About PricewaterhouseCoopers
PricewaterhouseCoopers (www.pwcglobal.com) is the world's leading professional services organization. Drawing on the knowledge and skills of 150,000 people in 150 countries, we help our clients solve complex business problems and measurably enhance their ability to build value, manage risk and improve performance. PricewaterhouseCoopers refers to the US firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

About The Endowment
Through grants for research, thought leadership forums and the SES leadership program, and sabbaticals, The PricewaterhouseCoopers Endowment for The Business of Government stimulates research and facilitates discussion of new approaches to improving the effectiveness of government at the federal, state, local, and international levels. All grants are competitive.

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

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PRICEWATERHOUSECOOPERS

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The Business of Government

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SECOND ANNIVERSARY ISSUE

The Business of Government

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PRICEWATERHOUSECOOPERS

By Ian Littman

July 2000 marks the second anniversary of the establishment of The Pricewaterhouse-Coopers Endowment for The Business of Government. Since creating The Endowment, we have reviewed over 600 proposals and made 65 grant awards to 76 outstanding thought leaders in the academic and nonprofit community, totaling over $1 million in grants. To date, we have published 24 grant reports and anticipate publishing another 15 between now and the end of the year.

As co-chair of The Endowment, I've had the unique privilege to review many of the proposals and to sit on the committee that makes the final decision regarding which proposals to fund. During the proposal selection process, we work hard to anticipate emerging issues in the management arena. Our goal is to select issues "ahead of time" and thus to have reports ready as issues develop and as individuals within the government and academic community search for new ideas and insights into these issues.

After making our selections and awarding grants to the winners in each review cycle, we then wait for the report to be completed and published by The Endowment. I then have the opportunity to read the completed report and compare it against the proposal that we funded. To date, I continue to be pleased and excited by the reports prepared by our grantees. It's been fun to watch projects go from the "idea" stage to publication. In this issue of *The Business of Government*, there are three reports abstracted that I would like to highlight for you. These three new reports all come at an opportune time to inform the debate about the future of government.

Over the last several months, we have read much about the forthcoming wave of retirements from the Senior Executive Service. It is reported that over 70 percent of its ranks will be eligible for retirement by 2005. If this is true, government must immediately start preparing its next generation of leaders. In *Leaders Growing Leaders* (abstracted on page 66 of this issue), Ray Blunt sets forth an exciting challenge to current executives — they must start to develop their successors. Blunt provides a very helpful "tool kit" for how senior executives can prepare the next generation of leaders.

In *Reflections on Mobility* (abstracted on page 70), Michael Serlin argues that a crucial part of the development of future and current leaders is increased mobility between agencies. Serlin provides case studies on how six federal executives benefited from mobility within their own careers and how they brought new insights into organizations that they joined.

IF GOVERNMENT CAN BE TURNED INTO THE PLACE WHERE LARGE-SCALE EXPERIMENTS WITH ELECTRONIC INTERACTIONS ARE BORN AND IMPLEMENTED, IT MAY BE THE CHALLENGE NEEDED TO AGAIN LURE THE BEST AND BRIGHTEST TO PUBLIC SERVICE.

He also provides a series of recommendations as to what the Office of Personnel Management and individual agencies can actually do to increase mobility within government.

But developing future leaders and enhancing mobility will not solve all of government's recruitment, retention, and development problems. What will be needed — more than anything — is exciting jobs and state-of-the-art challenges. In *Entrepreneurial Government* (abstracted on page 64), Anne Laurent presents an exciting portrait of many individuals within government today who have reinvented themselves and their positions and are now confronting exciting businesslike challenges. Laurent's report provides many insights into what might galvanize the next generation of government leaders and motivate them to enter and stay in public service.

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Rudolph W. Giuliani on Restoring Accountability to City Government

(New York City Mayor Rudolph Giuliani's remarks were delivered at a Thought Leadership Forum on "Making Government Work: Best Practices in Competitive Government" held in New York, New York on May 9, 2000. The Forum was sponsored by Temple University and the National League of Cities and funded by a grant from The PricewaterhouseCoopers Endowment for The Business of Government.)

