While dozens of states have done some form of chipping away, three states decided that incremental change wasn’t good enough. The three—Texas, Georgia, and Florida—came up with a more radical prescription for fixing civil service: “Blow it up.” All three states changed the way they recruit, hire, promote, classify, and compensate state employees. While it is too early to assess the Florida experience, which was just initiated in 2001, civil servants and human resources executives in the three states are pleased with the reforms. Personnel officials and hiring authorities are relieved that they no longer suffer the dictates of a highly structured, centralized, rule-driven system. In his report for the Center, Jonathan Walters notes, “... the current evidence around the impact of such sweeping change will no doubt be tantalizing to state officials who have long chafed under what they view as long-outdated—even archaic—personnel rules and regulations. Moreover, at a time when competition for quality employees is on the rise and state governments are facing a potentially significant wave of retirements, evidence of the benefits of substantial rollbacks in civil service might prove quite tempting.”

Improving financial management. The federal government has a long history of adopting and adapting successful and prudent business practices from the private sector. This is best illustrated in the financial management arena by the enactment of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act (GMRA) of 1994 with its requirements for agencies to undergo financial audits similar to those in the private sector. Agency efforts to get and keep clean audit opinions have been supported by policies and practices that make use of key organizational factors and management strategies: leadership support, positive resource allocations, constructive partnerships with auditors, cooperation with function and line managers, short-term systems solutions, and extraordinary effort. In his report for the Center, Douglas Brook writes, “Clean audit opinions have been achieved more often by agencies with fewer institutional impediments. Consideration must be given to institutional factors ... in setting goals and evaluating the performance of agencies in implementing the CFO Act and GMRA.”

This increased emphasis on measurement—linked to the Government Performance and Results Act and the rise in the number of franchise funds and reimbursable programs—has made it necessary for federal executives to develop new methodologies to understand and document the “true costs” of providing services within their own organiza-



TO LEARN MORE ABOUT

Civil Service Reform at the State Level

Life after Civil Service Reform: The Texas, Georgia, and Florida Experiences (October 2002)
Jonathan Walters

Financial Management Reform

Audited Financial Statements: Getting and Sustaining “Clean” Opinions (July 2001)
Douglas A. Brook

Using Activity-Based Costing to Manage More Effectively (January 2000)
Michael H. Granof, David E. Platt, and Igor Vaysman

An Introduction to Financial Risk Management in Government (August 2001)
Richard J. Buttimer, Jr.

Efficiency Counts: Developing the Capacity to Manage Costs at Air Force Materiel Command (August 2003)
Michael Barzelay and Fred Thompson

TO LEARN MORE ABOUT

Procurement Reform

A Vision of the Government as a World-Class Buyer: Major Procurement Issues for the Coming Decade (January 2002)
Jacques S. Gansler

Managing for Outcomes: Milestone Contracting in Oklahoma (January 2001)
Peter Frumkin

Making Performance-Based Contracting Perform: What the Federal Government Can Learn from State and Local Governments (November 2002, 2nd ed.)
Lawrence L. Martin

IT Outsourcing: A Primer for Public Managers (February 2003)
Yu-Che Chen and James Perry

The Procurement Partnership Model: Moving to a Team-Based Approach (February 2003)
Kathryn G. Denhardt

Contracting for the 21st Century: A Partnership Model (January 2002)
Wendell C. Lawther

Moving to Public-Private Partnerships: Learning from Experience around the World (February 2003)
Trefor P. Williams

Moving Toward Market-Based Government: The Changing Role of Government as the Provider (June 2003)
Jacques S. Gansler

The Procurement Revolution (Rowman & Littlefield Publishers, Inc., 2003)
Mark A. Abramson and Roland S. Harris III, editors

tions and to other units of government. Activity-based costing (ABC) is being used by executives to manage more effectively. Instead of measuring traditional “inputs” of salary and administrative costs, ABC accounting provides a methodology to measure the costs of “outputs.” In their report for the Center, Michael H. Granof, David E. Platt, and Igor Vaysman explain, “Activity-based costing is now an accepted element of the accounting and control systems of industrial and service firms, and it has been employed in both governmental and not-for-profit organizations. ABC is a product of the technological era.”

Another important recent innovation in private sector financial management has been the widespread adoption of advanced risk management techniques. This has allowed corporations to control financial risk much more precisely than ever before. Recently, some government agencies, such as the Government National Mortgage Association (Ginnie Mae), part of the Department of Housing and Urban Development, and the Risk Management Agency of the U.S. Department of Agriculture, have implemented similar techniques. In his report for the Center, Richard J. Buttimer, Jr., contends, “... government will likely come under increasing pressure to adopt, at least in part, private sector financial risk management tools. This will create both opportunities and problems. The opportunity is that, properly used, such tools may well allow for more efficient use of scarce government resources.”

The movement toward managing costs at the Air Force Materiel Command (AFMC) has been chronicled for the Center by Michael Barzelay and Fred Thompson. In describing how General George T. Babbitt created a cost-conscious environment at the Air Force Materiel Command, Barzelay and Thompson write, “By the end of Babbitt’s three-year tour of duty as commander, AFMC managers had accumulated substantial experience with the cost management approach, including the expanded scope of AFMC’s influence over the allocation of resources within a financial management performance framework acceptable to the Air Force.” The question facing other government agencies is whether they will adopt a similar cost management approach, which Barzelay and Thompson characterize as a focus on accomplishments (rather than a focus on inputs) and substantial efforts to maximize productivity and understand costs.

Transforming procurement rules and practices. We are also seeing a revolution in the rules and practices that government uses to procure goods and services. This revolution is being driven by three major transformations in the procurement world:

- Moving from buying goods to buying services
- Moving from a “command and control” relationship between government and contractors to a partnership relationship
- Moving from a paper-based procurement system to electronic procurement

But there is still much to be done in further transforming federal procurement. In his report for the Center, Jacques Gansler sets forth a bold vision for the future: “A highly skilled and innovative government acquisition force, buying high-quality, low-cost goods and services in an efficient and effective fashion from high-quality, low-cost innovative suppliers, with a process that has total public confidence and trust.”

Because of the movement toward buying services rather than goods, one of the major changes now under way is the movement toward performance-based contracting at the state and local levels. State and local governments have begun to use share-in-savings contracting, revenue enhancement contracting, and milestone contracting. In the case of both share-in-savings contracting and revenue enhancement contracting, contractors are incentivized to focus on the accomplishment of processes and outputs that lead in turn to the accomplishment of desired outcomes (reduced service delivery costs and increased revenues).

In the case of milestone contracting, contractor behavior is changed to focus more on performance because output, quality, and outcome performance requirements, as well as incentives and penalties, are automatically built into the contract. In his report for the Center, Peter Frumkin writes, "... it remains true that Milestone has been a remarkably successful innovation in public management. Fee-for-service has long been the chosen method for governments to pay for contracted services under the modern welfare state. But MPS (milestone payment system) has shown that there is a plausible alternative for fee-for-service, an alternative that exchanges the worst incentives of the old system—inefficiency, over-regulation, and poor performance—for the shared risk, greater accountability, heightened autonomy, and high performance of MPS."

MANAGEMENT EDUCATION FOR THE NEXT DECADE

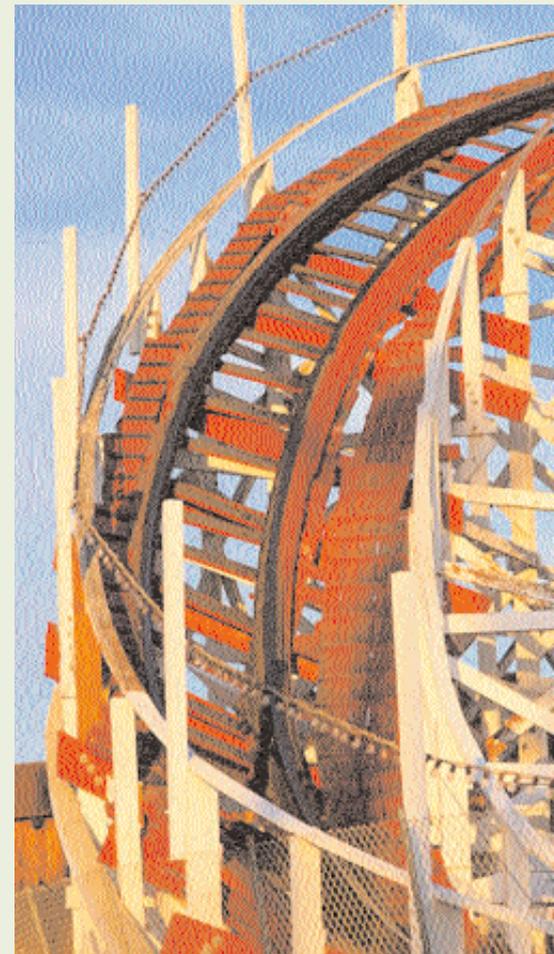
Government leaders can learn about management in a variety of ways. Executives can take classes at Gettysburg National Park to learn management lessons from the Civil War. Executives can visit leading corporations across the nation, including IBM, to benchmark best practices. Disney World offers classes on customer relations. There is also no shortage of universities offering classes in the latest management technique or approach.

Based on our assessment of the four trends transforming government over the next decade, we recommend a different approach to management education. Our recommendation is a visit to nearby Six Flags America, Kings Dominion, or Busch Gardens to ride the latest roller coaster. We believe that the next decade will best be characterized by a topsy-turvy ride for government leaders. There will be many ups and downs as government learns to respond to the transformation currently under way.

Each of the four trends discussed in this article will require a steep learning curve and will be characterized by constant learning and adaptation. Government leaders will have to learn to live with and effectively use the new "rules" in human capital, financial management, procurement, and organizational reform. Mistakes will be made and some adjustments to the new rules must be expected. The emphasis on performance will also require trial and error as government learns how to measure performance and reward or penalize executives for that performance. New approaches to service delivery will continue to be controversial, and government may change its current stance on the delivery of services by non-traditional organizations, not just once but several times. Finally, increased collaboration will also require a steep learning curve as government learns how to partner with non-profit and profit-making organizations.

While a trip to Gettysburg or a major corporation will certainly be a learning experience, we also recommend you consider a trip to your local amusement park to experience a roller coaster. Enjoy the ride! Your life in government in the years ahead might very well resemble that ride.

Mark A. Abramson, Jonathan D. Breul, and John M. Kamensky



The federal approach to performance-based contracting suggests that positive and negative incentives should be included in a performance-based contract when the contract is mission critical or when the contract involves the expenditure of a large amount of public funds. With fewer policies, procedures, and guidelines on how to construct performance-based contracts, state and local governments have greater freedom to think “outside the box” and to experiment with various performance-based policies, practices, techniques, approaches, and tools. A growing number now include incentives and penalties as a major motivational factor in changing the behavior of contractors to focus more on performance. State and local governments are now making frequent use of incentives and penalties regardless of mission criticality or the dollar value of the contract. In his report for the Center describing the potential impact of performance-based contracting, Larry Martin notes, “A goal of PBC (performance-based contracts) is to make *less use* of design specifications (input and process) and *more use* of performance specifications (outputs, quality, and outcomes).”

The outsourcing of information technology is another example of the changing nature of the federal procurement process. In the past, governments used a traditional procurement model in which they bought equipment or services and then used a “command and control” approach to the procurement. Under new models, governments are moving toward a partnership in which equipment is leased, and services are managed, not goods. In their report for the Center, Yu-Che Chen and James L. Perry conclude, “IT outsourcing can be rewarding if properly managed. Recently, we have witnessed the growth of technology use in government for the delivery of information and services as well as national security. IT outsourcing is emerging as a way of meeting the demand for quick deployment of advanced technology. Access to skilled personnel, advanced technology infrastructure, flexibility, and cost savings are all driving forces for outsourcing.”

In several recent reports for the Center, various aspects of a new partnership model have been set forth. In her report, Kathryn Denhardt emphasizes the major cultural change required to move to a partnership model: “Contracting in a spirit of partnership is an enormous cultural shift. If change is to be successfully institutionalized, structures, systems, and culture will need to be aligned to support partnership approaches to contracting. This will take strong commitment by leaders and innovators, as well as an investment in training.”

The partnership model will require further substantial changes in the way government writes and implements contracts. In his report for the Center, Wendell Lawther concludes that the old ways of operating will no longer be effective for highly complex activities and that a new style of operating is clearly required. He explains, “If service is highly complex, and understanding of the service delivery means not clear, then the agency and the contractor should enter into a true public-private partnership. ... to be fully effective, the roles of both agency and contractor personnel must change from the traditional contractor-agency relationship that characterizes the low and mid complexity services. All participants must interact as equals.”

The concept of operating as “equals” is indeed revolutionary for government. It was not part of the traditional procurement model. Lawther uses the definition of public-private partnerships (PPPs) set forth by the National Highway Institute that states, “An arrangement of roles and relationships in which two or more public and private entities coordinate/combine complementary resources to achieve their separate objectives through joint pursuit of one or more common objectives.” Lawther notes that nonprofit firms might also become part of a PPP.

The concept of public-private partnerships is not new. Such partnerships have long been used effectively in the building of highways and other large infrastructure projects. In his report for the Center, Trefor Williams describes the various types of public-private partnership models used around the world. He argues that in the future, the use of such partnerships will be driven not only by the shift from buying goods to buying services, but also by government's need to develop innovative funding approaches. Williams writes, "In the decade ahead, a major challenge for government at all levels—federal, state, and local—will be to find and develop new ways to finance and implement large-scale projects. In the future, large-scale projects will not be limited to just highways and infrastructure as they will increasingly include large-scale technology projects. The use of public-private partnerships will offer an increasingly attractive alternative to traditional approaches to the financing and procurement of large projects."

Focusing on organizational reforms. Recently, there has been increased interest in the important topic of the creation or restructuring of government agencies. Two prominent examples are the creation in 2001 of the Transportation Security Administration and the new Department of Homeland Security late last year. In addition, the Federal Bureau of Investigation has recently gone through its own restructuring initiative. Experience provides some lessons about preferred organizational forms. Elements such as leadership, quality of personnel and systems, level of funding, and freedom from unwise legal and regulatory constraints may be as important as organizational structure in the search for solutions to many problems that confront government agencies and programs. In his report for the Center, Thomas H. Stanton sets forth reasons why reorganizations are often needed: "There are a number of sound reasons to create a new organization or to reorganize. These include the need to: (1) combine related programs from disparate governmental units to provide an organizational focus and accountability for carrying out high-priority public purposes, (2) help assure that information flows to the proper level of government for consideration and possible action, (3) change policy emphasis and assure that resources are more properly allocated to support high-priority activities, and (4) determine who controls and is accountable for certain governmental activities."

In his recent report for the Center, Peter Frumkin examines six case studies of public sector mergers—four at the state level, one at the local level, and one at the federal level. In contrast to Stanton, Frumkin does not primarily focus on the decision to merge or reorganize organizations. His emphasis instead is on lessons learned in successfully implementing mergers. Based on his research, Frumkin concludes that managers must focus on five critical areas in implementing mergers: choosing targets wisely, communicating effectively, implementing quickly, creating a new culture, and adjusting over time.

Organizational reform can also include the creation of new government-wide councils or committees. One such organizational innovation was the President's Management Council (PMC). It is composed of the COOs of the federal departments and major agencies. Usually the deputy secretary, the COO reports directly to the agency head and has department-wide responsibility to ensure effective implementation and management of programs and policies. As noted earlier, the PMC is now meeting to implement the President's Management Agenda, address common issues, and avoid wasteful duplication of effort. In her report for the Center, Margaret Yao concludes, "The President's Management Council has proven itself a significant and important vehicle for carrying forward an administration's management agenda. For the first time in the history of American government, a council of deputies, performing new roles as chief operating officers of their departments and agencies, has come together to focus on and lead government-wide management issues."



TO LEARN MORE ABOUT

Organizational Reform

Moving Toward More Capable Government: A Guide to Organizational Design (June 2002)
Thomas H. Stanton

Making Public Sector Mergers Work: Lessons Learned (August 2003)
Peter Frumkin

The President's Management Council: An Important Management Innovation (December 2000)
Margaret L. Yao



TO LEARN MORE ABOUT

Managing for Results

The Challenge of Developing Cross-Agency Measures: A Case Study of the Office of National Drug Control Policy (August 2001)

Patrick J. Murphy and John Carnevale

Using Performance Data for Accountability: The New York City Police Department's CompStat Model of Police Management (August 2001)

Paul E. O'Connell

The Baltimore CitiStat Program: Performance and Accountability (May 2003)

Lenneal J. Henderson

Managing for Results 2002 (Rowman & Littlefield Publishers, Inc., 2001)

Mark A. Abramson and John Kamensky, editors

2

Trend Two: Emphasizing performance

A second major trend involves the increased emphasis on performance throughout government. This summer, the Government Performance and Results Act will celebrate its 10th anniversary. It created a statutory framework for organizational accountability in the performance of missions and programs by requiring departments and agencies to create longer-term strategic plans, develop annual performance plans, and report annually on their performance against those plans. These reports are agency-centric and reflect how agencies are funded; the law did not account for government programs that cut across agencies to provide services to a common set of customers.

For a decade, government has struggled with procedural solutions for improving the performance of its programs. As noted earlier, Congress launched successive waves of government-wide statutes in recent years all aimed at improved federal management, including the Chief Financial Officers Act (1990), Government Performance and Results Act (1993), Government Management Reform Act (1994), Clinger-Cohen Act (1996), and Government Paperwork Elimination Act (1998). The recent focus on performance and results is beginning to help government policy makers move from a fixation on process (how decisions are made) to an emphasis on results (i.e., outcomes that Americans care about). Results-based management provides a way of focusing on what government does, instead of solely on what it spends. Agencies are beginning to hold managers accountable for their contributions to results and recognizing and rewarding these contributions. Equally important, they are beginning to provide managers—those who know the most about the agency's programs—with the power to make those programs work with increased managerial flexibility and authority.

The President's FY 2004 budget represented a major step toward performance-based budgeting for the federal government. As part of the budget process, the Office of Management and Budget (OMB) evaluated the results of 20 percent of all federal programs using the Program Assessment Rating Tool (PART). For the 2005 budget, OMB will assess another 20 percent of the programs, and then use those assessments to inform budgeting decisions, support management, identify program changes, and promote performance measurement and accountability.

Over the past five years, federal, state, and local governments have been developing approaches to link organizational goals to intended results, oftentimes in customer-centric terms and occasionally beyond the boundaries of individual agencies. The Center has documented several of the more innovative approaches.

In the case of the Office of National Drug Control Policy (ONDCP), Patrick Murphy and John Carnevale describe how this organization attempted to create crosscutting goals and measures. ONDCP is responsible for coordinating the efforts of over 50 federal agencies in the war on drugs. In their report for the Center, Murphy and Carnevale note that the system ONDCP put in place "represents the most extensive and systematic attempt to date at measuring performance for a crosscutting issue at the federal level." ONDCP pioneered the use of "logic models" that trace the cause-and-effect interactions between the different elements of the overall anti-drug strategy—such as the interplay between treatment, prevention, and supply-reduction strategies. Since then, the federal government has extended efforts to measure results across agency boundaries in seven other policy arenas, learning from the collaborative process put in place by ONDCP. For example, Murphy and Carnevale recommend starting with a clear sense of mission,

creating a credible process, and designating someone to drive the process. The current efforts led by OMB reflect these lessons.

Two cities have pioneered the use of crosscutting performance management as a way of improving organizational performance. The New York City Police Department attributes the city's 67 percent drop in its murder rate between 1993 and 1998 to its CompStat program. In his report for the Center, Paul O'Connell documents how the Police Department actively uses performance data to create and enforce accountability in each of the police precincts on a weekly basis. He describes how the department shifted from being a centralized, functional organization to a decentralized, geographic organization. By using, as former Mayor Rudolph Giuliani described it, "a computer-driven program that helps ensure executive accountability," the department was able to change its culture to allow greater participation in decision making, leading to more collaborative problem solving between different city departments, such as the housing authority, the subway system, and the district attorney's office.

The success in New York City inspired the Baltimore CitiStat program. There, the same approach was used, but it was extended beyond law enforcement to a range of other city services. In his report for the Center, Lenneal Henderson describes how Mayor Martin O'Malley established the CitiStat program shortly after he took office in 1999. This system requires agencies to generate data on key performance and human resource indicators every two weeks for review by the mayor's staff. It reaches beyond city-funded programs to include state and federal programs targeted to solving the same social challenges, such as reducing the number of children with elevated levels of lead in their blood. By marshalling resources against this problem, the city was able to reduce blood lead levels in children by 46 percent in two years. These kinds of results were replicated in many other program areas. Henderson concludes that CitiStat is an effective strategic planning tool and accountability device for effectively delivering government services to achieve priority social outcomes.

3

Trend Three: Improving service delivery

Ten years ago, the Internet was still a new toy for most computer users and a foreign land to most Americans. Ten years ago, emissions trading and charitable choice were still new concepts of how government might deliver on its mission. It also has been a decade since the term "customer" began to be used in government circles, causing many agencies to rethink how they delivered services to the public. Some agencies, such as the Internal Revenue Service and the Federal Aviation Administration, began to reorganize how they did business to become more "customer-centric" and indeed "citizen-centered," meaning that instead of organizing around the processes they performed, they organized around those they serve.

As a consequence of these disparate events, the mid-1990s was a period of great experimentation in rethinking and improving the delivery of programs and services in many government agencies. Thousands of websites sprang up, hundreds of agency performance goals and customer service standards were bravely announced, and many alternative approaches to service delivery, such as pollution emissions trading, were pursued. Following this "let a thousand flowers bloom" phase, there has been a great deal of consolidation. In the five years since the Center was created, we have documented the development of four approaches to improving government service delivery, highlighting some of the best practices that should be considered for broader use by government executives.



TO LEARN MORE ABOUT

Measuring Performance

Performance Management: A "Start Where You Are, Use What You Have" Guide (October 2002)
Chris Wye

How Federal Programs Use Outcome Information: Opportunities for Federal Managers (April 2003)
Harry P. Hatry, Elaine Morley, Shelli B. Rossman, and Joseph S. Wholey



TO LEARN MORE ABOUT

Delivering Services through the Internet

The Use of the Internet in Government Service Delivery (February 2001)

Steven Cohen and William Eimicke

The State of Federal Websites: The Pursuit of Excellence (August 2002)

Genie N. L. Stowers

State Web Portals: Delivering and Financing E-Service (January 2002)

Diana Burley Gant, Jon P. Gant, and Craig L. Johnson

E-Government 2001 (Rowman & Littlefield Publishers, Inc., 2001)

Mark A. Abramson and Grady E. Means, editors

E-Government 2003 (Rowman & Littlefield Publishers, Inc., 2002)

Mark A. Abramson and Therese L. Morin, editors

Delivering services through the Internet. As noted earlier, the Internal Revenue Service has dramatically changed how Americans approach their tax-filing responsibilities, creating one of the big success stories in government service delivery improvement. An increasing number of Americans are filing their taxes electronically—via phone or the Internet—and find this approach far preferable to the traditional paper filing. It has been so successful that Congress has challenged the IRS to have 80 percent of its filings electronic by 2008.

But this is not an isolated instance of improved electronic service delivery. The Government Paperwork Elimination Act of 1998 set the stage for a more comprehensive approach to electronic government. This law requires virtually all government services to be available electronically by October 2003. To meet this goal, President Clinton directed all agencies to develop a catalog of their existing forms and services. The top 500 forms were placed online by the end of 2000.