When the political history of this particular era is written, I believe that the revitalization of American cities is going to be regarded as one of the most significant things that has happened. When people reflect back on the 1990s to 2000, I think they're going to say that the whole idea of urban America evolved and changed. People's conception of urban America has changed from a place that was derelict, decayed, filled with unemployment and union difficulties, to a much more realistic and positive place that is dedicated to improving the quality of life of its residents.

Of course, there are still significant problems in urban America. But over the last eight to 10 years, local governments have really produced most of the innovation that has begun to change people's concept of government. And I think that applies more to the city governments than the national government and state governments. We just don't have time for a lot of the political gridlock that affects national government and sometimes state government — the problems are too great, the issues are too pressing, and the answers have to come much more quickly.

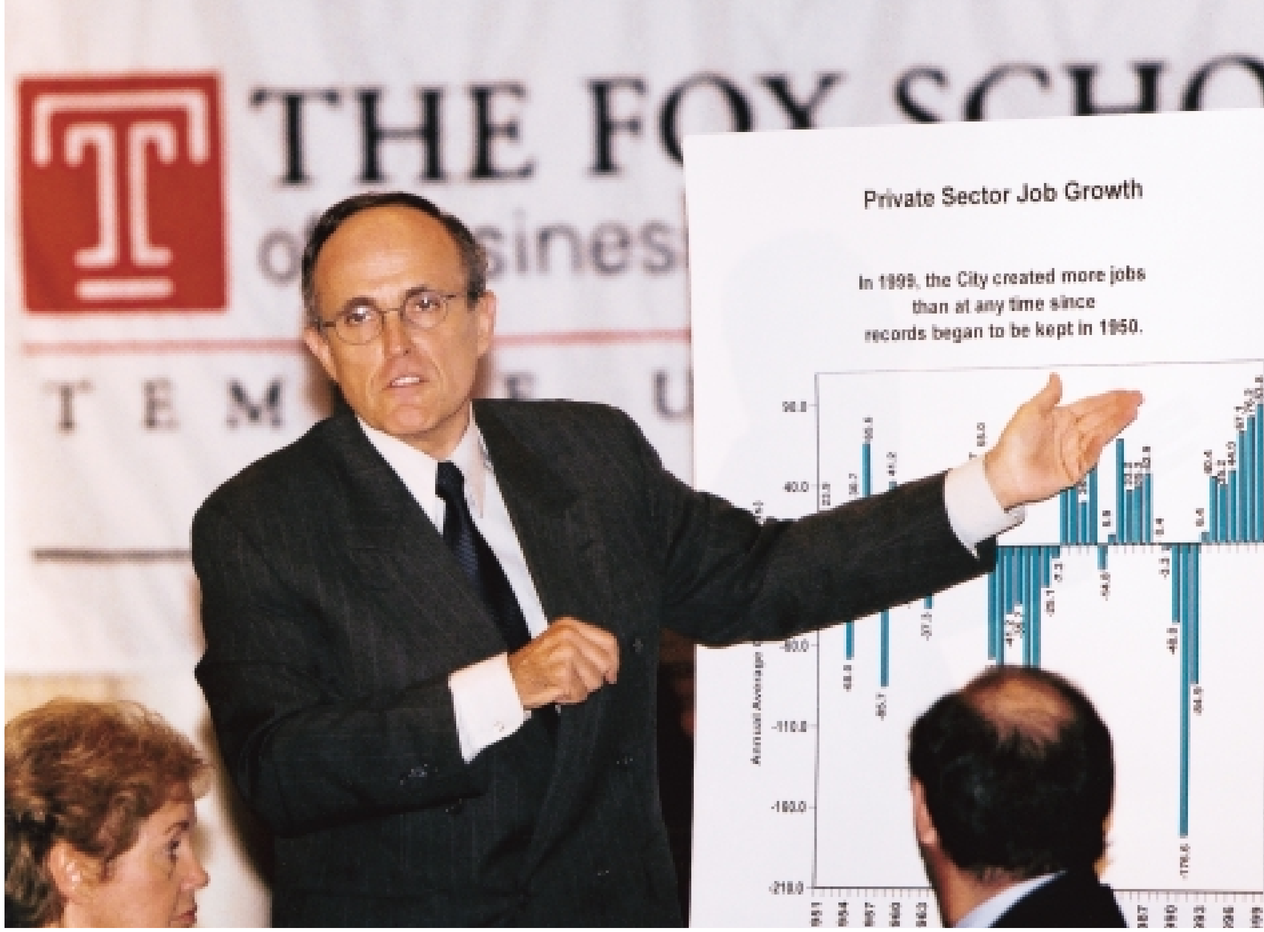
And in that sense, New York City during the 1960s, '70s, '80s, and into the early '90s, served as a symbol of decline. I keep a national magazine cover describing New York City in 1990 as "the Rotting Apple," a city in decline. And at that time, people in the City of New York accepted it. They accepted the idea that this was our lot in life: that we were an old city that had seen our greatest days. We still had a lot going for us, we were still a strong city, but the perception was that things were never going to be as good as they used to be. We were never going to have as many jobs. We were going to be lucky to hold on to what we had. And we were going to have an inevitable decline that perhaps we could forestall a little bit.