In their report for the Center, Steven Cohen and William Eimicke offer a checklist for how a government agency should approach this task. In describing their first checkpoint for developing a web strategy, they write, “There is evidence to suggest that development of a strategy is one of the most important factors in developing successful technological applications.” And that is exactly what the Office of Management and Budget has done. In mid-2001, OMB chartered a task force, dubbed “Quicksilver,” to sort through more than 1,200 ongoing e-government initiatives and develop an overall government strategy. It established several operating principles (“simplify and unify” and “buy once, use many times”). It created a four-part framework (government to citizen, government to business, government to government, and government to employee). The task force designated 24 initiatives to be the priority pilots for this framework and created a governance structure around these projects. OMB is now linking together these projects and others through a broader federal enterprise architecture and an integrated capital investment policy.

While the OMB strategy is still undergoing implementation, observers are already assessing progress. In 2002, the Center published a pair of studies—one on the state of federal government websites and the other rating the functionality of the 50 state web portals. In her report for the Center, Genie Stowers reviewed 148 federal agency websites and found that they are increasingly being designed and organized with the user in mind and were more content- and service-oriented than the first wave of government websites created in the mid-1990s. One of Stowers’ key insights is that “the content and structure of the site should be organized so that those who are unfamiliar with government can find the services and information they need without having to understand how government agencies are structured.”

In their report for the Center, Diana and Jon Gant evaluated state government websites, using slightly different criteria than Stowers did. Oftentimes, state websites are a good predictor of potential future federal trends. The Gants found that states are also providing an increased number of services online, and are going a step further by organizing services around events (such as professional licensing) instead of by the agency in which the services are located. One result might be that as government becomes more accessible online, there will continue to be a greater blurring in citizens’ minds as to which agency, and which level of government, is providing their services. The award-winning FirstGov.gov, the one-stop portal for the federal government, is a case in point. It has a link to state driver’s license agencies to help citizens renew their driver’s licenses, even though this is clearly a state, not a federal government, function.

Delivering services by non-traditional organizations. One of the most controversial changes in the new way government does business is the trend toward the delivery of traditional government services by non-traditional organizations. As with government's experience with entrepreneurship and the use of the Internet to provide services, the public sector is undergoing a significant, often difficult, learning process on how to best deploy and manage contracts to non-traditional service deliverers.

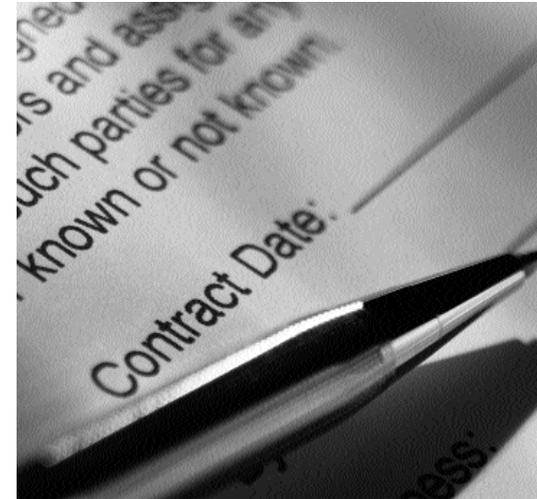
In their report for the Center, Jocelyn M. Johnston and Barbara S. Romzek describe the experience of Kansas in moving to contracts to private and nonprofit organizations for the delivery of social services. While contracting for social services has its own special issues and concerns, similar challenges face all government organizations when they decide to "outsource" a governmental activity to a private or nonprofit organization. Johnston and Romzek urge government officials to take time to carefully consider the design of a contract, as well as staff and cost factors associated with implementation of the contract. Equally important is making clear performance expectations for both the government and the contractor. These expectations, recommend Johnston and Romzek, should be negotiated in advance of awarding the contract.

Another interesting and highly controversial change in the way government delivers services is the delivery of services by faith-based organizations. In their report for the Center, John P. Bartkowski and Helen A. Regis describe Mississippi's experience with the charitable choice initiative contained in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Bartkowski and Regis interviewed 29 Mississippi pastors to probe their attitudes toward the implementation of charitable choice initiatives. Based on the interviews, the authors developed a series of recommendations on how charitable choice type initiatives might best be put in place.

Less controversial has been the creation of Business Improvement Districts (BIDs) across the United States. In his report for the Center, Jerry Mitchell describes how BIDs are a non-traditional approach to the delivery of government services in downtown business areas. Although their legal status and funding sources may differ dramatically, BIDs can generally be described as being largely outside of government and frequently receive funding directly from the users (downtown store owners) being served by the BID. They often are organized as a nonprofit organization, a government corporation, or a public-private partnership.

One of the interesting questions raised by the growth of Business Improvement Districts is whether they represent a new trend in American governance: the practice of charging a specific group of users for additional services they receive above and beyond those typically provided by a government to the general public. There are clearly additional examples of special user fees throughout the nation, but the BID model appears to be different in the scope and nature of the services provided. One can also speculate whether fiscal constraints at all levels of government will drive the creation of more BID-type enterprises.

Delivering government functions through non-regulatory approaches. If there is one policy arena in government that has been highly experimental and innovative in the use of new tools to deliver government programs and implement policies, it has been the environment. Environmental policy has pioneered the use of non-regulatory approaches to pursuing national environmental goals.



TO LEARN MORE ABOUT

Delivering Services through Non-Traditional Organizations

Implementing State Contracts for Social Services: An Assessment of the Kansas Experience (May 2000)
Jocelyn M. Johnston and Barbara S. Romzek

Religious Organizations, Anti-Poverty Relief, and Charitable Choice: A Feasibility Study of Faith-Based Welfare Reform in Mississippi (November 1999)
John P. Bartkowski and Helen A. Regis

Business Improvement Districts and Innovative Service Delivery (November 1999)
Jerry Mitchell

New Ways of Doing Business (Rowman & Littlefield Publishers, Inc., 2003)
Mark A. Abramson and Ann M. Kieffaber, editors



TO LEARN MORE ABOUT

Delivering Services through Non-Regulatory Approaches

An Assessment of Brownfield Redevelopment Policies: The Michigan Experience (November 1999)
Richard C. Hula

Rethinking U.S. Environmental Protection Policy: Management Challenges for a New Administration (November 2000)
Dennis A. Rondinelli

New Tools for Improving Government Regulation: An Assessment of Emissions Trading and Other Market-Based Regulatory Tools (October 1999)
Gary C. Bryner

Improving the Internal Operations of Government

Entrepreneurial Government: Bureaucrats as Businesspeople (May 2000)
Anne Laurent

Franchise Funds in the Federal Government: Ending the Monopoly in Service Provision (February 2002)
John J. Callahan

In his report for the Center, Richard C. Hula describes Michigan's experience in developing an innovative approach to brownfield redevelopment policies. An interesting aspect of the Michigan brownfield experience was the change in the role of the state government agency responsible for overseeing brownfield policies. Hula describes the shift in the Michigan Department of Environmental Quality to being concerned about the redevelopment economic aspects of brownfields, as well as the environmental cleanup aspects. In describing this change, former governor John Engler said, "We have made brownfields attractive by reforming the cleanup laws and offering tax credits and low-interest loans to our communities." In early 2002, Congress enacted the Brownfields Revitalization Act to extend this concept nationally.

In his report for the Center, Dennis A. Rondinelli describes an alternative to the traditional command-and-control orientation for environmental policy. A major goal of environmental policy is pollution prevention. Rondinelli argues that pollution prevention can also be accomplished by voluntary environmental management systems now being used by an increasing number of private sector companies. The specific approach advocated by Rondinelli is eco-efficiency, which seeks not only to reduce waste in manufacturing, but also to reduce the environmental impacts and conserve resources throughout a business's entire operations, from the acquisition of input and raw materials to the final disposal of products by consumers.

In his report for the Center, Gary C. Bryner examines emissions trading and other market-based regulatory tools for achieving improved environmental quality. In this area, the public sector has been highly creative in developing market-based tools for environmental regulation. Examples of such tools include deposit/refund systems, fees, reporting requirements, subsidies, tax incentives, and pollution charges. As with faith-based initiatives, some of these tools are very controversial and have been highly politicized.

Improving the internal operations of government. In 20th century government, a monopoly situation characterized the internal operations of government. Many internal services were delivered "in-house," and employees in those organizations had no choice whether or not to buy those services. Decision making was easy. Each individual government department delivered services to its own employees, who had no choice but to purchase those services. This began changing in the 1990s. A major tenet of former Vice President Gore's National Performance Review was that competition was good and that government employees themselves should have the choice whether to "buy" services from within their own departments or go elsewhere—either to another department or outside of government. Civil servants would no longer be mandated to buy services from within their own department.

In her report for the Center, Anne Laurent describes how civil servants in many agencies across government began to make the shift to become entrepreneurs and to act like businesspeople in response to this drive for internal competition. She describes how "old-line" federal departments, such as the Department of Agriculture, were turning their employees into real-life entrepreneurs selling services both within and outside of the federal government. But the road has not been easy for these government pioneers. Some of the enterprises described initially by Ms. Laurent in 2000 have fared better than others. All have had their ups and downs in responding to a changing world. Her report includes lessons learned about what factors might drive government to continue this trend toward increased public sector entrepreneurship.

In his report for the Center, John Callahan provides additional examples of public servants who have become businesspeople. Callahan focuses specifically on the six franchise funds that were authorized by the Government Management Reform Act of 1994. From the six franchise funds, Callahan selected two for in-depth analysis: Federal Occupational Health in the Department of Health and Human Services and the Department of Treasury Franchise Fund. While there are clearly areas of improvement for each of these two franchise funds, Callahan concludes that the funds are meeting their original expectations and hold promise for continuing the delivery of high-quality services to government organizations. Both funds continue to exist as of this writing and are excellent examples of government “charging” for its own services and engaging in competition for business.

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Trend Four: Increasing collaboration

The Center has also been tracking the evolution of the use of partnerships and networks as a new approach for how government works in diverse policy arenas—an approach that is very different from how government traditionally worked in the 20th century. Citizens increasingly expect government to deliver results—clean air, safe food, healthy kids, safe streets. But the reality is that the challenges of today’s complex society are such that individual agencies and programs cannot succeed in delivering results on their own any longer. The fundamental performance improvement challenge facing government today is for leaders to achieve results by creating collaborative efforts that reach across agencies, across levels of government, and across the public, nonprofit, and private sectors. The key tools for doing this are partnerships and networks. Several recent Center reports begin to summarize why these tools are becoming more prominent, how public managers’ skills will have to change to be successful in managing these partnerships and networks, and how these tools can be used.

In their report for the Center, Robert Klitgaard and Gregory Treverton note that there are two drivers for the increased use of partnerships and networks in the public sector: (1) the communication revolution brought about by technology, which makes collaboration easier, and (2) the shift in societal power to the “market state,” which “respects neither the borders nor the icons of the traditional state.” Additional forces include the changing nature of work from labor-based production to the integration of knowledge-based work. Again, knowledge-based work does not respect hierarchical boundaries. There is also now increased understanding of the changing nature of government in dealing with problems that cannot easily be divided into pieces and addressed in isolation from each other. In addition, the role of government is shifting from a model where it operates programs to one where it takes on more of a developmental or steering role. As Elaine Kamarck notes in her report for the Center, “As bureaucratic government has failed in one policy area after another, policy makers have looked to implement policy through networks instead.”

In his report for the Center, Robert Agranoff explains that operating in networks changes the nature of government organizations and requires executives with different managerial skills than in the past. In a network, a government manager serves as a convenor and becomes a participant, not a leader. In some cases, the government partner in a network may play a mediation role. Resources are more dispersed and cannot be controlled centrally, with program implementation occurring through the partners involved in pooling knowledge and technologies—not through government-owned and -operated programs.



TO LEARN MORE ABOUT

Collaboration

Assessing Partnerships: New Forms of Collaboration (March 2003)
Robert Klitgaard and Gregory F. Treverton

21st-Century Government and the Challenge of Homeland Defense (June 2002)
Elaine C. Kamarck

Leveraging Networks: A Guide for Public Managers Working across Organizations (March 2003)
Robert Agranoff

Communities of Practice: A New Tool for Government Managers (August 2003)
William Snyder and Xavier Briggs

Extraordinary Results on National Goals: Networks and Partnerships in the Bureau of Primary Health Care’s 100%/0 Campaign (March 2003)
John Scanlon

Agranoff also observes that government is not a bystander in a network. It possesses the legitimacy to deal with public problems and policy solutions, retains the authority to set rules and norms, contributes resources, and retains and shares knowledge. As a result, important networks cannot be sustained without a governmental role.

In their report for the Center, William Snyder and Xavier Briggs describe a new tool for public managers called “communities of practice.” This particular type of network features peer-to-peer collaborative activities that build members’ skills. Used successfully in the private sector in large companies, communities of practice are “social learning systems” where practitioners informally “connect to solve problems, share ideas, set standards, build tools, and develop relationships with peers and stakeholders.” As informal networks, these communities complement an organization’s formal units by reaching across organizational boundaries. Because they are inherently boundary-crossing entities, they are particularly suited to large organizations and federal systems.

In his report for the Center, John Scanlon tells the story of how the career leadership within the federal Bureau of Primary Health (part of the Department of Health and Human Services) used a collaborative approach to move beyond the traditional federal agency and program goals to pursue a “national goal” of providing 100 percent of community residents access to quality health care and eliminating health-status disparities between uninsured and insured populations. Because of their professional commitment to improving public health, staff at the Bureau of Primary Health created a self-organized group with a common vision and an impossible goal. In a three-year period, they created a self-sustaining movement of multiple networks with leaders at the national, state, and local levels in pursuit of a common vision with measurable goals.

In summary, the use of collaboration may be an approach allowing public managers greater leverage to achieve national goals. But, as shown in the Scanlon report, the critical element seems to depend more on having the right kind of people involved in the partnership than relying on traditional policy management approaches that depend more heavily on institutional arrangements, legislation, or the budget process. Developing partnerships and networks will be the true challenge of national leaders, whose policy successes are increasingly dependent on the power of collaboration in areas as diverse as homeland security, job training, and poverty.

Looking to the Future

We have learned much during the Center’s first five years, and we plan to continue doing so in the years ahead. Exciting change is happening throughout government, and we want to document and share that knowledge with others in government so they can continue to innovate and learn from the experience of others.

The pressures for government to change and give federal managers more flexibility to do their jobs will not abate. Government will continue to experience rapid and profound change. Indeed, if the past is any guide, change and increased managerial flexibility will be a continuing and accelerating process.

Improving government management remains a complex and difficult assignment—both technically and politically. Management is no longer seen as a centralized, one-size-fits-all, uniform undertaking. Efforts are under way in government organizations to remove barriers to more efficient management, with the expectation of improved accountability and performance. Increasingly, this involves providing managers the resources and

flexibility to achieve results. It is the aspiration of the IBM Center for The Business of Government to continue to serve as a major resource for government executives by providing them with cutting-edge knowledge on the transformation of government now under way in the United States and across the globe.



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A Conversation with the Honorable Tom Davis, Chair, House Committee on Government Reform

In March 2003, the IBM Center for The Business of Government hosted a “Perspectives on Management” seminar with Representative Tom Davis (R-Va.). Mark A. Abramson, executive director of the IBM Center, and Anne Altman, managing director, Federal Government, IBM, moderated the discussion.

On the differences between being a committee chair and subcommittee chair

... as a committee chair, you get your portrait in the big room.

On the House Committee on Government Reform, we have traditionally given subcommittee chairmen wide latitude. So it was very nice to be a subcommittee chairman (on this committee). You had about six or seven staff slots (in the subcommittee). In the full committee, you get about 50. So it's a difference, and it's a wider responsibility.

On being on the District of Columbia subcommittee

I should also note that I was subcommittee chairman during my first term in the House on the least sought after subcommittee: the District of Columbia subcommittee. It was a great opportunity because as a freshman, they hadn't had a freshman subcommittee chairman in 50 years.... We wrote the D.C. Financial Control Board Act and the D.C. College Access Act. I think we did some good. But in addition to that, I got my picture during my first year in Congress on the front page of *The Washington Post*—above the centerfold—12 times, which is a record.

On the jurisdiction of the House Committee on Government Reform

Being from Northern Virginia, I like the Government Reform Committee a lot because it's got procurement issues, civil service issues, the District of Columbia. All are critical to the region's economy. We also have the United States Postal Service.

Let me tell you a little bit about the history of the committee. Throughout the 1800s and early 1900s, this committee was

actually several committees that were all studying government expenditures and scrutinizing government expenditures. In the 1950s, they combined them into one committee called House Committee on Government Operations. Former Representative Jack Brooks really put the committee on the map in the House. John McClellan had a similar committee on the Senate side. During this time period, the House Committee had wide investigatory powers to study the operations of any government agency but not a lot of original jurisdiction. It had jurisdiction over procurement and did a lot of secondary oversight. Investigations became its hallmark.

When the Republicans took control of Congress in 1995, they folded two other full committees into the Government Reform Committee: the District of Columbia Committee and the Post Office and Civil Service Committee. That combination made it into more of a powerhouse. So then it became very attractive to me. Although I went on the Commerce Committee, which is what's called an “A” committee and very sought after, I wouldn't give up my seat on Government Reform to go on the Commerce Committee.

This has been a very polarized political committee because it's been an investigative committee, and particularly with former President Bill Clinton and a Republican Congress, you had Republicans investigating and Democrats defending. Now we're going to still do appropriate investigations, but we are going to tone it down. Our first bill has two Republicans and two Democrats as chief sponsors. I'm trying to work with Henry Waxman, my ranking minority member, and making him as much a full partner to me as possible. I recognize that there are going to be issues we're going to have to argue about, but 80 percent of them we don't have to.

On forthcoming legislation

We have a postal bill coming up in the next couple of weeks that will ensure that the Postal Service doesn't have a rate increase until at least 2007. We have done that by going back and calculating what they're paying into retirement. They're overpaid in retirement, and we're making an adjustment. The bottom line is that the Postal Service has overpaid



into the retirement fund. That ought to be a good thing. You don't have to raise rates. It's a bad thing for the budget because the budgeters had figured they were going to have a rate increase, and now they have to score that. It scores it as a \$25 billion budget deficit, just because that's the way the bean counters came at it. So we have to wait for the budget resolution. This will be our first major piece of legislation.

With procurement reform, we'll be putting forward our Services Acquisition Reform Act. Civil service is probably our top priority. We have a bill that provides a fast track for government reorganization. From 1932 to 1984, presidents could come up with a reorganization plan and send it to Congress, which had to vote it up or down without amendment. That expired in 1984, when you had a Democratic Congress and Republican president. So Congress didn't give the president the authority, and it was never restored.

Reorganization authority makes a lot of sense if you really want to bring reorganization to government. It's hard enough to get the executive branch to take the initiative to reorganize anything. The creation of the Federal Emergency Management Agency [FEMA] was the last major reorganization prior to the Department of Homeland Security. We need this reorganization authority to avoid ... jurisdictional fights and make it easier ... to revamp government and move it into the 21st century—to move it into the information age. We need this authority to make the kind of changes that you could just never get through Congress because of constituencies that want their department to be highlighted....

On human capital

We have a huge problem. Over the next six years, about 60 percent of the quality workforce in some technical areas is eligible to retire. It doesn't mean they all will, but they're eligible to do so. We have got to get an infusion of qualified people in these technical areas, and to do that takes appropriate incentives. It also takes appropriate training.... Pay and training are critical to keeping people [in government] and giving them job satisfaction.... I just met with the Volcker Commission. They came up with a list of principles. One of them was the permanent reorganization authority I mentioned earlier. Splitting the Senior Executive Service is another.

Pay banding or pay for performance is also something that's been talked about. [Pay banding] looks great on paper, but trying to move it through the political land mines is very difficult.

We're going to be holding hearings. We want to bring all the stakeholders together. These are difficult votes for members, so we will need to coordinate with the Senate. I'm not interested in pushing a bill through the House to have it die over in the Senate. If you look at the history, just about everything does die in the Senate. So we will try to work in tandem. Fortunately, George Voinovich is very interested in this on the Senate side. He is the subcommittee chairman over there. Senator Voinovich is the former mayor of Cleveland and was governor of Ohio.

You can broadly sketch out a pay for performance [plan]. You can also look at acquisition reform as a piece of that.

Training has got to be a critical piece. There are other pieces we need to move through the House. But the bottom line is that the civil service as it is today is more of a seniority system than a merit-based system. That discourages a lot of good people from staying in the service. It discourages innovation in a number of ways.

In many ways, the incentives in government are the reverse of what you get in the private sector. In the private sector, the more you can get done with fewer people, the more you are rewarded. In the federal sector, the more people you have under you is the only way you get promoted.... We need to take a look at substantially revamping the system.

So we're going to go through the appropriate processes of holding hearings, talking to stakeholders. You might see another pilot in other agencies. Right now, you have the Federal Aviation Administration and the Internal Revenue Service, which are really two different models on how pay for performance has worked out.... We are going to continue to monitor those experiments and work to move in that direction.

On the role of the House Committee on Government Reform and the Department of Homeland Security

The House has created a select committee to look at the department. We have to go through some jurisdictional

issues. We're setting up a separate appropriations subcommittee to deal with the department. The House is going to make minor changes in other committees. My committee will oversee the procurement and the civil service side. The Department of Homeland Security operates under slightly different rules than the rest of the civil service.

... this is really an unwritten chapter. You're molding a lot of different cultures together and trying to bring them under one roof. It took longer than it should have to pass this legislation. [It's taken] a long time to get it [the department] up and running.

The jury is still out. To a great extent, it's going to depend initially on the leadership of Tom Ridge and his backing from the administration. One of the keys is to try to take all these stovepipes and break them down. At least, they need to communicate and be able to collate information. I think we'll be successful. Over the long term, the Immigration and Naturalization Service continues to be a huge concern for all of us in terms of the way it has operated. Now it is going to be broken up into different pieces. When you add homeland security as a concern in addition to the other concerns, it makes it more complicated.

[The Department of Homeland Security] is very much a work in progress. I don't think we will be able to claim success at the end of a year or two. I suspect that we will need what



Anne Altman (left) with Representative Tom Davis

we call technical corrections. It may take the next two to three years as we work our way through this. It's a real test for the administration in terms of what looks great on paper ... I think it's going to be very, very difficult. We want to try to give them support....

We will have to wait and see. It may turn out very well. It's obviously a critical priority for this country that it work—the impetus it has at this point is the main thing it has going for it. Everything else—inertia, bureaucracy—augurs against its success. But the fact that it is a high priority and has a strong leader in Tom Ridge are real pluses. It's a work in progress, and we'll just have to see.

On merit-based pay

It's easy to talk about a merit-based pay system, but the devil is always in the details. We're having discussions with the administration as we work this out. We are hopeful that lots of input will come forward. And we want to move it along as fast as we can. We think we have a window of two years with Republican control of the House, the Senate, and the presidency.

But you have to understand the way Congress works. We have Republican control of the House. This is our fifth cycle, and in the House you can pass things with a pretty narrow margin. Majority rules and you can move pretty quickly.

In the Senate, nobody controls the Senate. No party controls the Senate. One party presides over the Senate, but with the filibuster you can't even get judicial nominations through. So the Senate operates by consensus. It's usually a 90 to nothing vote or a filibuster, and that makes it difficult to deal with the human capital agenda because some of this is pretty sweeping and is viewed with great suspicion, particularly by some of the federal employee groups. With the budget this year including a 2 percent pay increase for civilian workers and a 4 percent increase for military, it doesn't help the administration's credibility when you're trying to deal with employee groups.

On e-government

... the spirit has been great. It takes a long time between passing an act and then getting the agencies to comply. The Federal Information Security Management Act we wrote took a long time to get enacted. Then it takes a long time to get your managers to understand it and to set standards. Government works really slow in these areas.

I think an important part of the E-Government Act we passed last year is the cooperative purchasing section, which allows General Services Administration schedules to be applied to state and local governments. If you're really talking about

breaking down silos—if you're talking about communication between agencies and levels of government, state and local governments—all government organizations should be able to buy the same set of services from the same schedules as the federal government does. We had a long, hard fight to get this, and it's right now being implemented.

On procurement

Billions are wasted in procurement. I don't think it's anybody's fault, except for a system that right now doesn't give contracting officials the tools they need and the information they need to go out and negotiate. So we end up overbuying, purchasing things we think we want but we don't really need. Communication has been faulty. The contractual vehicles are not everything they ought to be. And sometimes the knowledge base and training base of the people that are out there isn't what it should be. Too often the first item every agency cuts ... is training.

You get good people to come into government, they're competent, they're educated, but three, four, or five years out, and they are no longer on the cutting edge. Our most important assets in the federal government are our people, but we don't act like it. I know at IBM people are your most important asset. They walk out the door every night, and if you lose a good person, you don't know how you're going to get them replaced. We need to do the same thing [in government], particularly in some of these complex areas, and that means changing our rewards and incentives, giving management more flexibility, but also changing the rules a little bit. So I think when it comes to procurement, we can save billions if we get the right kind of system.

Anytime you change procurement rules, you get somebody who benefits and understands the new system and somebody who doesn't. I've seen contracts gone awry, both in the private and government sectors. I think it's usually a little fault on both sides in terms of communication. I don't want to tell you how many contracts I ended up having to litigate or threaten litigation on because we made the change that the contracting officer technical representative wanted, but the contracting officer didn't authorize it. Or going through a "best and final" where you end up with a vehicle that's now outdated and isn't really what the government wants, but they're afraid to change it.

We've come a long way in changing procurement to make it a little better, but I think we need to go that extra mile. It's just going to take people in industry and government who understand this to come forward and say, "Give us the tools. Let's get competent people out there; let's train them; let's pay them." And the winner will be the taxpayers. What

should guide procurement is what's best for the taxpayers, what's the best value we can get. We should not worry about protecting somebody's job here or giving [contracts] to some local company.

[Procurement] has become inefficient because we try to achieve too many policy goals with procurement. Our goal ought to be purely and simply: Let's get the best value for the taxpayer, regardless of where this company is headquartered.

On the impact of the web on government

In state and local governments, when you talk about putting things on the web, you're talking about communicating to your constituents that use government. At the federal level, our biggest problem is communicating between agencies, and communicating with state and local governments that we have to work with on so many issues: health care, education issues. [The federal government] has a long way to go. It's not necessarily the agencies' fault in many cases. It's congressional rules, regulations, and reporting requirements that just don't allow us to operate very efficiently. We have the Federal Paperwork Reduction Act up for reauthorization this year. We'll take a look at how we can streamline some of these areas as well.

So the answer on e-government is, of course we're not where we need to be. I think we're making progress. I think the administration is working hard on it, but this is a very, very tough nut to crack, and it's going to take a while.

On federal pay reform

A first major problem is pay compression. The pay compression issue is a huge issue, and we've got to fix it. We're having people refusing promotions because they don't get any more pay. They just get more headaches and responsibility. The Volcker Commission agrees with this, the administration agrees, and I think that's something that we can undertake early in this session. But everything is about money.... Under those circumstances, giving people more pay is not popular, but I think it's not an insurmountable issue. As I said, the Volcker Commission has recommended it, and there is an agreement that it has to occur.

The second issue is that many government salaries are tied to a congressional pay raise. It's stupid. [Some people in Congress] think that if they don't have their pay tied to somebody else, it's going to be harder for them to vote on their own pay. Right now, you have judges and some Senior Executive Service members' pay tied to Congress. Every year or two you always get some yahoo standing up on the floor saying, "We don't deserve this increase." For a while it was because we hadn't balanced the budget, and then we balanced the

budget and they came up with another reason. For the record, I think Congress ought to get the cost of living adjustment along with everybody else. At a minimum, let's decouple [pay] and not hold the [others] hostage. Let's not hurt some of our most important government managers by holding them hostage to the politics of a congressional pay raise.

Regarding the Federal Employee Pay Comparability Act, there has not been one year that Congress has met the goals originally set under this act. As a result, the differentiation between public and private salaries—instead of getting closer, which is what the legislation originally envisioned—has gotten further and further apart. Obviously, we can't pay comparability salaries to the private sector for everybody, or we'll go broke. What I've explained to union members is simply this, "By default, many of these technology jobs are being outsourced because we don't have in-house capability. Unless you work with us for meaningful civil service reform, you're not going to have a shot at it, because if we don't have the in-house capability, we're not going to get it under these rules. So work with us."

... the people that are complaining the most about outsourcing are unwilling to make the kinds of changes within government structure, that includes pay banding and merit pay, that you need to solve it. We all need to be able to sit and talk intelligently about what works for the taxpayer.

On pay for performance

I think it revolves around individual contribution. I go out and talk to a lot of federal employees at my town meetings. When pay for performance comes up, it has traditionally been resisted—particularly at the union level. They won't say they're against it, but they've never come up with a pay for performance plan they've liked. Even in Fairfax County, they didn't. We tried it for teachers, and the [unions] bought into it initially and then went away from it.

And it's difficult, but the reality is that I talk to a lot of federal employees who are working hard and see somebody who is not working as hard or not producing as much and who may end up messing up. Since it's impossible to get rid of them, they end up in a seniority system getting the same level of pay increase. And that isn't fair either, that's not right, and that doesn't make for the esprit that you want within the workforce.

I think we can find a way to do this. I'm not going to sit down and sketch out a plan and say this has to be it. I'm smart enough to know you have many political land mines on this issue. But what we have out there today is not working for the taxpayer, and, again, our job is to make sure

“COMPETITIVE SOURCING DOES ONE VERY GOOD THING FOR EVERYBODY. IT MEASURES THE GOVERNMENT’S EFFICIENCY BY ... IF THEY HAVE TO COMPETE IT, MANAGERS WHO BEFORE WOULD NOT HAVE BEEN AS INNOVATIVE OR WOULDN’T HAVE WORRIED ABOUT STREAMLINING OR SAVING, ALL OF A SUDDEN THEY HAVE TO PUT THEIR THINKING CAP ON.”

when we deliver a service we do it in the most efficient manner possible.

On competitive sourcing

I don’t like quotas for competitive sourcing. I know it’s a great management tool, but we oppose it on so many other things. I don’t think you can say 15 percent of this or that should be competitively sourced or 20 percent a year. I’m not comfortable with that. They ought to be taking a look at opportunities and moving forward, and maybe it’s going to be over 15 percent or maybe under.

Competitive sourcing does one very good thing for everybody. It measures the government’s efficiency by ... if they have to compete it, managers who before would not have been as innovative or wouldn’t have worried about streamlining or saving, all of a sudden they have to put their thinking cap on. If you go to your managers and you say, “I need you to make some savings for me,” they’ll come back and say, “Here it is, but it isn’t much.” But if you say that if you don’t get these savings, your jobs are going private, you get a different answer.

In Fairfax County, we went to our agency heads and asked them for savings and got peanuts, because who wants to save money for it to go to some manager that overspent their budget? It doesn’t make sense. But then we said, “If you make savings in your budget, we’ll let you keep a portion of that and let you spend it the way you think it ought to be spent.” All of a sudden the savings came in.

There is a lot of ingenuity, a lot of innovation out there, but you have to get a mechanism that encourages managers to use it, to think outside the box, and right now you don’t have those incentives. Competitive sourcing does that.

The fact is, under the A-76 regulations, most of the competitive sourcing stays in the government, but the government ends up doing the job more efficiently than they did it before. The unions will argue, and some federal employees

will argue, and say we ought to take things that are outside government and test those activities performed inside. I don’t have a problem with doing that on a limited basis. You get a feeling when a contract is messed up that maybe we should have done it in-house. But we don’t have the civil service system right now that can sustain that for the most part.

We just don’t have the efficiencies built in under pay for performance that I’d like to have where we can be more proactive. But government shouldn’t be worried about protecting this job or that contractor. We ought to constantly be looking for the best savings for the taxpayer, and that means going both ways.

The reality is that most members of Congress aren’t into competitive sourcing. The only thing they care about is that if one of their local businesses is getting shafted or if the unions come to them and say this is hurting us, then they are reflexively going to vote in a parochial or ideological manner. The reality is, if you’re from Dakota, you care about high wheat prices, that’s your issue, and competitive sourcing is far off.

What we’ve tried to do is establish a strong record. This is the first time the Government Reform Committee has had more members who wanted to go on it than we had spaces for. This has been a committee that’s been a dead-end committee for a lot of members, because they’ve been sitting up there doing investigations and not really been part of the legislative process. Now with Postal Service issues, the authorization of the federal drug program that is of interest to members, the sourcing issue I just discussed—members now want to be on the committee.

As a result of that, we’re getting more enthusiasm and are able to communicate better with our colleagues. The better interest you get, the higher level of understanding, the easier it is to get this to go, because otherwise the interest groups control it, and that’s just deadlock, it’s gridlock.

On political appointees

I think you have too many political appointees. That's one of the recommendations that came out of the Volcker Commission. If you have a good civil service, you should get them involved, whether it's a Republican or Democratic administration. [Civil servants] are people who've spent their entire lives in government. The average Schedule C has been there two years. They learn where their parking place is and the good lunch place is, and then they are gone.

Some [political appointees] make a great contribution—I don't want to minimize it. There is testimony from Republican and Democratic cabinet members who've said that utilizing your civil servants is one of the best things that you can do. Sometimes political appointees get in the way of that and throw [career civil servants] out of the room when they're making a decision. You then lose historical knowledge and perspective ... if we use [career civil servants] right, they can add a lot to the solutions we're trying to get.

We all recognize that when you win an election, "To the victors go the spoils." You've got to have a place to put your people. People spend two years of their lives working on a presidential campaign, and then what do you do with them? That's the question. They become a deputy assistant at the Veterans Administration, and they don't know anything about it, but at least they got a job. We all understand that you have to do some of that.

There are a lot of very good Schedule C's that come in and out of government. While we understand why it happens, what does it accomplish for the efficiency of government? Another problem is that many times the Schedule C's will sit there and think they are running the government and the bureaucracy is the enemy.... History shows that isn't true.... you have a lot of expertise [in the civil service], and if you bring them in the room and invite them to participate, you could probably get better outcomes.

On the impact of the Government Performance and Results Act

I think we could take the Results Act, now its 10th year anniversary ... to the next step. Now that we've asked an agency what they are supposed to do, we should now set some goals and hold agencies accountable for those goals.

The difficulty with the act is that within the executive branch they always did this, and the legislative branch was over here and didn't hold them accountable. This is now the legislative branch coming in and saying we're holding you accountable. Our committee is going to look at this very

carefully and maybe issue some report cards or maybe make some recommendations on oversight of the Results Act.

One of the most important things our committee does is hold hearings and we shine light on things that don't work. Our major investigative arm is the General Accounting Office [GAO]. You will find we're going to do a number of GAO investigations in some of these areas where we're seeing results that don't look anything like the taxpayers deserve. We'll hold appropriate hearings, and if that doesn't get the executive branch moving, maybe we'll do something else.

On sending private sector managers into government

I think it can be very helpful. Of course, you have to resolve the conflict issues.... The Tech Corps—when I introduced the bill, members were saying that's corporate welfare. They were just using all the buzzwords. Unions didn't like it. The fact of the matter is, if you got an acquisition out there you're dealing with or somebody who's working a contract from the federal side and they've had a year at Oracle or a couple of years at IBM or Microsoft and they are up on the latest techniques, it will make it a lot easier for you to deal with somebody who has experience than somebody who's been in government all their life....

Also, for IBM to send somebody into government for a year or two, it will give their employees an opportunity to understand the federal culture better. There's a cross pollination that can occur. [For the federal government], I think you build up an enthusiasm among some of your employees that they can get out of government for a year or two and take a sabbatical and do something that helps them with their long-term career and give them experience outside. That's what the Tech Corps was meant to do. In the Services Acquisition Reform Act, we expand the Corps to technical areas, which I think can be very, very healthy.

I understand the pitfalls about people coming in and making contacts. There are all these members who are afraid some company is going to make a dollar off it, so they get all excited about it. But at the end of the day, you need to understand that we spend so much time in government making sure that nobody steals a nickel—and we're pretty successful at that—that they can't do much of anything else. You just straitjacket employees. We've got to find a reasonable limit where we can tolerate a bad decision here or there, but still get the innovation and you get the kind of thinking that government now stifles. ■

Taking Management Seriously: The Deputy Secretaries

By Lily Kim

A significant development in recent years has been the elevation of “management” in government. Both the Clinton and George W. Bush administrations have emphasized the importance of managing cabinet departments and agencies. This commitment to management—and hiring well-qualified executives—is clearly seen in the designation of the chief operating officer (COO) position in each federal department and major agency. An important innovation was the creation of the President’s Management Council (PMC), composed of these chief operating officers.

In most departments, the deputy secretary was designated as the chief operating officer. Over the last several months, the IBM Center for The Business of Government has had the unique opportunity to talk with eight deputy secretaries and discuss their role as COO of their department. Each recently appeared on *The Business of Government Hour*, the Center’s weekly radio show.

The Bush administration has designated the COOs and the PMC as the focal point for implementing and overseeing the President’s Management Agenda (PMA)—the administration’s strategy for improving the management and program performance of the federal government. The PMA consists of five government-wide goals: strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration.

Claude Allen, deputy secretary of the Department of Health and Human Services, describes the role of the Council in overseeing the PMA: “We come together and hash out the very serious issue of ... where do we put resources across the government, not just as individual departments and agencies, but ... across the government to accomplish those five objectives that the President has laid out.... It is a very dynamic organization and [provides] strong leadership.” In summarizing the role of the PMC, Allen explains simply, “We are tasked by the President with managing government.”

A major trend has been selecting chief operating officers based on their experience managing large public or private sector organizations. In our interviews, all stressed that their previous experiences, while different, prepared them well for their present position. Several commented on their experience in the private sector as excellent preparation for their COO position. One commented on his experience in state government, which gave him a unique perspective on inter-governmental relations. Each came prepared to manage and lead their department in reforming its operation and improving program performance.

The deputy secretaries all demonstrated a powerful blend of dedication and management focus. Each talked about the exciting mission of their department and how improved management could help better deliver services. The following profiles offer a glimpse into the job of the chief operating officer and its crucial role as the administration’s point person on management reform.

To learn more about the President’s Management Council

For a more detailed discussion of the creation and history of the PMC, see the *Center’s* December 2000 report: *The President’s Management Council: An Important Management Innovation* by Margaret L. Yao.

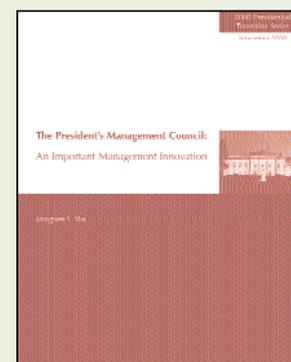
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Claude A. Allen

Department of Health and Human Services

Physicians, nurses, researchers, social workers, and gerontologists—these are just some of the diverse professions under the purview of Claude Allen, deputy secretary of the Department of Health and Human Services (HHS). In describing the mission of the 65,000-member workforce at HHS, Allen says, “We focus largely on those who least can help themselves—the disabled, the elderly, young people, and children.... we impact lives every day, whether it’s the food you eat, payments that are made for child support, when you go to the hospital for the drugs.... So we cover and impact every person’s life in some way, shape, or form every day.”

As deputy secretary, Allen considers himself the “number two” person in the department behind HHS Secretary Tommy Thompson. Like most other deputy secretaries, he is the chief operating officer of the department. Allen explains, “My principal job is seeing that the trains run on time at the department. I spend a lot of time in overseeing the day-to-day management of this vast organization that we have.” This includes managing a budget of over \$500 billion. Allen also spends time focusing on pressing policy issues such as those related to family and youth development, as well as HIV/AIDS prevention both at home and abroad. Currently, Allen is focusing on issues such as bioterrorism and preparedness, and addressing food safety issues with the Food and Drug Administration.

Allen is well equipped for this role. Before joining HHS, he was the Secretary of Health and Human Resources for the Commonwealth of Virginia for three and a half years. In that position, Allen managed 13 agencies with similar scope and issues to HHS, but on a much smaller scale, with only 17,000 employees versus 65,000. This experience provided Allen with a unique perspective on the relationship of HHS with the states. He comments, “The President and Secretary Thompson, both being [former] governors, understand the important partnership that needs to exist between ... the federal government and states.” He is currently working to partner with states, rather than dictate to states, on how to improve the quality of health care and the delivery of services.

In his state government position, Allen also learned the importance of communicating across a large and diverse organization. The biggest challenge of his current job has been getting people to communicate across “silos.” Allen reflects, “We have 300-plus programs, and if our programs

CLAUDE A. ALLEN

Department of Health and Human Services

CAREER HIGHLIGHTS

2001–present	Deputy Secretary, Department of Health and Human Services
1998–2001	Secretary of Health and Human Resources, Commonwealth of Virginia
1995–1998	Counsel to the Attorney General and Deputy Attorney General for Litigation, Office of the Attorney General, Commonwealth of Virginia
1991–1995	Associate, Baker & Botts
1990–1991	Judicial Clerk, U.S. Court of Appeals, District of Columbia Circuit
1985–1987	Senior staff member, Senate Foreign Relations Committee

are not speaking together, speaking to each other on common issues that they're all working on, then we're not serving the taxpayers or the people that we're charged to serve in these programs."

Because of these "silos," one of Allen's major roles is bringing people together and fostering collaboration within the department. Allen noted that Secretary Thompson has a vision of HHS as one department, or "one HHS." Allen spends much time meeting with senior management to make sure agencies are coordinating and communicating with each other. This has been especially important in responding to recent events. For example, the department has a new program called Project Bioshield. Allen describes it as "a comprehensive effort to develop and make available modern, effective drugs and vaccines to protect American citizens against attack by biological or chemical weapons, or other dangerous materials or pathogens." This effort, which cuts across the department, involves several agencies within HHS including the National Institutes of Health, the Food and Drug Administration, and the Centers for Disease Control and Prevention.

The job of the leader, according to Allen, is to learn to identify problems and get the organization's team together to develop solutions. The executive must then "drive those solutions through to the end so that you see across the finish line," says Allen. "That is the task of a good manager and good leader."



The Business of Government Hour's interview with Claude Allen is available via Real Audio on the Center's website at www.businessofgovernment.org.

To read the full transcript of *The Business of Government Hour's* interview with Claude Allen, visit the Center's website at www.businessofgovernment.org.

Samuel W. Bodman

Department of Commerce

As one of the "stewards for the free enterprise system," Deputy Secretary of Commerce Samuel Bodman helps implement the mission of the department, which is to be an advocate and facilitator of business in the United States and between the United States and other nations. The priorities of the department include promoting free and fair trade prac-



SAMUEL W. BODMAN

Department of Commerce

CAREER HIGHLIGHTS

2001–present	Deputy Secretary, Department of Commerce
1987–2001	Chairman, Chief Executive Officer, and Director, Cabot Corporation
1983–1986	President and Chief Operating Officer, Fidelity Investments
1970–1983	Various positions, Fidelity Investments
1965–1970	Associate Professor, Massachusetts Institute of Technology

tices, encouraging economic development in distressed communities, protecting intellectual property, and improving the quality of life and productivity of the U.S. economy through research. With an annual budget of over \$5 billion, the Commerce Department is composed of 40,000 employees across the United States and around the world.

Most recently, Commerce has focused on the theme “American Jobs, American Values,” as a way to capture all that the department represents and promotes. Five component ideas are associated with the theme: opportunity, innovation, entrepreneurship, trade, and stewardship. The overarching theme is economic development, which the department fosters in a variety of ways through its programs and agencies. Included in the department are the Economic Development Administration, the National Oceanic and Atmospheric Administration, the International Trade Administration, and the U.S Patent and Trademark Office.

As deputy secretary, Bodman is the chief operating officer at Commerce. He explains: “... early in our tenure, all the deputy secretaries were summoned over to the White House. The President met with us in the Roosevelt Room, and instructed us, ‘You are the chief operating officers of your department and your job is to keep the day-to-day activities of the department running effectively and smoothly, thereby liberating the Secretaries ... to spend time ... working with

me on our priorities.’” Bodman believes that a good deputy secretary should help the Secretary by acting as his or her complement and handling specific high-priority issues so that the Secretary can focus on broader departmental priorities.

A key component of the chief operating officer position is overseeing “accountability” in the department. Bodman states, “Accountability is really focusing on delegating ... [giving] responsibility to individuals and holding them accountable. I meet periodically with bureau managers ... to review their progress.” Bodman has also been responsible for developing annual performance agreements with top managers to ensure individual accountability. “Like any other management job, in order to ensure accountability, it really takes shoe leather.... It takes personal time, face time ... and that’s really what my job is.”

Another area of focus for Bodman has been the President’s Management Agenda. The department has undergone several major reforms, including a workforce restructuring plan and an integrated financial management plan. Components of the workforce restructuring plan include a revamped Senior Executive Service candidate development program, a new online training system, and an enhanced web-based hiring system. In addition, several Commerce bureaus have undertaken their own restructuring plans, including the Economic Development Administration, the U.S. Patent and Trademark

ON THE PRESIDENT’S MANAGEMENT COUNCIL AS A “SUPPORT GROUP”

“I MIGHT SAY [THAT THE PMC] HAS SERVED AS A VERY EFFECTIVE SOCIAL ORGANIZATION IN THE SENSE THAT THE DEPUTIES HAVE GOTTEN TO KNOW ONE ANOTHER. ... IF I HAVE A PROBLEM IN ANOTHER AGENCY, I KNOW MY COUNTERPART THERE. I’VE SPENT TIME WITH HIM OR HER, AND IT’S EASY TO PICK UP THE PHONE AND TALK TO SOMEBODY THAT I’VE WORKED WITH AND COME TO KNOW ... PERSONALLY ... [THIS] HAS BEEN A VERY EFFECTIVE OUTCOME OF ALL THIS.”

Samuel W. Bodman
Deputy Secretary, Department of Commerce

Office, and the Minority Business Development Administration. All of these efforts have earned Commerce high marks for progress on implementation of the President's Management Agenda, including four "green" ratings.

Bodman believes his tenure at Fidelity Investments best prepared him for his current position. At Fidelity, he served as president and COO and formed a good working relationship and partnership with the chairman, in which they divided responsibilities and activities. This experience assisted him greatly as deputy secretary in being able to provide Secretary of Commerce Don Evans with a "unified and effective partnership."



The Business of Government Hour's interview with Samuel Bodman is available via Real Audio on the Center's website at www.businessofgovernment.org.

To read the full transcript of *The Business of Government Hour's* interview with Samuel Bodman, visit the Center's website at www.businessofgovernment.org.

D. Cameron Findlay

Department of Labor

The Department of Labor is the principal government agency involved with protecting workers in the workplace. Agencies within the department include the Employee Benefits Security Administration, Occupational Safety and Health Administration, the Mine Safety and Health Administration, the Office of Labor and Management Standards, and the Employee Benefits Security Administration. There are 17,000 employees at Labor in over 570 locations all over the country. The second-in-command is Deputy Secretary Cameron Findlay.

Like many other deputy secretaries, Findlay discovered that the job is somewhat "undefined" as "it depends on the relationship with the Secretary." Some of his time is spent dealing with "operational issues that we don't want to trouble the Secretary with." Another major aspect of his job is running the Labor Department's budget process and regulatory process. This means that Findlay is responsible for putting together the budget each fiscal year, submitting it and working with the Office of Management and Budget until the budget is sent to Congress. Findlay also co-chairs the Policy Planning Board, which is composed of all agency heads. The board, which meets weekly, is the body that reviews all departmental regulations and new policy initiatives.



D. CAMERON FINDLAY

Department of Labor

CAREER HIGHLIGHTS

2001–present	Deputy Secretary, Department of Labor
1993–2001	Partner, Sidley Austin Brown & Wood
1991–1993	Deputy Assistant to the President and Counselor to the Chief of Staff
1989–1991	Counselor to the Secretary, Department of Transportation
1988–1989	Law Clerk, U.S. Supreme Court
1987–1988	Law Clerk, U.S. Court of Appeals for the District of Columbia Circuit

Like his counterparts, Findlay is also responsible for the implementation of the President's Management Agenda, which has experienced great success at Labor. When asked about the department's achievements regarding the PMA, Findlay remarked, "I'm proud to report that the Department of Labor has the best scores in the federal government on the President's Management Agenda." To achieve these scores, the department made major changes to its financial management to help prevent erroneous unemployment insurance payments, which cost the government billions of dollars a year. This was done by working with states to identify erroneous payments through access to state and federal databases. Labor also has made major strides in e-government, and is the managing partner in what Findlay describes as the "most successful e-gov initiative": the govbenefits.gov project.

However, he did remark that one of the biggest challenges of meeting PMA goals is that most cannot be resolved in the short term. For example, correcting erroneous payments will take the department years to fully resolve.

Managing a large and diverse organization like Labor is a challenge. Tying together the department are four strategic goals: a *prepared* workforce, which reflects the department's mission of training dislocated workers; a *secure* workforce, which involves the department's mission of providing unemployment insurance to workers; a *quality* workforce, which means that workplaces are safe, free from discrimination, and pay fairly; and lastly, making sure all the department's regulations, laws, and policies are suited for the *21st century economy*.

ON THE E-GOVERNMENT COMMITTEE OF THE PRESIDENT'S MANAGEMENT COUNCIL

"... I'M CHAIR OF THE E-GOVERNMENT COMMITTEE OF THE PMC. WHAT WE'VE TRIED TO DO WITH THIS COMMITTEE IS TO BRING SOME FOCUS AND COHERENCE TO ALL OF THE VAST AMOUNTS OF IT SPENDING AND PLANNING THAT IS GOING ON THROUGHOUT THE FEDERAL GOVERNMENT.

THERE ARE 24 E-GOV INITIATIVES, THINGS LIKE GOVBENEFITS.GOV, WHICH IS ONE SITE WHERE YOU CAN GO AND LOOK UP ALL THE BENEFITS THAT MIGHT BE APPLICABLE TO YOU. THERE'S RECREATION.GOV, WHERE YOU CAN REGISTER TO STAY AT A LODGE IN YELLOWSTONE OR YOU CAN GET A PERMIT FOR SOME OTHER FEDERAL FACILITY SOMEPLACE ELSE IN THE COUNTRY.

... IN THE BEGINNING, THEY [DEPARTMENTS] WERE ALL OFF DOING THEIR OWN THING. THEY WERE BEING FORCED TO REQUEST DEPARTMENTS FOR MONEY AND TO PLEAD WITH [OTHER] DEPARTMENTS TO SHUT DOWN DUPLICATIVE INVESTMENTS. SO THIS COMMITTEE WAS FORMED IN ORDER TO BRING SOME ORDER TO THIS PROCESS."

D. Cameron Findlay
Deputy Secretary, Department of Labor

The last goal also mirrors Findlay's overall vision for the department. He notes, "I've often remarked that the Department of Labor seal reflects the anachronism of some of our programs and policies. It shows as the symbols of our workforce an anvil, a plow, a mill wheel, and a steamship ... those are really 19th century symbols, they're not 21st century symbols. We've got to make sure that our department is more up to date than its seal is."



The Business of Government Hour's interview with D. Cameron Findlay is available via Real Audio on the Center's website at www.businessofgovernment.org.

To read the full transcript of *The Business of Government Hour's* interview with D. Cameron Findlay, visit the Center's website at www.businessofgovernment.org.

William D. Hansen

Department of Education

In 2001, the government devoted over \$90 billion to improving access to education and improving the quality of education in America. These funds are entrusted to the hands of the Department of Education (ED), an agency with 4,700 employees, making it the smallest cabinet-level department in terms of workforce size. Helping manage and lead the department is Deputy Secretary Bill Hansen.

Hansen is a veteran of the department. He first worked at ED in the late 1980s and early 1990s as the assistant secretary for management and budget and as the chief financial officer. In 2000, he was called back to the department by President-elect George W. Bush as the transition director. Hansen believes that his private sector experience since leaving government in 1993 prepared him well for his current position: "... when I had worked in the government before, it was ... right out of college. [I then spent] 12 straight years in government.... [My] eight years in the private sector, in state government, and working in the nonprofit arena helped me better understand how the Department of Education impacts states and impacts the private sector. ... having that perspective coming back into the department ... makes me a much more valuable manager this time around than I was before."

As deputy secretary, Hansen is the chief operating officer at Education. "President Bush asked for each of us to be the chief operating officers of our respective departments, so that



WILLIAM D. HANSEN
Department of Education

CAREER HIGHLIGHTS

2001–present	Deputy Secretary, Department of Education
1993–2001	Executive Director and CEO, Education Finance Council
1991–1993	Assistant Secretary for Management and Budget, and Chief Financial Officer, Department of Education
1990–1991	Acting Deputy Under Secretary for Planning, Budget and Evaluation, Department of Education
1989–1990	Director, Office of Intergovernmental and Industry Affairs, Department of Energy
1988–1989	Deputy Director for Public Affairs, Department of Commerce
1981–1988	Various positions in the Department of Education

is what we do, we run the day-to-day operations of the department," Hansen explains. He is responsible for the department's budget, strategic planning, and all program operations. This also means that Hansen is in charge of, as he describes it, "putting out fires and responding to ... changing needs ... whether it's political issues up on Capitol Hill or at the White House or internally within the department."

Currently, Hansen's chief focus and the department's main goals are reflected in the No Child Left Behind program, a "landmark" piece of legislation founded on four principles for the department: accountability for results, more flexibility at the state and local levels, more choice for parents, and programs operated under the principle of scientifically proven research. In the last two years, the department has seen a 49 percent increase in the budget for No Child Left Behind programs, and this past year President Bush committed another billion dollars to the Title I program aimed at educationally and economically disadvantaged students.

Like his counterpart deputy secretaries across government, Hansen is also fully involved in implementing the President's Management Agenda at his department. He is proud of ED's progress on the PMA and believes that the department is at the "head of the class" in terms of addressing its management challenges. Related initiatives include installing a new financial management system, expanding and improving e-government programs such as e-loans, and integrating performance, accountability, and budgeting.

The Department of Education has become a leader in the competitive sourcing initiative. Hansen emphasizes that the goal isn't simply about outsourcing; it's about doing "our job better." "If outsourcing becomes the way it looks like we should go after a very vigorous process, so be it," says Hansen. "It is really about how we change the way we're doing our business. We are looking at every business process in the department."



The Business of Government Hour's interview with William D. Hansen will be rebroadcast on WJFK-FM (106.7) on Saturday, August 23, at 9:00 a.m. You can also listen to the show via Real Audio on the Center's website: www.businessofgovernment.org.

To read the full transcript of *The Business of Government Hour's* interview with William D. Hansen, visit the Center's website at www.businessofgovernment.org.

Alphonso Jackson Department of Housing and Urban Development

The mission of the Department of Housing and Urban Development is to provide decent, safe, and sanitary housing for people of low and moderate income. The goals of the department are to increase home ownership, promote affordable housing, and strengthen communities. HUD's chief operating officer is Deputy Secretary Alphonso Jackson.

HUD Secretary Mel Martinez and Jackson have a clear mandate from President Bush to address two major issues: the minority home ownership gap and chronic homelessness. One response to these issues is the creation of HUD's America's Home Ownership Challenge. According to Jackson, there is a home ownership gap in the United States between Anglo Americans and minorities. While 65 to 75 percent of Anglo Americans are home owners, less than 50 percent of African Americans and Hispanic Americans own their own homes.

The department is taking a series of actions to lower the barriers, such as high closing costs and down payments, that confront minority home ownership. HUD has created the American Dream Down Payment Program. According to Jackson, if this program is funded, \$200 million for the next five years will go toward helping minorities with closing costs and down payments on homes. Jackson believes that home ownership will strengthen communities, as people's pride in their neighborhoods is enhanced when they own homes in them.

To achieve its departmental goals, the components of the department had to learn to work together more effectively. Jackson explains that when he and Secretary Martinez first arrived, different offices within HUD were operating with little, if any, coordination between them. He recalls that many of the department's units were operating as "if they were HUD." There were over 300 independent IT systems at HUD and over 23 different financial systems. Each office also had its own human resources group. To address this problem, Jackson set up weekly meetings with assistant secretaries and monthly executive management meetings so that each entity could share problems. As a consequence, everyone within the department now knows what their colleagues are doing and can support each other more effectively. In the future, Jackson would like to see HUD move forward with a single focused mission.



ALPHONSO JACKSON

Department of Housing and Urban Development

CAREER HIGHLIGHTS

2001–present	Deputy Secretary, Department of Housing and Urban Development
1996–2001	President, American Electric Power-TEXAS
1989–1996	President and Chief Executive Officer, The Housing Authority of the City of Dallas, Texas
1987–1989	Director, Department of Public and Assisted Housing, District of Columbia

Just as Jackson has strived to get his departmental colleagues working more closely together, he has found the President's Management Council to be an effective vehicle in working with his colleagues across government. At Council meetings, notes Jackson, members exchange information with each other on how their departments can be better managed. Based on these discussions, the Office of Management and Budget frequently takes advice from the group and makes changes in how it is implementing the President's Management Agenda. Jackson reflects, "... the information we talk about really makes a difference in how our country is run and how we can [improve] the delivery of services that we give people...."



The Business of Government Hour's interview with Alphonso Jackson will be rebroadcast on WJFK-FM (106.7) on Saturday, August 30, at 9:00 a.m. You can also listen to the show via Real Audio on the Center's website: www.businessofgovernment.org.

To read the full transcript of *The Business of Government Hour's* interview with Alphonso Jackson, visit the Center's website at www.businessofgovernment.org.

Michael P. Jackson

Department of Transportation

Since the events of 9/11, most government departments and agencies have seen shifts in their programs, responsibilities, and duties. This is no more apparent than in the Department of Transportation, which recently underwent a huge transformation. According to Deputy Secretary of Transportation Michael Jackson, the department lost "17 percent of our budget and 70 percent of our staff" when the U.S. Coast Guard and the Transportation Security Administration were moved to the new Department of Homeland Security. Today the department, which oversees all modes of transportation including air, land, and sea, has 60,000 employees and a budget of \$56 billion.

In describing his position as deputy secretary and his role as chief operating officer, Jackson says, "I support my boss, Secretary Mineta, in overseeing and managing the work of the department's multiple modes of transportation.... And so it's everything from budget and planning work that you'd expect for a large organization, to crisis management, to strategizing about how to manage our programs in a more effective fashion, doing reviews of work under way, working with the Congress, working with the White House, working with the media and interest groups. So it's a variety of inter-



MICHAEL P. JACKSON
Department of Transportation

CAREER HIGHLIGHTS

- 2001–present Deputy Secretary, Department of Transportation
- 1997–2001 Vice President and General Manager for Business Development, Lockheed Martin IMS, Transportation Systems and Services
- 1993–1997 Senior Vice President and Counselor to the President, American Trucking Association
- 1992–1993 Chief of Staff, Department of Transportation
- 1989–1992 Special Assistant to the President and Executive Secretary for Cabinet Liaison

nal and external operationally focused jobs.” This also includes coordinating with modal administrations—for example, agencies dealing with aviation, rail, highways, and mass transit—on common problems across the modes and “making sure that they have the resources to get done what they need to do ... and work with them on the tasks that are before them.”

When Jackson first arrived at the department in early 2001, the biggest issue it faced was aviation congestion and the need for innovations in air space management systems to deal with stretching the capacity of the system. However, after the events of 9/11, Jackson’s main job for the next year and a half would be to set up the Transportation Security Administration (TSA). The agency was created by Congress to take over the existing airport security systems from the airlines and airports, making them a totally federal activity.

According to Jackson, the creation of TSA involved “improving what we had, taking over the systems that airlines had previously run, making it work better, build and design a new system, and then actually building it and deploying it” all within “some very, very severe deadlines, timelines, and performance objectives that were established by the legislation.” However, with help from the private sector, new procurement tools, and hard work, the department met every deadline of the agency stand-up. Jackson also challenged all those involved in creating TSA “to be nimble and innovative in looking at how to do things.”

For Jackson, the aftermath of 9/11 and his experience in creating TSA were real learning experiences, with lessons applicable elsewhere in government. The experience of managing the stand-up of a 65,000-person organization “in a short period of time really galvanized the entire management team of the department around new skill sets and ... a shared mission.... I’m hoping that we can take these lessons learned back into the department and focus this same type of intensity, passion, outside-the-box thinking, and rigor at the work we have.”

Jackson brought previous government experience to his present position. In the early 1990s, he served as the chief of staff to the Secretary of Transportation during the George H. W. Bush administration. However, he believes that it was his experience in the private sector that has most influenced his current tour of duty. He reflects, “I think that the private sector brings important skill sets to the government, and we too often overlook the tools, the mentality, the business discipline, and rigor that come from meeting a payroll, managing a business, and understanding how to get new business and

ON LEADERSHIP IN GOVERNMENT

“... I HAVE SEEN THAT LEADERS IN GOVERNMENT [HAVE] AN ABILITY TO BUST UP THE NORMAL WAY OF DOING BUSINESS AND SAYING, ‘HOW CAN WE DO THIS BETTER, CHEAPER, FASTER, MORE EFFECTIVELY.’ THAT SKILL IS ... AN INTELLECTUAL NIMBLENESS OF THE HIGHEST ORDER. WHEN YOU FIND A LEADER WHO CAN BRING THAT TO THE TABLE, IT’S REALLY VERY EXCITING AND SOMEWHAT RARE.... BUT IT IS SURPRISINGLY COMMON AT THE HIGHEST LEVELS IN GOVERNMENT.”

Michael P. Jackson
Deputy Secretary, Department of Transportation

be customer responsive.... In building the Transportation Security Administration, that was a significant set of assets as ... we built that new agency.”



The Business of Government Hour's interview with Michael P. Jackson will be rebroadcast on WJFK-FM (106.7) on Saturday, September 6, at 9:00 a.m. You can also listen to the show via Real Audio on the Center's website: www.businessofgovernment.org.

To read the full transcript of *The Business of Government Hour's* interview with Michael P. Jackson, visit the Center's website at www.businessofgovernment.org.

Dr. Leo S. Mackay, Jr. Department of Veterans Affairs

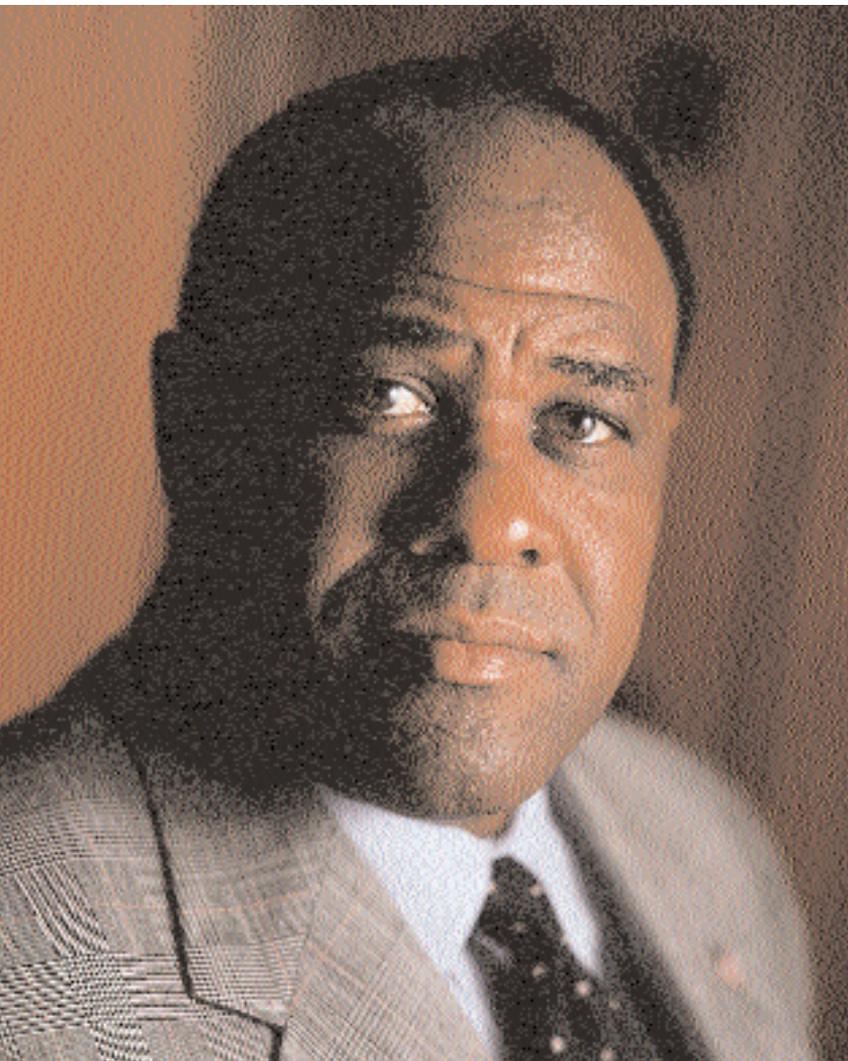
The Department of Veterans Affairs (VA) is the second largest department in the government, with 220,000 employees and a budget of \$60 billion. It consists of three main components that provide benefits and services to veterans: the Veterans Benefits Administration, the Veterans Health Administration, and the National Cemetery Administration. As the deputy secretary, Dr. Leo Mackay, Jr., is the VA's chief operating officer responsible for the management of the department. Mackay describes his position as “the official that looks at

the management affairs of the department. I preside over the governance process, put together the [department's] budgetary package [and] legislative package.”

In describing the role of Secretary Anthony Principi, Mackay says the Secretary is the department's principal spokesman. “In an arrangement that mirrors a business-type structure,” notes Mackay, “he is really the CEO. He's the grand strategist and I am the implementer, the operator.”

Mackay has had an interesting career in both the public and private sectors before joining the VA. Of his experiences, he believes his tenure as a vice president at Bell Helicopter was most valuable to him. Mackay reflects, “having profit-and-loss responsibility at Bell was the *sine qua non* ... the thing you need to prepare yourself for large-scale management is to have the bottom-line responsibility. [In my case], it came in the private sector, and it gave me the sort of finishing school ... to prepare me to come and do this job.”

To assist in the management of VA, the department created a set of “enabling goals” that Mackay characterizes as “sinews” used to hold, on a strategic level, all the things that the VA is trying to do. The enabling goals include information technology, workforce planning and human capital issues, communication and outreach to employees, and gov-



DR. LEO S. MACKAY, JR.

Department of Veterans Affairs

CAREER HIGHLIGHTS

- 2001–present Deputy Secretary, Department of Veterans Affairs
- 2000–2001 Vice President for Aircraft Business Services Unit, Bell Helicopter Textron, Inc.
- 1998–2000 Vice President and Director, Bell-Agusta Product Support
- 1995–1997 Director of Market Development, Lockheed Martin
- 1993–1995 United States Navy, Military Assistant to the Assistant Secretary of Defense for International Security Policy, Department of Defense
- 1983–1995 United States Navy

ernance in the sense that decisions regarding the department are made in a structured way.

In his capacity as deputy secretary and chief operating officer, Mackay chairs the VA Strategic Management Council, which is responsible for preparing decisions and policy matters for consideration by the VA Executive Board. The Board is composed of the Secretary, Deputy Secretary Mackay, the chief financial officers and the three under secretaries of the three administrations. The Strategic Management Council deals with all issues related to information technology, human resources, strategic planning, capital planning, asset management, and legislative and budgetary processes. Also sitting on the Council are a cross-section of managers who help facilitate communication across the VA. Decisions are structured at the Council level so that by the time they reach the Executive Board for a final decision, programs are fully staffed and have implementation plans so they can be rolled out immediately once a decision is made.

Mackay is also responsible for the Joint Executive Council, which he co-chairs with David Chu, under secretary for personnel and readiness in the Department of Defense. The Joint Executive Council is an umbrella group that deals with issues affecting both the VA and Defense. There are two groups within the Joint Executive Council: the Benefits Executive Council and the Health Executive Council. Recently, the Joint Executive Council has been working on a variety of issues including resource sharing and information and data sharing. A pilot project now under way involves a joint discharge physical. When members of the military services undergo a discharge physical, the results of that physical will be used for VA compensation and pension purposes to qualify them for their disability rating. Such joint efforts increased the amount of resources shared by VA and Defense by more than 100 percent in fiscal year 2002.

In looking ahead, Mackay's goal for VA is continuous improvement. Reflects Mackay, "We're not going to be a perfect organization. But I think we can legitimately aspire to continuously improve; to continuously do a better job of managing our assets; to continuously improve the job of strategic planning; to continuously improve the way we develop and run our information technology programs...."



The Business of Government Hour's interview with Dr. Leo S. Mackay will be rebroadcast on WJFK-FM (106.7) on Saturday, September 13, at 9:00 a.m. You can also listen to the show via Real Audio on the Center's website: www.businessofgovernment.org.

To read the full transcript of *The Business of Government Hour's* interview with Dr. Leo S. Mackay, visit the Center's website at www.businessofgovernment.org,

ON LINKING BUDGET AND PERFORMANCE

“THE MOST IMPORTANT STEP THAT WE HAVE MADE IN BUDGET AND PERFORMANCE INTEGRATION IS REALLY TO SIMPLIFY THE DISPLAY OF OUR BUDGET AND TO TRACE IT MORE CLOSELY WITH PROGRAM INTENT. ... THAT’S THE FIRST STEP. I THINK JUST THE SIMPLIFICATION OF LAYING OUT THE BUDGET IN WAYS THAT MAP VERY CLOSELY WITH THE PROGRAMS THAT THEY’RE INTENDING TO EXECUTE SO THAT YOU CAN TRACE DOLLAR TO PROGRAM EXECUTION IS THE BEGINNING.... AND THAT’S THE THING THAT WE’VE BEEN SUCCESSFUL WITH SO FAR.”

Dr. Leo S. Mackay, Jr.
Deputy Secretary, Department of Veterans Affairs

Kyle E. McSlarrow Department of Energy

The Department of Energy recently celebrated its 25th anniversary. The roots of the department go back to the 1940s with the Manhattan Project and the U.S. nuclear weapons program. Today, the mission of the department includes not only the nuclear weapons program, but also civilian nuclear power use, environmental cleanup, research and development, and national energy policy. The department has a budget of approximately \$23 billion, employs 15,000 federal employees, and has 100,000 contract employees in its headquarters and field offices, including 17 research laboratories across the country. Overseeing policy development and budget review of the department is Kyle McSlarrow, the deputy secretary and chief operating officer.

Describing his role in the department, McSlarrow says, “It’s often called ... chief bottle washer or utility infielder, and it’s a lot like that.... I define it, and each deputy approaches the COO [chief operating officer] responsibility differently. I try to focus on a couple of broad things. One, I am the chief policy advisor for the Secretary. I try to regulate the policies that are coming up through the programs to make sure that they are consistent with one another.... The diversity of those programs is so great that it is not easy for those below the deputy or Secretary-level to make the calls in terms of what

really should be the priorities.... [Two,] at the end of the day, I see my job in terms of policy and budget, ensuring that President Bush’s priorities and Secretary Abraham’s vision are carried out.... It’s trying to ensure that the management of the system produces results.”

The department has a large role to play in national security. This includes responsibility for maintaining a safe and reliable nuclear deterrent, which entails monitoring the U.S. weapons stockpile and, when necessary, refurbishing weapons. Also, the department is responsible for implementing a variety of programs focused on ensuring that weapons of mass destruction do not proliferate. Nonproliferation programs are focused overseas, including Russia and other ex-Soviet Union states. According to McSlarrow, for homeland security the first line of defense is nonproliferation, because controlling those materials at the source is the most effective. The department’s national laboratories also play a role in national defense. For example, one of the department’s labs was responsible for the foam that was used to clean up anthrax spores at the Hart Senate Office Building in Washington, D.C. Congress has also asked the department to open its research labs for use by the Department of Homeland Security.

As a deputy secretary, McSlarrow is a member of the President’s Management Council (PMC). He notes that the principal focus of the Council is to ensure implementation of



KYLE E. MCCLARROW

Department of Energy

CAREER HIGHLIGHTS

2002–present	Deputy Secretary, Department of Energy
2001–2002	Chief of Staff, Department of Energy
2000–2001	Vice President, Political and Government Affairs, Grassroots.com
1998–2000	National Chairman, Quayle 2000 Presidential Campaign
1997–1998	Chief of Staff, Senator Paul Coverdell, United States Senate
1995–1997	Deputy Chief of Staff and Chief Counsel, Majority Leaders Bob Dole and Trent Lott, United States Senate

the President's Management Agenda (PMA). The members meet every month, which McSlarrow believes is an "extraordinary expenditure of time," as members attend both regular meetings and subcommittee meetings once a month. McSlarrow sits on the e-government committee of the PMC. Concerning the PMA initiatives, he notes, "While they have to be implemented agency by agency, to a very large degree, their success required us to band together.... It has really allowed us to share experience across departments ... in a way a less formalized process might not have allowed us to do. It's really the engine driving management reforms."

Before joining the department, McSlarrow had a diverse career that included working in the U.S. Senate, at an Internet company, and as a captain in the U.S. Army. He describes the difference between working in the executive versus the legislative branch: "It's a curious irony. In some ways, when you are a staffer on the Hill you feel like you can get things done. You can pass a law, you can do all those things that work toward the House and/or members of the Senate enacting legislation. And you can actually feel some sense of 'okay, I did something.' But you are always missing that piece of actually implementing it.... When you are in the executive branch, it's kind of the opposite. You are a doer, and yet on a broad policy level it can be very frustrating.... It doesn't matter what level you are, it's just so big and so cumbersome that most decisions are measured in months and a lot of them take years. And people just don't have an attention span that makes people feel rewarded."



The Business of Government Hour's interview with Kyle McSlarrow will be rebroadcast on WJFK-FM (106.7) on Saturday, September 20, at 9:00 a.m. You can also listen to the show via Real Audio on the Center's website: www.businessofgovernment.org.

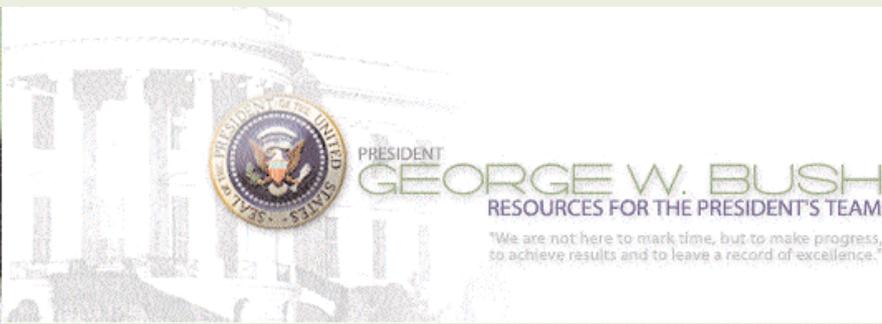
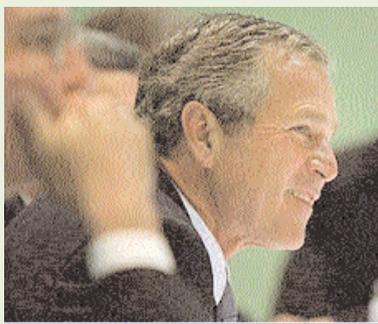
To read the full transcript of *The Business of Government Hour's* interview with Kyle McSlarrow, visit the Center's website at www.businessofgovernment.org.

THE PRESIDENT'S TEAM

From the beginning, President Bush put a premium on getting the right team in place with a clear understanding of his policy and management goals. This is clearly demonstrated in the selection of the deputy secretaries, eight of whom are profiled on the previous pages. Clay Johnson, then director of Presidential Personnel, led the selection, appointment, confirmation, and orientation process on behalf of the President.

To help create cohesion and focus, he created a website—Resources for The President's

Team. The website contains a team roster (The President & His Leadership Team), the game plan (The President's Management Agenda), and a play handbook (Tools for Success). You can see it at www.results.gov.



THE PRESIDENT & HIS LEADERSHIP TEAM
Expectations, team member profiles,
contact information.

THE PRESIDENT'S MANAGEMENT AGENDA
Scorecard, best practices, FAQ's

TOOLS FOR SUCCESS
Practical guidance for appointees.

WHAT'S NEW

Welcome Message From The President

Video

Introduction from Clay Johnson

Jackson & Loy Discuss the Creation of the TSA

Video

George Shultz Addresses the Sub-Cabinet

Video

Preventing "Potomac Fever"



CREATING THE PRESIDENT'S MANAGEMENT COUNCIL



For Immediate Release
Office of the Press Secretary
July 11, 2001

Memorandum for the Heads of Executive Departments and Agencies

Throughout the campaign and in my Budget, I have called for "active, but limited" Government: one that empowers States, cities, and citizens to make decisions; ensures results through accountability; and promotes innovation through competition. Thus, if reform is to help the Federal Government adapt to a rapidly changing world, its primary objectives must be a Government that is:

Citizen-centered—not bureaucracy centered;

Results-oriented—not process-oriented; and

Market-based—actively promoting, not stifling, innovation and competition.

In order to establish and implement Government reform throughout the executive branch, I hereby direct the following:

1. Establish Chief Operating Officers. Each agency head shall designate a Chief Operating Officer, who shall be the senior official with agency-wide authority on behalf of the Secretary or agency head. The Chief Operating Officer, the equivalent of the Deputy Secretary, shall report directly to the agency head....

2. Implement Additional Agency Reforms. Each agency head shall identify and implement additional changes within the agency that will promote the principles of government reform.

3. Establishment of President's Management Council. In order to advise and assist the President in ensuring that Government reform is implemented throughout the executive branch, I hereby establish the President's Management Council ("Council").

The functions of the Council shall include, among others:

- improving overall executive branch management, including implementation of the President's Management Agenda;
- coordinating management-related efforts to improve Government throughout the executive branch and, as necessary, resolving specific interagency management issues;
- ensuring the adoption of new management practices in agencies throughout the executive branch; and
- identifying examples of, and providing mechanisms for, interagency exchange of information about best management practices.

Source: Memorandum for the Heads of Executive Departments and Agencies, from President George W. Bush, Office of the Press Secretary, July 11, 2001

Angela Antonelli

Chief Financial Officer, Department of Housing and Urban Development

Improving financial management at HUD

The federal government spends approximately \$32 billion annually on a variety of activities to increase home ownership, support community development, and expand access to affordable housing free from discrimination through the programs of the Department of Housing and Urban Development (HUD). The budget is equivalent to that of a Fortune 100 company, and supports 4.8 million citizens through HUD-financed programs. HUD programs also include public assisted housing, grants to state and local governments for community and development efforts, and insured mortgages. There are over 10,000 HUD employees nationwide. Overseeing HUD's budget is Chief Financial Officer Angela Antonelli. Assisting Antonelli in managing the budget is the Office of Chief Financial Officer, which employs 200 people who are trained accountants, budget analysts, and management analysts. The office is responsible for budget development, accounting functions, and the maintenance and development of HUD financial systems.

A top priority of Antonelli's is improving the department's financial systems. Antonelli states, "Improving our financial systems is probably the single most important thing we could do within the department to improve how the department operates, its ability to meet its mission, the ability of our programs to serve our clients." This priority includes upgrading and improving the department's information systems, as well as working to create an effective interface with the financial systems within the department and providing accurate, real-time reporting to decision makers. This means that financial systems improvement and implementation requires a high degree of coordination with HUD's chief information officer and IT specialists. Antonelli believes that HUD has a "model system" in terms of how the department evaluates its financial management information technology needs, establishes priorities, and funds those priorities. This system includes a working capital fund that Antonelli, as CFO, uses to pay for IT investments. The working capital fund engages HUD executives in setting IT priorities, reviewing IT investments, and facilitating coordination across the department.

CAREER HIGHLIGHTS

2001–present	Chief Financial Officer, Department of Housing and Urban Development
1995–2001	Director, Thomas A. Roe Institute for Economic Policy Studies, Heritage Foundation
1993–1995	Senior Associate, Lewin-VHI Inc.
1989–1993	Regulatory Policy Analyst and Deputy Branch Chief, Office of Management and Budget
1988–1989	Auditor, General Accounting Office

HUD is able to coordinate so well because there is a commitment at the very top of the department, reflects Antonelli. HUD Secretary Mel Martinez has made it a high priority for the department to address its financial and management challenges. These challenges are outlined in several General Accounting Office (GAO) reports. Senior HUD managers place a high priority on addressing these issues through continuing communication among department assistant secretaries. High-level department executives meet monthly to discuss the department's progress regarding initiatives dealing with the President's Management Agenda (PMA) and the high-risk list set forth by GAO.

Antonelli is now implementing a performance-based budgeting system at HUD that integrates the budget with performance information. The basic concept behind the Government Performance and Results Act (GPRA), according to Antonelli, is "the idea of establishing a strategic plan with programmatic goals and objectives, and then measure your performance in achieving those goals." The PMA, notes Antonelli, took this



"IMPROVING OUR FINANCIAL SYSTEMS IS PROBABLY THE SINGLE MOST IMPORTANT THING WE COULD DO WITHIN THE DEPARTMENT TO IMPROVE HOW THE DEPARTMENT OPERATES, ITS ABILITY TO MEET ITS MISSION, THE ABILITY OF OUR PROGRAMS TO SERVE OUR CLIENTS."

“DON'T BE TOLD THAT THERE ARE LIMITS TO WHAT YOU CAN DO. STRIVE TO PERFORM AT YOUR VERY BEST. LOOK FOR GOOD MENTORS WHO WILL HELP YOU TO BE YOUR BEST AND TO ACCOMPLISH THE THINGS THAT MOTIVATED YOU TO ENTER FEDERAL SERVICE.”

idea and advanced it one step further by requiring that departments and agencies show results to justify the funding levels of their programs.

Moving to a performance-budgeting system has been challenging. Accurately measuring performance is no easy task, notes Antonelli. This is because of the difficulty in choosing the right measures and assuring the quality of the data being collected. As CFO, she works with all the department's programs to develop and use good outcome-based performance measures, as well as ensure data quality. Concurrently, Antonelli looks back at the IT investments to see if they help meet the data needs of the programs for performance budgeting. Despite progress, she acknowledges there is much work that HUD still needs to do to achieve quality performance data.

Over the next five to 10 years, Antonelli sees the department making further improvements in its financial performance. A high priority will be to continue to receive clean audits. This includes correcting erroneous payment problems, such as the \$2 billion in overpayments of rental housing subsidies, which is on GAO's high-risk list. The department has committed to cutting the level of erroneous payments by 50 percent by 2005.

Financial systems will also continue to improve. Antonelli believes that HUD's financial management success will be measured by programmatic success in achieving the mission of the department. Therefore, a key part of improving financial management involves training HUD's program staff to have some of the skills of a financial officer. Program managers, explains Antonelli, need to learn to be financial stewards of their spending.

Antonelli has a deep interest in the federal government's current human capital crisis. As a member of the federal Chief Financial Officers Council, Antonelli heads the Human Capital Committee, which looks at ways to manage human capital issues in the government CFO community. This includes responding to the government-wide challenge of dealing with the large numbers of federal employees eligible for retirement in the upcoming years. The committee is examining such issues as creating opportunities and incentives at the junior level to attract young, talented people into the government. Another issue for the committee is the retention of employees, including mentoring, training, and developing their skills. The committee is considering an executive development program to replace the existing CFO Fellows program, which allowed federal employees in the financial management area to be exposed to different agencies and ways of operating.

Given her interest in the importance of attracting talented workers to public service, Antonelli advises young people: “Don't be told that there are limits to what you can do. Strive to perform at your very best. Look for good mentors who will help you to be your best and to accomplish the things that motivated you to enter federal service.... And stay true to what you came into federal service for.” ■



The Business of Government Hour's interview with Angela Antonelli is available via Real Audio on the Center's website at businessofgovernment.org.

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Dan Gregory Blair

Deputy Director, Office of Personnel Management

Changing human capital in government

The government's "personnel" office has become an exciting place to be. Change is in the air at the United States Office of Personnel Management (OPM). One of the key players during this re-examination of human capital in government is Dan Gregory Blair, deputy director of OPM. As deputy director of the federal agency responsible for advising the President on federal personnel issues, Blair supports Director Kay Coles James in all aspects of the agency, including heading up the effort to reform the government hiring process and reorganize the agency.

Blair is no stranger to civil service reform. After graduating from law school, he worked for his local congressman from Missouri and served on the former House Committee on Post Office and Civil Service. That committee was charged with oversight jurisdiction of the civil service and U.S. Postal Service. Blair had worked there for 10 years when, in 1994, the committee was merged with several others to form the House Committee on Government Reform and Oversight. Under the new committee structure, he was appointed staff director of the subcommittee responsible for oversight of the Postal Service. In 1998, Blair moved to the United States Senate, working for former Senator Fred Thompson as senior counsel on the Senate Governmental Affairs Committee. Blair's committee portfolio included oversight of the civil service, government ethics, federal budget process reform, and the Postal Service.

Blair has seen a notable shift in the attitudes and policies toward civil service. Early in his career, the civil service was considered more of a budgetary issue than a human resource issue. However, beginning in the mid to late 1990s, it became apparent that many government program failures were the result of not having "the right people in the right place with the right skills." With the appointment of David Walker as the Comptroller General of the U.S. General Accounting Office (GAO) came a new level of enthusiasm, commitment, and scrutiny to the issue. Reports done by

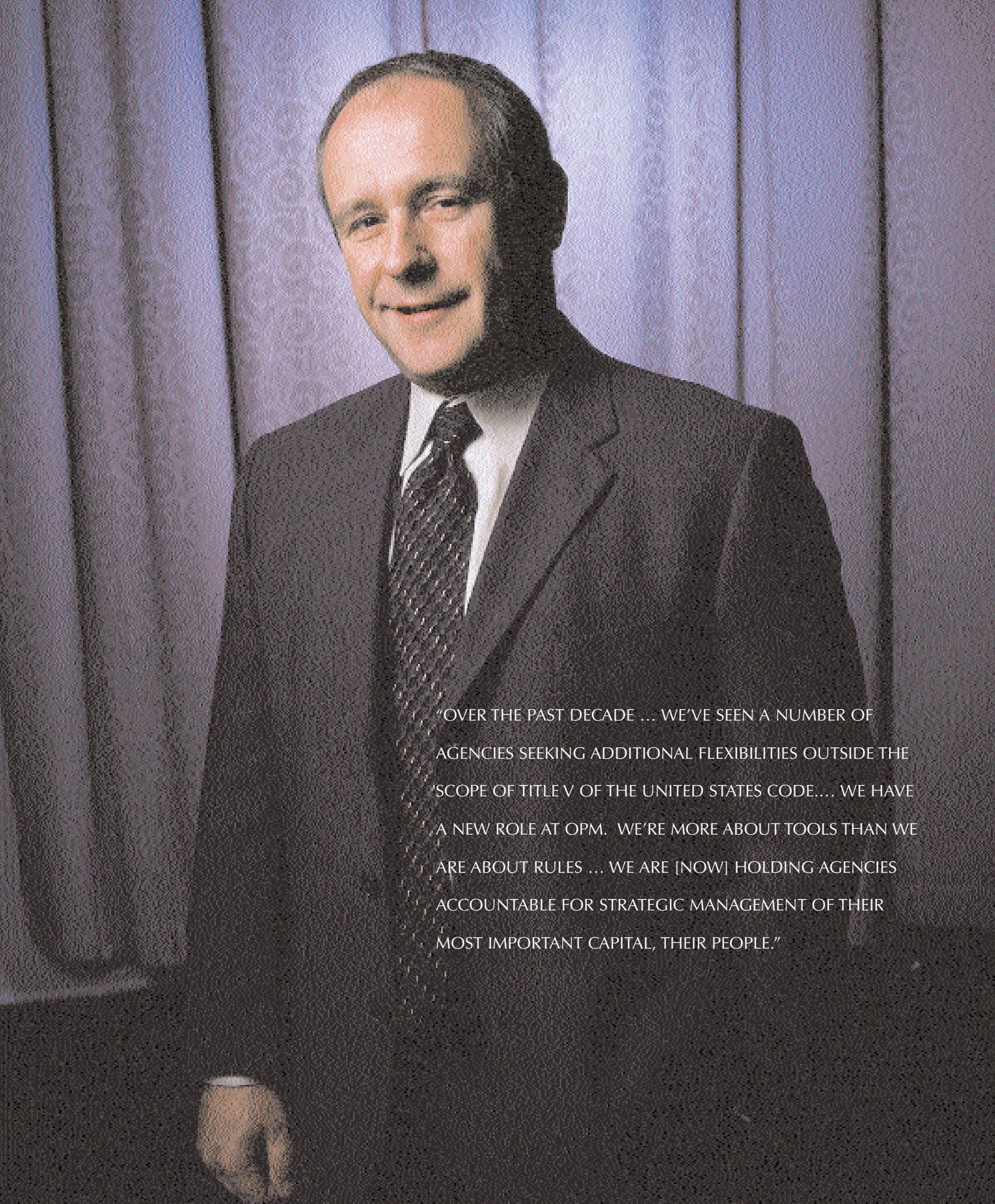
CAREER HIGHLIGHTS

2002–present	Deputy Director, Office of Personnel Management
2001–2002	Senior Advisor to the Director, Office of Personnel Management
1998–2001	Senior Counsel, Committee on Governmental Affairs, United States Senate
1995–1997	Staff Director, Committee on Government Reform and Oversight's Subcommittee on the Postal Service, United States House of Representatives
1985–1994	Minority General Counsel, Committee on the Post Office and Civil Service, United States House of Representatives

GAO and commissioned by Senator Thompson showed that program failures in the government were a result of downsizing in the 1990s that left many agencies without enough skilled workers and talent. Since then, the government workforce has begun to be seen as a valued resource rather than a burden or cost. This has been the message of OPM and Director James.

As attitudes about the civil service changed, so did the agency responsible for managing it. Blair remarked:

Over the past decade ... OPM saw itself downsized significantly. We've seen a number of agencies seeking additional flexibilities outside the scope of Title V of the United States Code, which we administer.... we have a new role at OPM. We're more about tools than we are about rules ... we are holding agencies accountable for the strategic management of their most important capi-



"OVER THE PAST DECADE ... WE'VE SEEN A NUMBER OF AGENCIES SEEKING ADDITIONAL FLEXIBILITIES OUTSIDE THE SCOPE OF TITLE V OF THE UNITED STATES CODE.... WE HAVE A NEW ROLE AT OPM. WE'RE MORE ABOUT TOOLS THAN WE ARE ABOUT RULES ... WE ARE [NOW] HOLDING AGENCIES ACCOUNTABLE FOR STRATEGIC MANAGEMENT OF THEIR MOST IMPORTANT CAPITAL, THEIR PEOPLE."

“IMPROVED ACCESS TO BACKGROUND INVESTIGATIONS AND CLEARANCE INFORMATION WILL BE FACILITATED BY OUR E-CLEARANCE INITIATIVE, AND IT WILL PUT KEY PERSONNEL IN THESE SECURITY-SENSITIVE POSITIONS FASTER THAN EVER BEFORE POSSIBLE.”

tal: their people. We have a director who is committed to building and establishing a world-class organization for not only employees within OPM, but [one that] federal employees outside the federal government will look to as cutting-edge for best practices in human resources management.

This is most evident in the efforts of OPM with regard to the President’s Management Agenda and the new Department of Homeland Security (DHS). The current priority of OPM is the establishment of HR systems within DHS. The administration was successful in obtaining the authority for DHS to develop a new HR system in six essential areas: hiring, compensation, performance management, firing, appeals, and labor/management relations. Specifically, the legislation allowed DHS flexibility from civil service laws in creating systems for the six component areas. However, until those flexibilities are officially applied, employees of DHS are still under existing civil service regulations. At this time, OPM is still deep in the process of setting up DHS and developing the new HR systems for the department. This is no easy undertaking as the creation of DHS brought together 22 major government entities with over 108 subcomponents comprising 170,000 employees.

OPM is also responsible for five e-government initiatives that, according to Blair, cover the “entire employee’s life cycle” before, during, and after their federal employment. These five initiatives are Recruitment One Stop, e-Training, e-Clearance, Enterprise Human Resource Integration (EHRI), and e-Payroll. In addition, OPM leads the Retirement Systems Modernization (RSM) project.

In describing the five e-government initiatives, Blair says:

Recruitment One Stop will benefit agencies with a faster recruitment, selection, and hiring process that gets the right people into the right jobs with the right skills. The e-Training initiative will deliver effective and

cost-efficient training, when needed, in a format that’s most appropriate for the agency’s missions. Improved access to background investigations and clearance information will be facilitated by our e-Clearance initiative, and it will put key personnel in these security-sensitive positions faster than ever before possible. The EHRI process will facilitate the management of agency personnel and permit a more efficient exchange of personnel and payroll data among agencies. Now we won’t have to wait to transfer paper if an employee moves between different agencies; that can be done electronically. Then the e-Payroll initiative will provide guidance on structuring payroll for agencies. So you have almost a seamless process here for an employee’s life cycle, from the time that they’re recruited and hired to the time that they enter into retirement.

The legislation creating the Department of Homeland Security also includes a provision creating chief human capital officers throughout government and a provision creating the Chief Human Capital Officers Council. The Council will discuss and work on crosscutting government human capital issues. In describing the Council, Blair notes, “This [the CHCO Council] is a recognition of the elevation of human resources ... in the world around us today. That in order to effectively manage your organization, you not only need to effectively manage your money and your information technology, but you also need to be able to manage your people well, and naming a chief human capital officer is recognition of that.” ■



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Linda Combs

Chief Financial Officer, Environmental Protection Agency

Linking performance and budgeting at EPA

When an agency's mission is to protect the environment and human health, measuring the success of your efforts is no easy task. However, Linda Combs, chief financial officer of the Environmental Protection Agency (EPA), has led the agency in doing just that. As the CFO, Combs provides oversight for all aspects of EPA's annual budget, which is approximately \$8 billion a year. She directs the 350 employees of the CFO Office, who are responsible for all aspects of financial management and budgeting and performance, including auditing and audit tracking, reporting, budget formulation, and execution responsibilities. The office also oversees agency strategic planning, financial reporting, and a web-based reporting system that warehouses EPA's financial data.

The biggest challenge in financial management at EPA is managing and integrating information about program costs with program results, including the use of activity-based costing. This is a difficult task for several reasons. First, departments and agencies have traditionally focused on measuring and using output-related measures, not outcome-based measures. Second, finding good outcome measures is especially difficult in the environmental and health fields because it takes a long time for effects from programs to show results. However, for budget-related purposes, agencies need to be able to measure and use results immediately. In the case of environmental and health outcomes, there are also many other factors not related to EPA and its programs that influence results. These factors make it difficult for EPA to identify whether environmental outcomes are the results of federal efforts, state efforts, or tribal efforts. In addition, it is hard to determine whether results are derived from EPA grant money versus other resources. This factor is especially important given that 45 percent of EPA's budget is allocated to a variety of grant programs to states, tribes, and other EPA partners.

One way to address the timing issue of long-term impacts is by measuring what Combs calls "intermediate outcome

CAREER HIGHLIGHTS

2001–present	Chief Financial Officer, Environmental Protection Agency
1991–2001	Founder and President, Combs Music International
1989–1991	Assistant Secretary for Management, Department of the Treasury
1987–1989	Associate Administrator for Management, Department of Veterans Affairs
1982–1986	Executive Secretary and Deputy Under Secretary for Management, Department of Education

measures." These measures can lead to further outcome-based objectives and goals. Combs has looked to programs within and outside of EPA to assist her in developing a performance management initiative. The agency has been aided in this task by the Environmental Finance Advisory Board. Managed by the CFO Office, the board is a federally chartered advisory committee composed of independent financing experts from public and private sector organizations interested in lowering environmental costs and increasing investment in environmental facilities and infrastructure and services across the nation. The board produces policy and technical reports that recommend better ways to leverage public and private resources. Additionally, there are Environmental Finance Centers located in universities around the country, which provide financial outreach to EPA's regulated community. Combs believes that EPA could not do its job without the help of these other partners. "These networks and these partnerships, as well as the information on our own website, help communities and environmental programs across the nation in ways that we could not do alone with our internal financing effort," she states.



"THESE NETWORKS AND THESE PARTNERSHIPS, AS WELL AS THE INFORMATION ON OUR OWN WEBSITE, HELP COMMUNITIES AND ENVIRONMENTAL PROGRAMS ACROSS THE NATION IN WAYS THAT WE COULD NOT DO ALONE WITH OUR INTERNAL FINANCING EFFORT."

“... PUBLIC SERVICE IS A PUBLIC TRUST AND IT’S AN HONOR AND A PRIVILEGE TO SERVE YOUR FELLOW AMERICANS AND TO UPHOLD THAT PUBLIC TRUST... [CIVIL SERVANTS] REALIZE THAT THE JOB THAT THEY COULD DO FOR THE GOVERNMENT ... PLAYS A LARGER ROLE IN MAKING LIFE BETTER FOR AMERICANS AND FOR THE REST OF THE WORLD AS WELL.”

Combs also receives support through her involvement in the CFO Council. This group of CFOs from across the government was first established under the provisions of the CFO Act of 1990. Combs worked closely with Congress and OMB on this legislation in her position as assistant secretary for management in the Department of the Treasury. Through facilitating and coordinating activities of its members and their agencies, the Council seeks to help CFOs work collaboratively to improve financial management across government.

Currently, the CFO Council has a number of projects, including one that Combs co-chairs that is looking at financial metrics across government. Combs believes it is important for CFOs to participate in the Council, because they can provide a leadership role across government and because they have responsibilities in their own offices for the President’s Management Agenda (PMA). By being a part of the Council, Combs is able to bring EPA’s interests to the table and promote issues that are important to the agency, such as financial metrics.

EPA was the second agency to earn a green progress score in financial management on the President’s Management Agenda scorecard. Despite such success, Combs aspires to take financial management at EPA “beyond green.” One of her personal and professional goals in coming to EPA as CFO was to mold the office into one of the most respected CFO offices in the federal government. Achieving this goal, Combs believes, will ultimately benefit the agency and its environmental goals. For example, EPA will be able to operate more efficiently, including paying bills on time, which leads to rebates for timely payment. Last year, EPA collected 93 percent of its potential rebates, resulting in millions of dollars given back to EPA, which could then be used to support the environmental programs.

It is obvious that the work and partnership efforts of Combs and her staff have paid off. EPA is now considered a leader in the financial management and performance and budget

integration area. The agency was also selected as one of seven finalists for the President’s Quality Award in Budget Performance Integration.

Over the years, Combs has served at the Department of Education, Veterans Affairs, and Treasury, and she believes strongly in public service. She notes, “I continue to talk to people as much as possible about the most interesting opportunities that are available in working in a CFO office. The expanse of opportunities that people deal with in federal government positions is not to be found by MBAs going into the private sector for their first five or 10 years in business... if we are going to optimize on the skills that are necessary for financial managers in particular to come into the federal government, now is our time to do it. It behooves all of us in the federal government to work with the Office of Personnel Management in making certain that we work with every hiring authority that we currently have available to us ... because young people are indeed interested in working for something that is greater than themselves. That’s what the federal government opportunity gives to them.”

She continued, saying, “I think sometimes that we don’t initially recognize the fact that many people who come into public service believe that public service is a public trust and it’s an honor and a privilege to serve your fellow Americans and to uphold that public trust.... Those people, I think, over the years of their career have an opportunity to realize that the job that they could do for the government would play a larger role in making life better for Americans and for the rest of the world as well.” ■



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Cari Dominguez

Chair and Commissioner, U.S. Equal Employment Opportunity Commission

Moving toward a fairer workplace

Since the Civil Rights Act of 1964, the U.S. Equal Employment Opportunity Commission (EEOC) has been overseeing federal laws that enforce non-discrimination in the workplace. The laws include the Age Discrimination and Employment Act, the Americans with Disabilities Act, the Equal Pay Act, and Title VII of the Civil Rights Act. The Commission is an adjudicatory agency whose main responsibility is to investigate allegations of discrimination filed by U.S. employees against their employers.

Heading up the agency is Commissioner Cari Dominguez, chair of the EEOC. As chair, Dominguez serves as both a voting member of the Commission and as EEOC's chief executive officer. In addition to her regular duties as a commissioner, which involve issues related to lawsuits and policy development, Dominguez is also responsible for all management issues related to the Commission, which include directing and guiding staff, setting the agency's strategic framework, and overseeing agency operations. The Commission is composed of 2,800 employees in 51 district area and local offices across the country, including Puerto Rico. One-third of the workforce is made up of lawyers, with the rest composed of mediators, investigators, and analysts.

Over the years, EEOC has dealt with different issues related to employee discrimination. Currently, the largest percentage of charges (35 percent) is race related. The next largest category (30 percent) is gender related, followed by age (24 percent) and disability related (19 percent). National origin and religious discrimination charges are now the fastest growing segments of EEOC's workload. National-origin-related charges, which constitute nearly 10 percent of EEOC's filings, saw an increase after the events of 9/11, specifically among those of Middle Eastern descent. The number of religious discrimination charges (3 percent) has remained constant since the beginning of the Commission. Most employee discrimination charges involve mid- and small-size

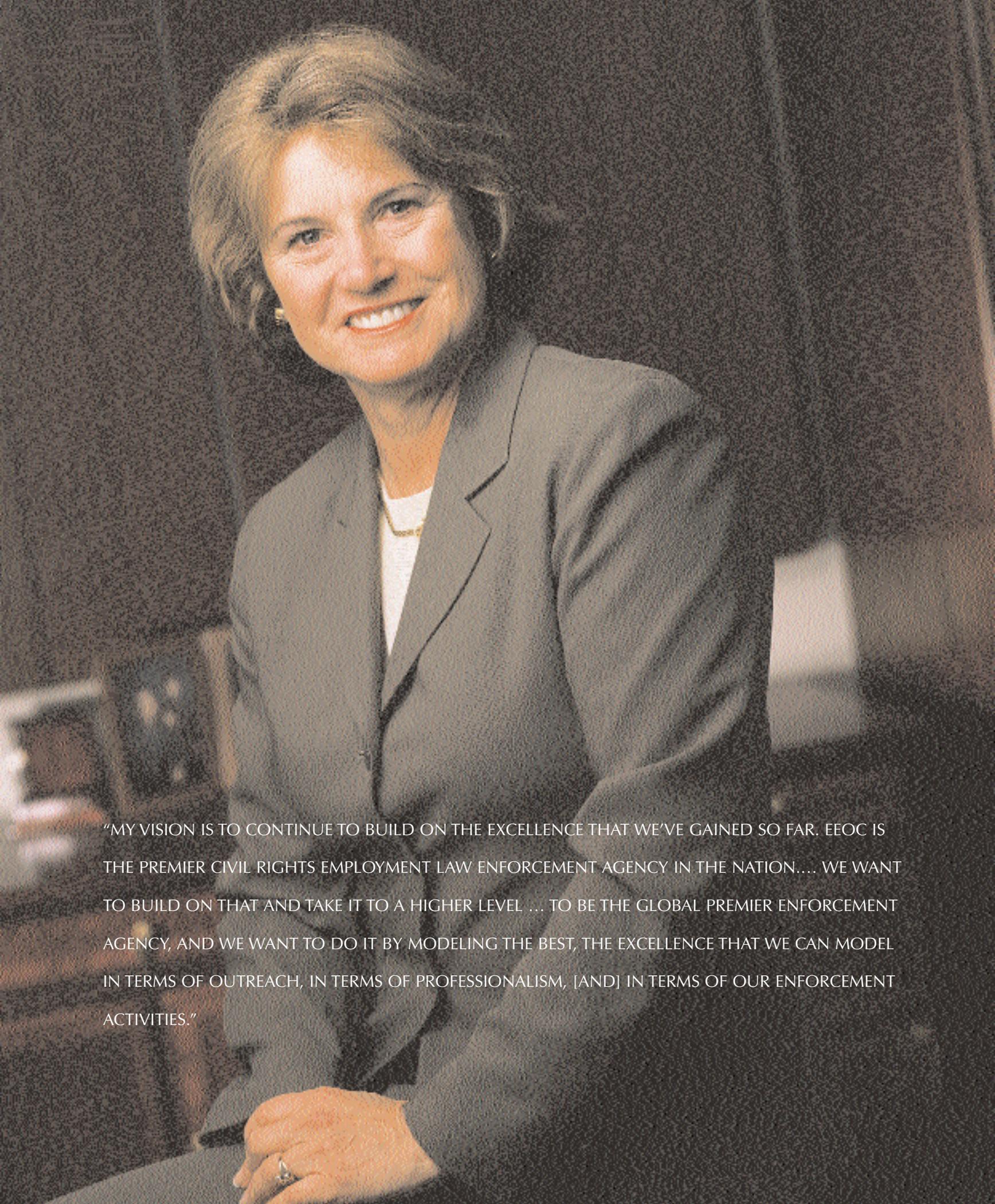
CAREER HIGHLIGHTS

2001–2006	Chair, U.S. Equal Employment Opportunity Commission
1999–2001	Principal, Dominguez and Associates
1995–1998	Partner, Heidrick & Struggles
1993–1995	Director, Spencer Stuart
1991–1993	Assistant Secretary for Employment Standards and Director of the Office of Federal Contract Compliance Programs, Department of Labor
1989–1991	Director, Office of Federal Contract Compliance Programs, Department of Labor

companies, which tend not to have human resource offices and not to fully understand EEO law.

As chair, Dominguez and her senior managers developed a five-point plan that is the strategic framework for the work of the Commission. This framework is geared to placing agency activities in the context of the 21st century workplace. The five-point plan includes proactive prevention, proficient resolution, promoting and expanding mediation and Alternative Dispute Resolution (ADR), strategic enforcement and litigation, and EEOC as a model workplace.

The first of these—proactive prevention, or preventing discrimination from happening in the first place—Dominguez likens to preventative medicine. “You want to screen out any



"MY VISION IS TO CONTINUE TO BUILD ON THE EXCELLENCE THAT WE'VE GAINED SO FAR. EEOC IS THE PREMIER CIVIL RIGHTS EMPLOYMENT LAW ENFORCEMENT AGENCY IN THE NATION.... WE WANT TO BUILD ON THAT AND TAKE IT TO A HIGHER LEVEL ... TO BE THE GLOBAL PREMIER ENFORCEMENT AGENCY, AND WE WANT TO DO IT BY MODELING THE BEST, THE EXCELLENCE THAT WE CAN MODEL IN TERMS OF OUTREACH, IN TERMS OF PROFESSIONALISM, [AND] IN TERMS OF OUR ENFORCEMENT ACTIVITIES."

THROUGH THE FIVE-POINT PLAN, THE EEOC HAS BEEN ABLE TO ACCOMPLISH MANY OF ITS KEY MANAGEMENT GOALS, INCLUDING REDUCED TIME FOR PROCESSING CHARGES, INCREASED NUMBER OF CHARGES PROCESSED, AND INCREASED BENEFITS COLLECTED BY VICTIMS OF DISCRIMINATION.

potential illnesses before they become fatal, before they get to the core organs," she notes. To support this effort, Dominguez increased the Commission's resources for outreach activities. Outreach initiatives include programs such as web chats and technical assistance program seminars designed to educate employers about EEO laws. During 2002, Dominguez personally visited corporate senior executives all over the nation to discuss EEO issues. In addition to meeting with chief human resources executives, she also met with chief information officers, chief financial officers, and other corporate officials who do not normally have the opportunity to talk with the head of the EEOC.

The second point of the plan is proficient resolution. If there is a charge that cannot be avoided and becomes an allegation, the framework calls for addressing the issue as quickly and cheaply as possible. This leads directly to the third point of the plan: promoting and expanding mediation. Dominguez considers mediation the centerpiece of the five-point plan. According to Dominguez, the EEOC has had "tremendous success" in decreasing the time it takes to resolve a charge. On average, mediations take 86 days to resolve. That is, on average, 85 days less than it takes to resolve a charge. It currently takes 171 days to resolve a charge, which is down from the year before, when it took 182 days. Additionally, the EEOC was able to settle more cases through mediation last year than ever before in the history of the agency. This year, Dominguez hopes to handle even more cases through the mediation program. The Commission also has begun promoting universal agreements to mediate, and is encouraging employers to sign national agreements to commit to consider mediation before going to investigation.

The fourth point of the plan—strategic enforcement and litigation—includes having EEOC attorneys work side-by-side with agency investigators. This way, as the case develops, there are no delays in the processing of the charges as both

the attorney and the investigator are on hand to resolve questions as they develop, with little lag time. The new process also quickly identifies trends and patterns in employer discrimination.

The final point of the five-point plan is practicing what EEOC preaches. EEOC itself is now striving to become a model workplace. The agency, says Dominguez, is working to "have the best mediation program that we can have."

Through the five-point plan, the EEOC has been able to accomplish many of its key management goals, including reduced time for processing charges, increased number of charges processed, and increased benefits collected by victims of discrimination. Given recent accomplishments, Dominguez describes EEOC's organizational performance last year as "phenomenal" and characterized it as a "banner year."

Despite the gains made last year, Dominguez has an ambitious vision for the agency in the years ahead. She states: "My vision is to continue to build on the excellence that we've gained so far. EEOC is the premier civil rights employment law enforcement agency in the nation.... We want to build on that and take it to a higher level ... to be the global premier enforcement agency, and we want to do it by modeling the best, the excellence that we can model in terms of outreach, in terms of professionalism, [and] in terms of our enforcement activities." ■



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Jennifer Dorn

Administrator, Federal Transit Administration, Department of Transportation

Working toward more effective mass transit

Since its founding, the federal government has supported transportation by helping build roads and railroads. In 1968, that support grew to include public transportation through the creation of the Urban Mass Transportation Administration (UMTA). Since then, the original agency has grown to include both urban and rural public transportation systems, such as buses, subways, light rail, vans, trolleys, and ferries. The agency was renamed the Federal Transit Administration (FTA) in 1991. Today, the FTA provides over \$7 billion in grants to 600 state and local transit agencies. The grants are used to support the purchase of capital equipment, such as buses and maintenance facilities, and to create new rail systems for smaller communities. The agency, led by Administrator Jennifer (Jenna) Dorn, also provides technical assistance to grantees and other transportation projects.

As head of the agency, Dorn is responsible for making sure the FTA's policies and practices are aligned with those of the administration. To accomplish this, the FTA has adopted a series of four principles. The first is "common-sense transit solutions." The FTA is committed to giving states and communities the freedom and flexibility to solve their own transit challenges in terms of determining where and how investments should be made. Included in this concept is simplifying and streamlining FTA programs to get the most transit service for the dollar. In the past, communities have been unduly influenced by the types of grants that were available in contrast to their real transit needs. For example, if a community wanted to invest in rapid bus transit, but found that federal funds were available only for light rail, the community would most likely choose to invest in light rail in order to be eligible to receive the grant. Dorn is now trying to reduce these negative inducements.

The second principle is "A+ performance" for the FTA and for all of the transit agencies and service providers the FTA coordinates. To accomplish this goal, the FTA has proposed

CAREER HIGHLIGHTS

2001–present	Administrator, Federal Transit Administration, Department of Transportation
1998–2001	President, National Health Museum
1991–1998	Senior Vice President, American National Red Cross
1989–1991	Assistant Secretary for Policy, Department of Labor
1985–1987	Associate Deputy Secretary, Department of Transportation
1983–1985	Director, Office of Commercial Space Transportation, Department of Transportation

passenger-based performance incentives to encourage an emphasis on the outcome of increased ridership. According to Dorn, "the real outcome is number of riders, and we think that while ridership has moved upward dramatically over the last six years ... we think we can do even better ... particularly in America's cities." To achieve this goal, FTA has proposed performance-based incentives to increase cooperation and coordination between different operators to make them better connected and more user friendly.

The third principle is "promoting independence and economic opportunity," which, according to Dorn, "is what public transit is all about." Dorn states, "One of the most important things ... is that public transportation is really a lifeline to



"PUBLIC TRANSPORTATION PROVIDES ... IMPORTANT BENEFITS TO COMMUNITIES, EVERYTHING FROM MAKING SURE THAT WE ARE MOBILE ACROSS THE COMMUNITY, TO RELIEVING CONGESTION, TO PROVIDING ENVIRONMENTAL BENEFITS AND SAVING ENERGY COSTS.... MY JOB [IS] TO MAKE SURE THAT EVERY DOLLAR WE SPEND MAKES A DIFFERENCE."



“I WOULD HOPE THAT PUBLIC TRANSPORTATION IN AMERICA’S FUTURE WOULD BE THE MODE OF CHOICE. I DON’T MEAN BY THAT THAT EVERY PERSON WOULD CHOOSE TRANSIT, BUT THAT EVERY PERSON WOULD HAVE AN OPPORTUNITY TO CHOOSE TRANSIT, IN THEIR COMMUNITY, IF THAT’S WHAT WORKED FOR THEM.”

jobs, the community, and to friends and family for those who rely on transit. It also supports economic growth and vitality, it reduces congestion, and improves the quality of life.” As a consequence, the FTA has made programmatic changes to better serve groups where public transit may serve as a life-line, including those with disabilities, older adults, and low-income persons. Dorn would like to do more regarding the funding of these programs. Although the agency has been able to keep up with needs in this area, Dorn believes the agency could better serve the needs of these communities by making more public transportation funds available through formula grants rather than through earmarking.

The fourth principle, “keeping the commitment,” means the FTA will stay on target to improve transit infrastructure and maintain record levels of funding for public transportation. This is especially important in light of the fact that the FTA and other agencies responsible for surface modes of transportation will have their programs reauthorized this year in the Surface Transportation Act. While Dorn believes that the underlying foundation of the current legislation is sound, FTA would like to “tweak” the existing legislation to include more predictability in funding streams for local government transit projects to provide a long-term commitment while increasing local flexibility and decreasing burdensome requirements. Dorn also notes that the administration’s proposed budget for FY 2004 sustained the “record level of funding” contained in the FY 2003 budget.

Another major priority for FTA is public transportation safety. Dorn believes transit systems are safer and more secure now than they have ever been. Because transit systems are designed to be open and accessible to the public, that, in effect, makes them vulnerable to attack. Many transit systems around the world have been targets of terrorist attacks. However, the FTA has made important progress with the cooperation of its transit partners and the Department of Transportation’s leadership team.

Shortly after the events of 9/11, Dorn reports that the FTA “put together a team of experts—transit experts, terrorism experts, intelligence experts—that went out to 37 of our largest transit agencies, the subway systems, the light rail systems, and those that had high consequence, high assets in the community ... we did a very thorough ... assessment about vulnerabilities and threats. We learned a great deal ... which we were able to transmit to transit agencies across the country, and each of those agencies learned a lot as well. We are now sending follow-up teams to perfect some of the plans and the emergency response efforts that need to be done in each of those areas.” Through this analysis, FTA learned that “you get the most bang for your buck in the transit environment in terms of security by investing in three things: training of personnel, emergency response, and public awareness.”

Federal involvement in public transportation has clearly evolved since the late 1960s, when the agency was created. In reflecting on the future, Dorn says, “I would hope that public transportation in America’s future would be the mode of choice. I don’t mean by that that every person would choose transit, but that every person would have an opportunity to choose transit, in their community, if that’s what worked for them.” She adds, “I would hope that FTA would be recognized as the best resource and the source of expertise to help ensure that America continues to make very sound investments in public transportation.” ■



The Business of Government Hour’s interview with Jennifer Dorn is available via Real Audio on the Center’s website at businessofgovernment.org.

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Henrietta Holsman Fore

Director, U.S. Mint, Department of the Treasury

Transforming the business of minting coins

According to Henrietta Holsman Fore, director of the United States Mint, the United States is currently “enjoying a renaissance” of coin design. This is reflected in many changes in the design of American coinage in recent years, including the introduction of the 50 State Quarters® program. These changes have presented unique management challenges for the Mint.

The redesign of the quarters has proven to be popular. According to Fore, there are now more than 130 million Americans collecting quarters. The program began with congressional legislation in 1999 that authorized the minting of state quarters in the order in which the states were admitted into the Union, beginning with the minting of the Delaware quarter. The most recent quarter is Maine, featuring the Pemaquid Point Light. Fore believes that Congress chose the quarter for the program because of its size, providing a larger “artistic palette.” This is important, she notes, because the Mint aims to portray on the quarters “the culture and the history of that particular state, as well as a bit about the geography and what it has contributed to the nation.” The Mint has added an educational component to the 50 State Quarters program by providing lesson plans on the Mint’s website that can be downloaded by parents and educators.

States provide coin design concepts. Many states created coin advisory committees to select their design concepts. These committees solicited design concepts from the public, and many received several thousand ideas. Three to five concepts are selected and then passed from the state to the U.S. Mint, where they are translated by the sculptural engravers into design form.

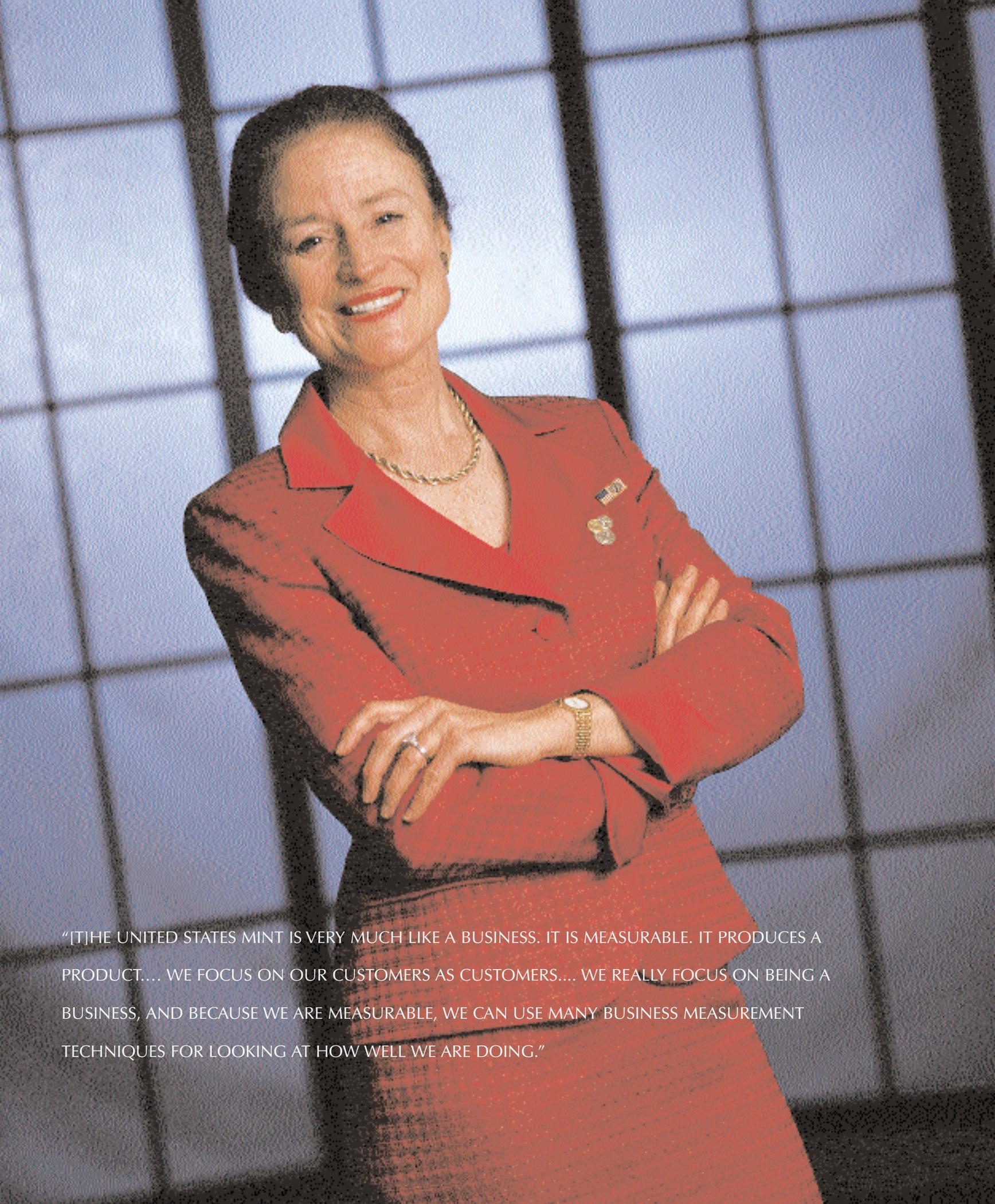
Over the course of this process, the Mint has noticed some themes in coin design. These include patriotic themes, such as New Jersey’s coin that features George Washington crossing the Delaware, and technology themes, such as Ohio,

CAREER HIGHLIGHTS

2001–present	Director, U.S. Mint, Department of the Treasury
1993–2001	Chairman and Chief Executive Officer, Holsman International, and Chairman and President, Stockton Products
1991–1993	Assistant Administrator, Bureau for Asia, U.S. Agency for International Development
1990–1991	Assistant Administrator, Bureau for Private Enterprise, U.S. Agency for International Development

which has a Wright Brothers’ flyer and an astronaut on its coin. Other states chose a nature theme, such as the Old Man of the Mountain for New Hampshire and the peach for Georgia. According to Fore, these coins “represent either the spirit or the physical beauty of their state or a moment in history when they contributed to the nation.”

Other coins are now being redesigned as well. President Bush recently signed a bill to change the design of the nickel. The new design will feature images of the Lewis and Clark Expedition in honor of its bicentennial. The redesign will be done in consultation with the Citizens Coinage Advisory Committee, which was created by the bill, and the Commission of Fine Arts. The nickel redesign will begin in late 2003 or early 2004.



"[T]HE UNITED STATES MINT IS VERY MUCH LIKE A BUSINESS. IT IS MEASURABLE. IT PRODUCES A PRODUCT.... WE FOCUS ON OUR CUSTOMERS AS CUSTOMERS.... WE REALLY FOCUS ON BEING A BUSINESS, AND BECAUSE WE ARE MEASURABLE, WE CAN USE MANY BUSINESS MEASUREMENT TECHNIQUES FOR LOOKING AT HOW WELL WE ARE DOING."

“THE BRAND OF THE UNITED STATES MINT IS THAT OF TOP QUALITY, AND YOU CAN SEE IT IN THREE WAYS.... WHEN YOU SAY IN EVERYDAY LANGUAGE SOMETHING IS ‘MINT’ CONDITION, IT MEANS IT MUST BE BRAND-NEW, OF PERFECT QUALITY.... WE ALSO TALK IN EVERYDAY LANGUAGE ABOUT ‘COUNTING EVERY PENNY’ ... WE TAKE FINANCIAL RESPONSIBILITY VERY SERIOUSLY.... WE ALSO LOOK AFTER FORT KNOX. WE SAY IN AMERICA, ‘IT’S AS SAFE AS FORT KNOX.’ WELL, WE TAKE THAT SERIOUSLY.”

Director Fore hopes that following the nickel redesign, there will be redesigns of the dime, the 50-cent piece, and the penny. She notes, “... the interesting part of coin design is that it makes you think about your nation’s values. It makes you think about what your nation stands for, and where we are at the turn of a new century. It is a time to rethink what our coinage should look like. It is representative of the values of your nation and the character of your nation.”

There are, of course, management challenges to minting and designing the new quarters. The first challenge was minting 500 million quarters in 10 weeks, and increasing coin production two- and threefold. To meet production goals, the Mint adopted new methods such as “just in time” production, shorter supply chains, and other business models. In addition, the changing design of the quarters has placed a great demand on the agency’s sculptural engravers. To respond to this need, the Mint is currently developing an Artistic Infusion Program to enlist prominent artists in design, sculpture, engraving, and other media in creating new designs and sketches for future coinage ideas.

The Mint, states Fore, considers itself “very much like a business.” With 2,400 employees, the U.S. Mint is the world’s largest manufacturer of coins, medals, and coin-based consumer products. Fore notes that the Mint produces a product and its activities are measurable: “We distribute the product through the Federal Reserve Bank System or directly to our customers. We focus on our customers as customers. We have a call center. We have a customer care center. We try to ship all products within seven days, and we have almost all products going out much faster than that. We were recognized this past year for being number one in the federal government in the American Customer Satisfaction Index. And we really focus on being a business, and because we are measurable, we can use many business measurement techniques for looking at how well we are doing.”

To measure its performance, the Mint uses a series of measures that reflect the 10 key drivers for performance. The Mint’s business mentality and emphasis on the “bottom line” partially stem from its lack of an annual appropriation. Instead, the Mint generates its own funds. For fiscal year 2002, Mint revenues were \$1.8 billion, with expenses far below revenue. The Mint, notes Fore, returned about a billion dollars to the U.S. Treasury in 2002.

Like any business, the Mint is also aware of its brand. Explains Fore: “The brand of the United States Mint is that of top quality, and you can see it in three ways. One is when you say in everyday language something is ‘mint’ condition, it means it must be brand-new, of perfect quality. It must be shiny. We believe very strongly in that, and that’s a production level. [Second] we also talk in everyday language about ‘counting every penny’ ... we take financial responsibility very seriously.... we at the United States Mint literally count every penny, and we weigh it. And third, as you know, we also look after Fort Knox. We say in America, ‘It’s as safe as Fort Knox.’ Well, we take that seriously.” ■



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Grant Green

Under Secretary for Management, Department of State

Managing change at the Department of State

The Department of State has traditionally been known more for its expertise in United States foreign policy than for its management. However, an emphasis on management is now clearly evident. Secretary of State Colin Powell has stated that he is not only the President's senior foreign policy adviser, he is also the chief executive officer of the department. Helping Secretary Powell manage the department is Under Secretary for Management Grant Green. In this role, Green is responsible for the infrastructure that supports the department's ability to carry out its mission both at home and abroad. Given the strong presence of the State Department throughout the world, this has presented a unique set of challenges for the department and for Green.

The main management focus at State has been to make sure the department is fully aligned with the President's Management Agenda (PMA). To achieve this goal, one of the first steps taken was to reorganize and consolidate fiscal, budget, and planning activities under a single new bureau, named the Bureau of Resource Management. This was important given that before the creation of the new bureau, these functions were in separate offices reporting to different heads. The new organization links strategic and other planning, the budget, and performance.

State is currently implementing new regional financial management systems that will replace two antiquated overseas financial systems. So far this year, the department has converted 140 overseas posts to the new system. Green anticipates that the financial operations reengineering will be completed by 2006, with overseas and domestic financial services fully consolidated in Charleston, South Carolina. Green also noted with pride that State recently received its sixth unqualified (clean) opinion on its agency-wide financial statements.

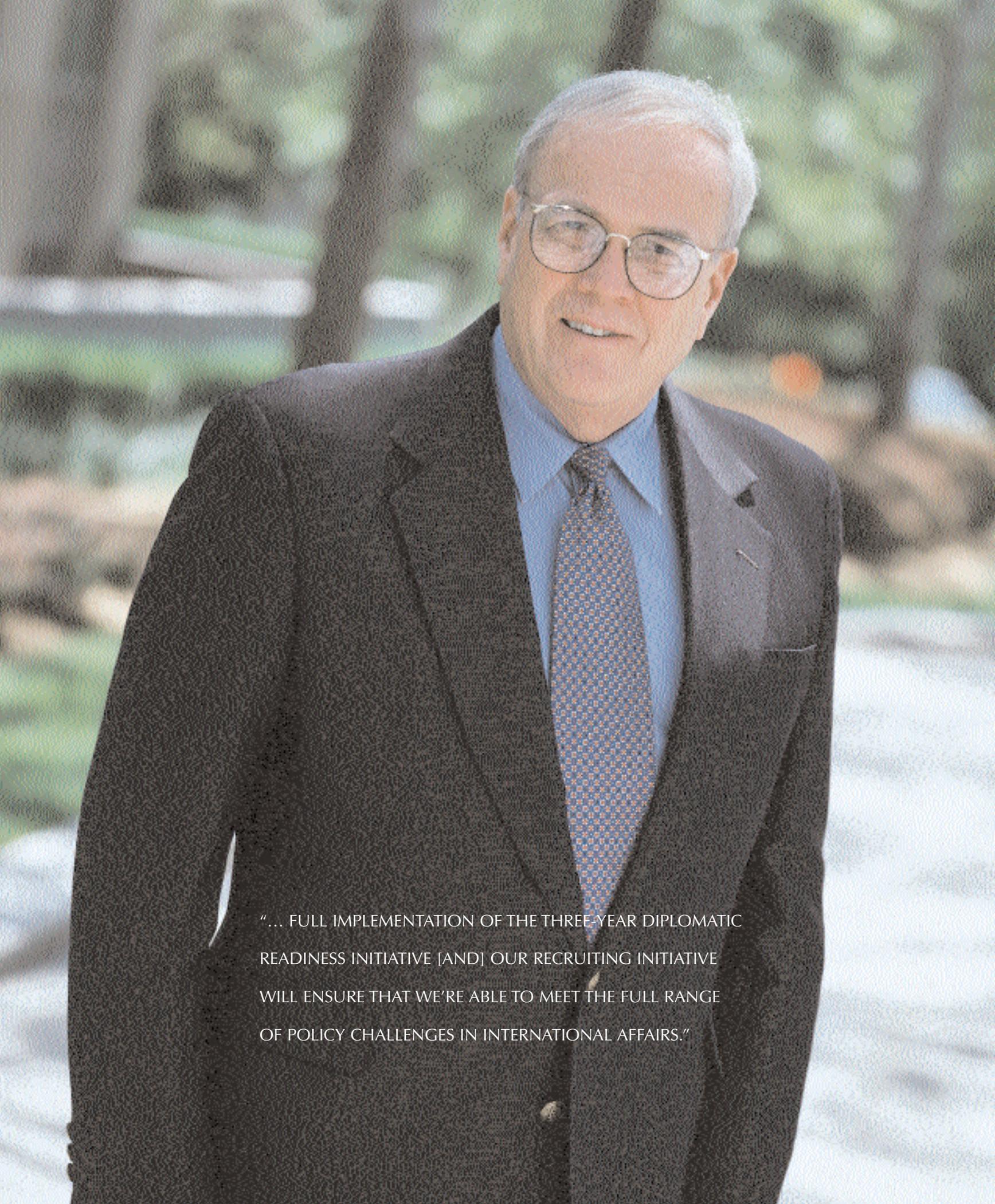
The department is also addressing its unique challenges related to recruiting and the management of a diverse and

CAREER HIGHLIGHTS

2001–present	Under Secretary for Management, Department of State
1996–2001	Chairman and President, GMD Solutions, Inc.
1988–1989	Assistant Secretary of Defense, Force Management and Personnel, Department of Defense
1986–1988	Special Assistant to President Ronald Reagan and Executive Secretary, National Security Council
1983–1986	Senior management, Sears World Trade
1960–1983	United States Army

highly skilled workforce. A major component of its human capital agenda is Secretary Powell's Diplomatic Readiness Initiative (DRI). Through workforce modeling, the department concluded that there was a shortage of roughly 1,200 personnel, especially within specialized and technical fields. Green believes that more staff will ensure the department is capable of responding to emerging priorities and crises while still managing its day-to-day diplomatic activities and training requirements. Consequently, the department's recruiting efforts have been refocused to find foreign-service officers for functions that are in short supply, such as consular officers, management officers, and public diplomacy officers. The purpose of the DRI initiative, reflects Green, is to get the "right people with the right skills in the right job at the right time."

This initiative has led not only to an increase in actual hires but also an increase in applications. In fiscal year 2000, the



"... FULL IMPLEMENTATION OF THE THREE-YEAR DIPLOMATIC READINESS INITIATIVE [AND] OUR RECRUITING INITIATIVE WILL ENSURE THAT WE'RE ABLE TO MEET THE FULL RANGE OF POLICY CHALLENGES IN INTERNATIONAL AFFAIRS."

"I FIRMLY BELIEVE THAT ONE OF THE BEST WAYS TO ACHIEVE SUCH A VISION IS TO IMPLEMENT THE INITIATIVES OF THE PRESIDENT'S MANAGEMENT AGENDA, A SOLID, COMMON SENSE, NONPARTISAN APPROACH TO MAKING GOVERNMENT AS A WHOLE MANAGED MORE EFFECTIVELY AND MORE EFFICIENTLY."

State Department administered the foreign-service exam to 8,000 applicants. In fiscal year 2002, 31,000 applicants took the exam. In addition, through targeted outreach, the department increased the percentage of minority applicants from 27 percent for the test administered in November 2000 to 36 percent in September 2002.

State has also been able to increase the speed of bringing new people on board by more than 50 percent. For example, when the department's current management first arrived, it usually took 24 to 27 months to bring on a foreign-service generalist. It now takes approximately eight to 10 months. The processing time was decreased through a series of initiatives, including offering both the written and oral exams more frequently, and expediting and modifying the security and medical clearance process. The department also stepped up its communication efforts with prospective employees by keeping them updated on the status of their applications.

Combined with its targeted recruitment effort, State is also focusing on training employees to meet the increasingly complex, challenging, and vast international arena. It has launched mandatory leadership and management training at all levels. For example, a new mandatory course for all newly promoted senior employees, called the "Senior Executive Threshold Seminar," was created in March 2003 and must be completed within one year of promotion.

State also supports the OMB-led initiative on "rightsizing" the U.S. government overseas presence. OMB is now requiring all agencies to submit overseas staffing and cost data as part of the budget process, and will soon have an inter-agency cost-sharing program for new embassy construction and maintenance. But one important thing to remember, cautions Green, is that "rightsizing" does not necessarily mean downsizing.

In the area of technology, the department has been review-

ing its entire IT investment portfolio to ensure that it is aligned with the PMA. At State, many e-government initiatives are known as "E-Diplomacy" initiatives. The department is leveraging IT to improve the screening of visa applicants by providing State Department officials with immediate access to information across the government, including from law enforcement and border security agencies. Green described the objective of E-Diplomacy efforts as being "faster, smarter, simpler, and more effective diplomacy at every level." E-Diplomacy, notes Green, puts the right technology and the best knowledge about diplomatic issues at the disposal of department officials. State anticipates that by the end of 2003, all overseas ports and domestic users will be connected by a classified network; they are already linked by an unclassified network. Another major effort involves replacing the antiquated cable and e-mail system with a unified e-mail-based system called SMART—or the State Messaging, Archiving, and Retrieval Toolset.

Building on these achievements, Green's future goals for the department include even better harnessing of technology to facilitate business practices and coordination with partners, such as other federal agencies and foreign governments, and abolishing the historic disconnect between what he calls the "policy and management sides of the house." He believes that these goals can be accomplished through the PMA. He remarked, "I firmly believe that one of the best ways to achieve such a vision is to implement the initiatives of the President's Management Agenda, a solid, common sense, nonpartisan approach to making government as a whole managed more effectively and more efficiently." ■



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Sherri Z. Heller

Commissioner, Federal Office of Child Support Enforcement, Department of Health and Human Services

Ensuring a sense of justice in child support enforcement

According to Sherri Heller, commissioner of the Federal Office of Child Support Enforcement (OCSE) of the Department of Health and Human Services (HHS), people have tended to view her office as only "... a collection agency for people who had children out of wedlock or who got divorced ... and it's all about collecting the money and getting the money to the kids." Heller agrees with that view of the primary mission of her office, but argues that it's time to also bring "a sense of justice" to parents who receive child support payments, and that it is much less about money than is commonly perceived.

Heller says it's important that those "who pay their bills and pay their child support and don't get access to their children feel like the system of justice works for them too. And the people raising the kids who feel like absent parents who ran off and are hiding and parents doing their fair share as parents can feel a sense of justice also."

Heller oversees a staff of 200 in the headquarters of OCSE, and coordinates additional staff not directly in OCSE in the 10 regional HHS offices all across the country. Many of the staff have technical skills and provide assistance to state and local government workers to facilitate automation of their child support systems. Other OCSE employees are skilled mediators who work with families to settle grievances. Others help educate and train state and local child support workers.

Recently, federal child support enforcement efforts have been greatly influenced by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. According to Heller, the act transformed the way government finds absent parents who don't want to be found and the way child support obligation is enforced, specifically through database reconciliation and automation. For example, through the act, employers all across the country are now responsible for reporting to child support offices all new employees within 20 days of

CAREER HIGHLIGHTS

2001–present	Commissioner, Federal Office of Child Support Enforcement, Department of Health and Human Services
1995–2001	Deputy Secretary, Office of Income Maintenance, Pennsylvania Department of Public Welfare
1989–1995	Lancaster County Administrator
1988	Assistant to the President Pro Tem, Senate of Pennsylvania
1986–1987	Executive Director, Lancaster County Mental Health/Mental Retardation and Drug & Alcohol Abuse Program
1982–1985	Chief, Division of Fiscal Administration, Pennsylvania Department of Education

their hire, whether or not they owe child support. This information is relayed into a national database of new hires. The child support system can find evaders and attach their wages to begin child support payments within a month of their being hired. Also as part of the act, every bank, credit union, and other financial institution in the country can match its database of depositors with the federal database of child support evaders, and state child support officials can then seize the money in those people's accounts to pay for their child support obligation.

These recent initiatives have been highly effective. Successful collections have doubled since implementation of the act in 1997. Only 38 percent of cases with child support orders



"CHILD SUPPORT IS A SOURCE OF GREAT OPTIMISM.... THE DOUBLING OF THE EFFECTIVENESS OF THE PROGRAM IN FIVE YEARS.... WE CAN MEASURE THE EFFECTIVENESS OF [THE PROGRAM]. WE CAN SEE THE RETURN ON INVESTMENT. IT'S EXTRAORDINARY."

"I THINK OF MYSELF ... AS AN INSPIRING LEADER. THAT'S HOW I WANT TO BE VIEWED ... I GIVE PEOPLE A SENSE THAT SEEMINGLY INSOLUBLE PROBLEMS CAN BE SOLVED, A CLARITY OF MISSION."

received money in 1997; currently, 70 percent of such cases receive money. However, according to Heller, there is still a long way to go in terms of collecting child support. She explains, "... two-thirds of the people who ask for help get an order and two-thirds of the orders get a collection." As a result, fewer than half, about 44 percent, of the people who request child support actually receive it. While noting that automation has worked extraordinarily well, Heller says "it's not good enough."

A major management challenge for OCSE is finding evaders who bypass the system by crossing state lines, and OCSE is now working to address that situation. Heller notes that some people may perceive these efforts as "big brother-ish." However, she adds, Congress included security and privacy protections in the act, and there have been no difficulties regarding this issue.

Another management challenge for the office is finding the rightful owner of undistributed collections. An undistributed collection results when employers send electronic payments to state child support offices through the automated system without specifying exactly whom the money was collected from and how much was collected from each person. Therefore, the child support office is not able to determine to whom the money should go or the amount to be distributed. Such unclaimed money has been accumulating rapidly, and OCSE has been working to match the money with the intended recipients.

Before joining the OCSE, Heller spent over 20 years in state and local government as county administrator, in which she supervised prisons, a 911-call center, a tax assessment office, a juvenile detention center, and a county nursing home. She notes that the best preparation for her current position was working for Governor Tom Ridge in Pennsylvania, where she was responsible for managing welfare reform. In reflecting on state welfare reform initiatives, Heller says, "That was a

revolution in how systems and financing streams and tools of government could be changed to change individual human beings' decisions on how they spent their time: 'Should I work or stay home with my kid?' How do you move a big government system to change one person's decision about going to work?" Through that position, Heller learned "how to take big, blunt tools and affect individual decisions," which has helped her in her role as the commissioner.

Heller believes there are two prominent changes in the way that child support will be seen in the future both by her office and by society. First of all, the office will need to concentrate more on non-wage earners, including those not currently identified through the new-hire database and the financial institution match system. The office will continue to make a concerted effort to distinguish among several types of evaders: those who evade their child support versus low-income wage earners who would like to but are financially unable to fulfill their obligation, and those who are able to pay but evade paying child support through crossing state lines and other means. Heller believes that society's attitudes are gradually shifting to the view that children need two parents, and that welfare or other government subsidies are not an effective alternative to two-parent homes. Thus, child support is not just about collecting payments but also about the source of the problem: divorce and children born out of wedlock. ■



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Norm Lorentz

Chief Technology Officer, Office of Management and Budget

Working to deliver government to citizens

Technology has infused every facet of society and the economy, and the government is no exception. Therefore, it comes as no surprise that a growing number of federal departments and agencies have appointed a chief technology officer to manage the deployment of technology in their organization. And overseeing the use of technology throughout the federal government is Norm Lorentz, chief technology officer of the Office of Management and Budget (OMB).

Lorentz describes his responsibilities as “making sure, using an architectural approach, that we use consistent technology in solving business problems that serve the citizen.” The foundation of this mission is OMB’s Federal Enterprise Architecture (FEA). The FEA, an architecture for the entire government, is a business-line description of what the federal government does on behalf of its citizens. Its purpose is to help transform the federal government into one that is citizen centered, results oriented, and market based, and to provide a business-based framework for government-wide improvement. OMB has identified 35 citizen-facing lines of business that government delivers to citizens. The FEA initiative is sponsored by the federal government’s Chief Information Officers (CIO) Council.

According to Lorentz, there are five reference models that make up the FEA, each one designed to facilitate cross-agency analysis and identify duplicative investments, gaps, and opportunities for collaboration within and across agencies. The models are the business reference model, the performance reference model, the service component reference model, the data reference model, and the technology reference model. The first two models are used to undertake process improvements, as they describe the line of business and the outcome metrics. The latter three models are more technically oriented.

The result of this initiative has been a decision by the federal government to make an increased, coordinated effort to

CAREER HIGHLIGHTS

2002–present	Chief Technology Officer, Office of Management and Budget
2000–2002	Senior Vice President, Chief Technology Officer, and Chief Quality Officer, Dice Inc.
1994–2000	Senior Vice President, Chief Quality Officer, and Chief Technology Officer, U.S. Postal Service

approach citizens by focusing on cross-department missions and the citizen, rather than on the particular agency providing a single service. For example, after 9/11, citizens didn’t have a single place, or “portal,” where they could go to find out what grants and benefits were available to them. To remedy this, as well as other gaps in service to citizens, OMB launched 24 e-government initiatives.

The 24 e-government initiatives were selected through a process called “Quicksilver,” through a group headed by Mark Forman, OMB’s associate director for information technology and e-government. The initiatives were selected based on what was most needed by citizens, was available in the marketplace, and could be delivered in 18 to 24 months. These projects, meant to provide “one-click service,” include Govbenefits.gov, Firstgov.gov, and Recreation.gov.

Lorentz referred people who are interested in more information regarding the 24 e-government initiatives to the OMB website, www.omb.gov. Lorentz also noted that information about the Federal Enterprise Architecture information was available at www.feapmo.gov.



"WE HAVE 22,000 WEBSITES IN THE FEDERAL GOVERNMENT.
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WITH YOU 18 TIMES ... I WANT TO DEAL WITH YOU ONCE.'"

"I ENCOURAGE YOUNG PEOPLE TO ENGAGE IN THE FEDERAL GOVERNMENT.
I CAN SAY THAT FROM EXPERIENCE, THERE IS NO BETTER PLACE TO SERVE...
THERE IS ALSO NO BETTER PLACE TO GO AND FIND THE LATEST TECHNOLOGIES
THAT YOU KNOW CAN BE USED TO SERVE THE CITIZEN."

The e-government initiatives clearly reflect what the federal government has learned about citizen expectations regarding government online. Lorentz notes, "We have 22,000 websites in the federal government. The citizen is ... telling us ... 'I don't want to deal with you 18 times ... I want to deal with you once. I want to deal with you when I want to, how I want to, and where I want.'" Citizens' interaction with the private sector has greatly influenced their expectations for government. Lorentz says, "... world-class companies give the customer what they want, and customize it down to the individual customer. They expect the same thing out of us."

One specific project, e-authentication, was created to facilitate the public's interaction with government. As Lorentz observed, citizens do not want to have to identify themselves to the government more than once. The goal of the e-authentication project is for government agencies to collaborate so that there is one consistent security and authentication process. This means that citizens will not be required to have multiple passwords and certificates to interact with the government. The initiative requires horizontal integration across different agencies.

Another type of integration, notes Lorentz, is vertical integration between local, state, and federal government agencies. For example, many federal government grants are actually delivered through state and local jurisdictions via federal grant programs. According to Lorentz, there remains much to be done in this area.

Lorentz is familiar with using private sector methods in the government to increase performance. After 24 years in the telecommunications field working with large network systems and systems planning, Lorentz moved to the U.S. Postal Service, where he served as the chief quality officer and later as chief technology officer. There he used private sector approaches to improve the performance of the Postal Service. While there, the Postal Service raised overnight

delivery scores while decreasing costs. Lorentz was also responsible for oversight of Y2K. After completion of the Y2K project, he moved back into the private sector as an executive for an online portal company.

Following the events of 9/11, Lorentz quit his position in the private sector to seek a position in government. Since then, he has been working to more effectively deploy technology to serve citizen needs. Lorentz highly recommends public service: "I really do believe that out of 9/11, one of the silver linings, if you will, has been the catalyzing nature of what folks want to do in order to make this a better place to live.... we know now that we're all in this together.... I encourage young people to engage in the federal government. I can say that from experience, there is no better place to serve.... There is also no better place to go and find the latest technologies that you know can be used to serve the citizen." ■

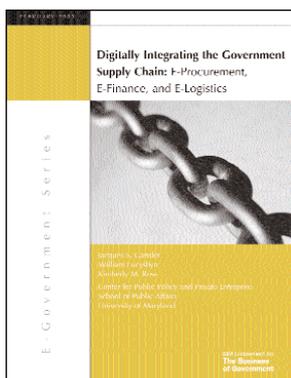


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New from the Center: Recently Published Reports

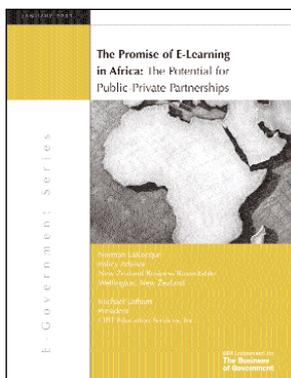
E-Government Series



Digitally Integrating the Government Supply Chain: E-Procurement, E-Finance, and E-Logistics

Jacques S. Gansler, William Lucyshyn, and Kimberly M. Ross

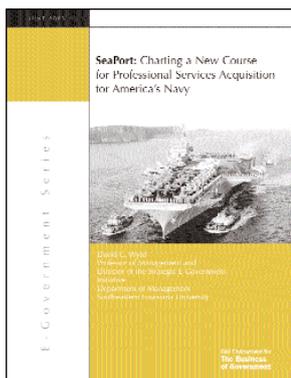
This report represents a year-long partnership between the IBM Center for The Business of Government and the University of Maryland School of Public Affairs' Center for Public Policy and Private Enterprise. The Center, under the direction of Jacques Gansler, hosted a series of three Thought Leadership Forums at the Aspen Institute's Wye River Conference Centers, held over a 12-month period. The report presents recommendations produced by the Forums, with specific recommendations on how the supply chain can be "digitally integrated," including advice on system architecture, coordination, human resources, and ways to overcome barriers.



The Promise of E-Learning in Africa: The Potential for Public-Private Partnerships

Norman LaRocque and Michael Latham

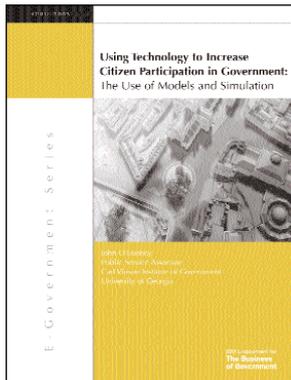
This report examines the contribution that e-learning and public-private partnerships have made and can make in Africa. Based on the premise that e-learning is now a viable tool for addressing the significant education challenges facing Africa, the report argues that adopting e-learning will increase education access and quality, as well as lower education costs. The report discusses the concepts of e-learning and public-private partnerships, and examines the challenges and prospects facing each. Examples of public-private partnership and e-learning in Africa, as well as in other countries, are highlighted, along with key findings and suggested options for the future.



SeaPort: Charting a New Course for Professional Services Acquisition for America's Navy

David C. Wyld

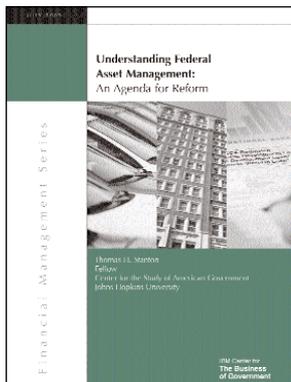
Today, procurement for professional support services is becoming increasingly strategic in nature and electronic in scope. This report examines how the Naval Sea Systems Command (NAVSEA) created SeaPort to serve as an innovative electronic procurement portal for the acquisition of professional support services. Professor Wyld describes how the creation of SeaPort represents innovation in two important areas: procurement and e-commerce. The report shows how e-procurement became a reality in NAVSEA in its first 18 months of operation and demonstrates how SeaPort reinvented the way NAVSEA procures over half a billion dollars of professional support services annually.



Using Technology to Increase Citizen Participation in Government: The Use of Models and Simulation
John O'Looney

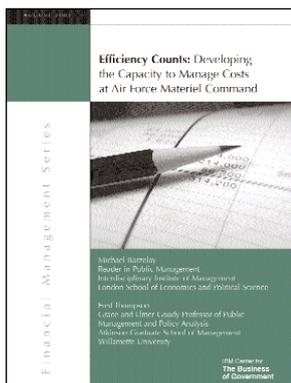
This report is designed to help public managers understand and build powerful interactive information technologies for increasing citizen understanding of and engagement in government. The specific systems in question include computer models, simulations, and decision support technologies (MSDST). In addition to identifying promising uses of these technologies, the report provides guidance on design principles and programmatic components for developing and making effective use of interactive citizen learning and participation enhancing tools.

Financial Management Series



Understanding Federal Asset Management: An Agenda for Reform
Thomas H. Stanton

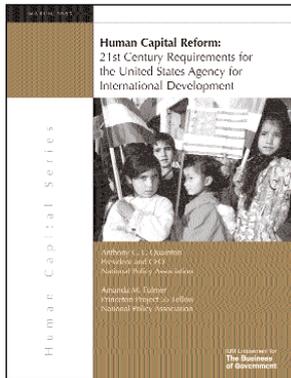
This report is an introduction to how the federal government manages its many assets, including billions of dollars' worth of real and personal property, inventories, and loans. In this report, Mr. Stanton describes different types of federal assets and the state of asset management today. He presents case studies of agencies that have engaged in promising practices. This report provides a framework for assessing the dimensions of federal asset management by examining the statutory and other constraints that impede effective management of federal assets.



Efficiency Counts: Developing the Capacity to Manage Costs at Air Force Materiel Command
Michael Barzelay and Fred Thompson

This study of executive leadership focuses on the two broad types of intellectual performance needed to provide leadership for organizations: (1) diagnosing situations, and (2) designing and improvising organizational interventions. The experience studied in this report is an effort by General George Babbitt to increase the capacity of the Air Force Materiel Command to perform in a more efficient manner. The analysis of this case is relevant to executives attempting to craft an appropriate and effective response in a variety of situations.

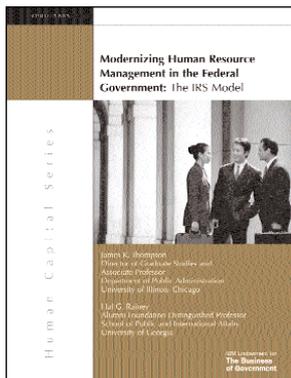
Human Capital Series



Human Capital Reform: 21st Century Requirements for the United States Agency for International Development

Anthony C. E. Quainton and Amanda M. Fulmer

The National Policy Association, under the direction of its president, Anthony Quainton, hosted a Thought Leadership Forum at the Belmont Conference Center in October 2002. The Forum brought together public, nonprofit, and private sector leaders to examine the “state” of human capital at the United States Agency for International Development and the reforms needed to prepare that agency to meet the challenge of development in the 21st century. The Forum produced 25 recommendations that are included in the report.

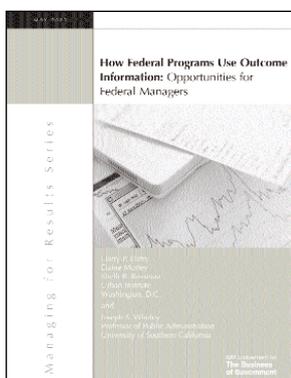


Modernizing Human Resource Management in the Federal Government: The IRS Model

James R. Thompson and Hal G. Rainey

This report tells the story of how the Internal Revenue Service (IRS), a highly troubled agency in the mid-1990s, made a dramatic turnaround, in part, because of its strategic use of new legislative flexibilities for managing its workforce. In addition, the IRS leadership team effectively leveraged those provisions, as well as existing laws, to begin to transform IRS into a customer-centric, performance-oriented organization. A key lesson from this report is the importance of an integrated, coherent, and comprehensive organizational strategy focused on the mission of the agency.

Managing for Results Series



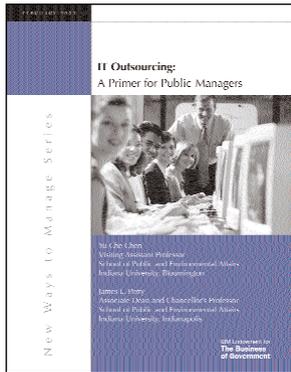
How Federal Programs Use Outcome Information: Opportunities for Federal Managers

Harry P. Hatry, Elaine Morley, Shelli B. Rossman, and Joseph S. Wholey

This report describes how program managers across the federal government are collecting and using program outcome data to make management decisions on how to get the best results in delivering their programs to the American people. The authors of this report found that federal managers are now using outcome information to trigger corrective actions, identify and encourage “best practices,” motivate employees, and make planning and budget decisions. The report argues that program managers have the greatest stake in obtaining and using the types of information described in this report.

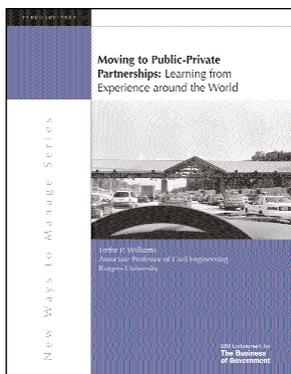
New Ways to Manage Series

Procurement



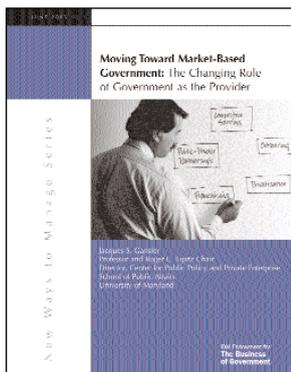
IT Outsourcing: A Primer for Public Managers *Yu-Che Chen and James L. Perry*

This report by Professors Chen and Perry describes the reasons for the trend toward IT outsourcing and provides a five-phase process model that government executives can use in making and implementing the decision to outsource IT activities. The report assesses the potential of using application service providers (ASPs) for improving the efficiency and effectiveness of IT delivery. Renting application services allows government to use the most advanced applications and technology at an affordable rate. ASPs address such e-government challenges as the lack of technology-trained staff, capital investment, implementation and maintenance, and uncertainty associated with fast-paced technological changes.



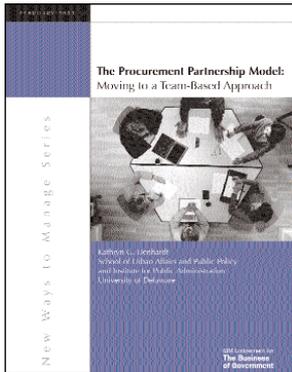
Moving to Public-Private Partnerships: Learning from Experience around the World *Trefor P. Williams*

This report presents a new perspective on the challenges now faced by government to more effectively, efficiently, and creatively partner with the private sector to develop and implement new models of contracting. In recent years, many government agencies have sought new project delivery methods. Because of the many drawbacks to the traditional competitive bidding process, new procurement and project delivery methods have been sought. The report examines innovative techniques, such as the build-operate-transfer model, the design-build-maintain model, and the design-build-maintain-operate model, with examples of how these models have been used by governments in the United States and around the world.



Moving Toward Market-Based Government: The Changing Role of Government as the Provider *Jacques S. Gansler*

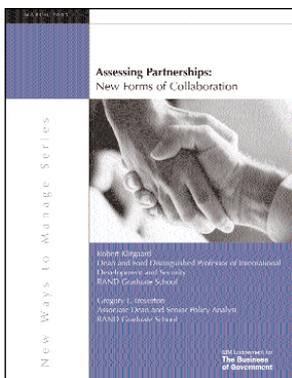
In this report, Professor Gansler attempts to clarify the somewhat muddled debate currently under way across the nation about the various ways in which government can undertake a specific activity: outsourcing, competitive sourcing, privatization, public-private partnerships, or government entrepreneurship. This debate represents a significant evolution in the changing role of government. Historically, government itself was the provider of nearly all government services. Professor Gansler argues that government is now undergoing a major shift away from providing services itself to becoming a “manager of providers.” The report addresses the six most frequently raised concerns about the “government as the manager of doers.”



The Procurement Partnership Model: Moving to a Team-Based Approach
Kathryn G. Denhardt

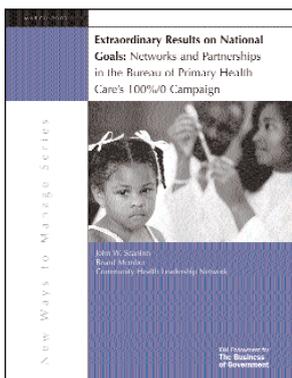
A new model of procurement is taking shape in government, one that encourages partnerships and teamwork rather than stovepipes and adversarial relationships. This spirit of partnership is displayed within government when procurement professionals work in tandem with program managers throughout the life cycle of a project. In the report, Professor Denhardt presents a series of recommendations in three areas: new ways to develop contracts, invest in training, and transform the current government culture.

Networks, Collaboration, and Partnerships



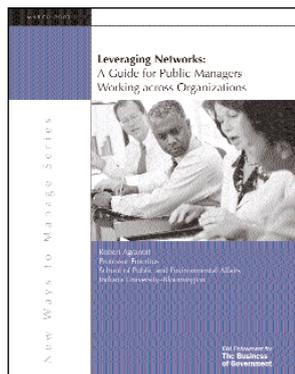
Assessing Partnerships: New Forms of Collaboration
Robert Klitgaard and Gregory F. Treverton

In their report, Dean Klitgaard and Professor Treverton describe the concept of partnerships between organizations in the public, nonprofit, and private sectors. The report describes why public sector organizations should consider partnerships with nonprofit or private sector organizations, and presents a checklist that public sector executives can use to assess the costs and benefits of such partnerships. Based on their analysis of recent trends in society, Klitgaard and Treverton conclude that the use of partnerships and collaboration is likely to increase in the decade ahead.



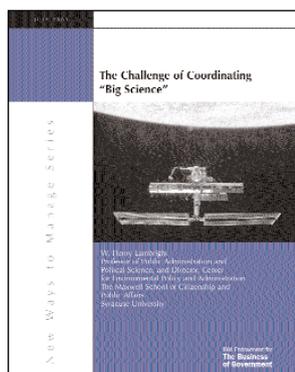
Extraordinary Results on National Goals: Networks and Partnerships in the Bureau of Primary Health Care's 100%/0 Campaign
John Scanlon

Over the past decade, much work has been done on defining leadership and examining the distinctions among leadership, management, and administration. This study examines an innovative approach to leadership as a discipline and a method. The report describes the Bureau of Primary Health Care's leadership effort from 1998 to 2001 to transform the health care system at the community level throughout America. The Health Resources and Services Administration (HRSA) within the Department of Health and Human Services organized the 100% Access/0 Disparities Campaign. The report examines how the campaign started, the methods it used, and the results it obtained.



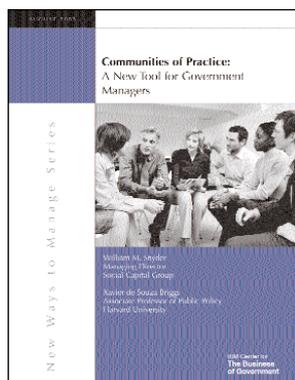
Leveraging Networks: A Guide for Public Managers Working across Organizations *Robert Agranoff*

This report describes 12 networks, all located in the Midwest, ranging from nonprofits to intergovernmental entities to government organizations, and outlines the critical elements of success for managers to deliver results in a collaborative environment. Most public executives today have been trained to deliver results via the traditional hierarchy. To be successful tomorrow, government executives must increasingly be able to deliver through networks, partnerships, and the use of collaboration. Professor Agranoff provides a road map to help leaders understand where this new road leads—and how to get there.



The Challenge of Coordinating “Big Science” *W. Henry Lambright*

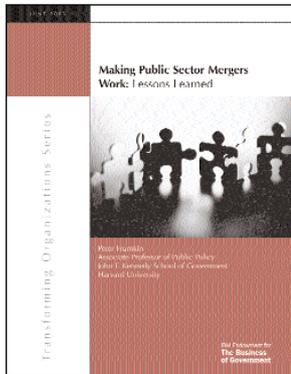
In building on his previous report for the Center (“Managing ‘Big Science’: A Case Study of the Human Genome Project”), Professor Lambright presents three case studies on how the federal government can effectively coordinate large science projects that include more than one federal department or national government. The three cases studies examined are climate change, nanotechnology, and the International Space Station. The report includes recommendations on how the federal government can effectively coordinate programs across the federal government and among nations.



Communities of Practice: A New Tool for Government Managers *William Snyder and Xavier de Souza Briggs*

This report presents four case examples of the federal government’s experience with “communities of practice,” an emerging management approach for government leaders to use in a fast-paced, fluid environment where they need to reach beyond traditional organizational boundaries to solve problems, share ideas, and develop peer stakeholder relationships. The case examples are Boost4Kids, SafeCities, 21st Century Skills, and the Federal Highway Administration’s Rumble-Strip Initiative. This report is a practical “how to” guide for public managers desiring to develop communities of practice to solve problems beyond their span of responsibility.

Transforming Organizations Series



Making Public Sector Mergers Work: Lessons Learned *Peter Frumkin*

This study looks at recent mergers of public sector agencies and draws out some lessons for managers. Making public sector mergers work requires strong leadership and good execution throughout the process of creating a new organization. When successful, public managers can use mergers as a tool for achieving not just increased cost efficiency, but also greater levels of program effectiveness. In the report, Professor Frumkin outlines five critical areas for managers to focus on that can improve the likelihood of success in carrying out the merger of government agencies.



The Power of Frontline Workers in Transforming Government: The Upstate New York Veterans Healthcare Network *Timothy J. Hoff*

This report tells the story of how the Upstate New York Veterans Healthcare Network dramatically improved its performance. In the mid-1990s, the Department of Veterans Affairs created 22 integrated service delivery networks. Professor Hoff found that a key to performance improvement in the network was that the leadership of the Upstate New York Healthcare Network made a conscious attempt to unleash the power of frontline employees by creating an increased customer focus, adopting a learning environment, increasing frontline autonomy, encouraging grassroots innovation, and developing esprit de corps among frontline workers. ■

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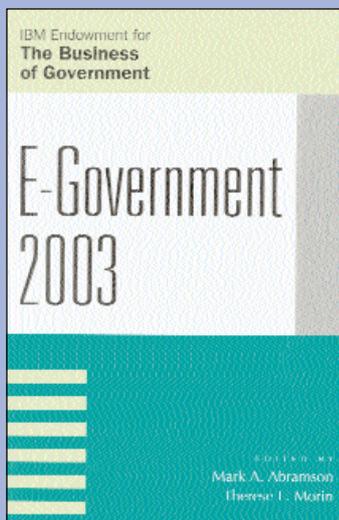
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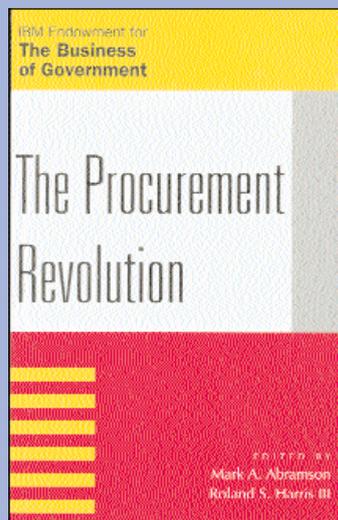
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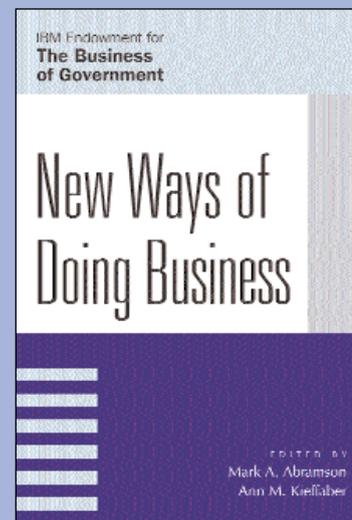
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