Our city in the early '90s was averaging 2,000 murders a year. We lost about 330,000 jobs in a short time frame, which was greater than any job loss we had since the Depression. We had almost 1.1 million people on welfare in a city of officially 7.3 million.

But the greatest toll that this took was on the spirit of the people of the City of New York. And I'm sure this is true in many of your own experiences. People were cynical and they didn't think things were going to get any better. In fact, a poll in 1993 showed that many New Yorkers would leave the city the next day if they could.

At that time, our city provided an appropriate example of what was considered the decline of urban America. Throughout the last half-dozen years, however, things have fundamentally changed in New York City and throughout the country.

Mayors from different political parties — Republicans, Democrats — using different combinations of solutions have made very significant changes in the way government interacts with the people. And they have all kinds of names, in addition to Republicans or Democrats: New Progressives, Pragmatists, Centrists, Common Sense Conservatives. I actually haven't been called any nice things like that. The names they usually use for me are different.



But the reality is that this is not a Republican or a Democratic thing; this is something where you have to have the freedom to select the best solutions that exist. And I think at the core of this is accountability.

You have to be able to show people that government can play a positive role in their lives. And then you have to be realistic about that. Because if you make excessive promises of what government can do, if you promise that government can take care of all people's needs and all of their problems, then you inevitably deteriorate their view of government when you fail them. I've tried very hard to show people realistic progress. Maybe it comes from my background in law enforcement where you know you're never going to solve all the problems. You know you're never going to have a time when there's no murder, no theft, no crime. That would be perfection and you're not going to get there. But that doesn't mean that we shouldn't try to reduce crime as much as we possibly can.

Reducing crime and improving the quality of life

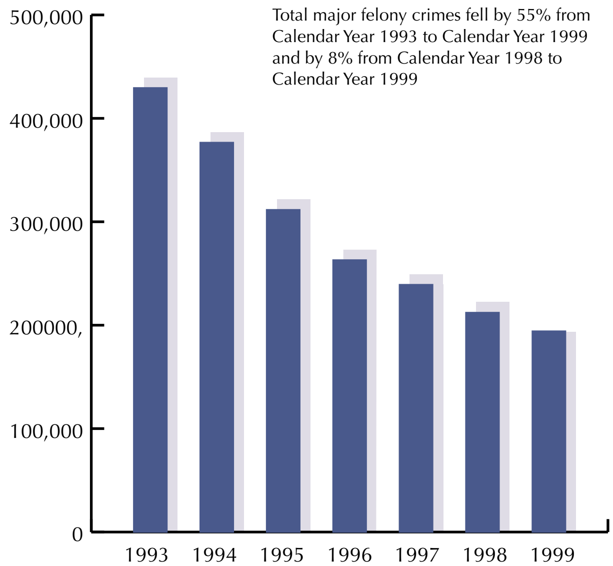
With regard to reducing crime — and I think this is true of all the things that we tried to do — we tried to replace bad ideas with good ideas. The two primary things that we've done to reduce crime — and there are many, many things — was the adoption of the Broken Windows Theory and the Comstat program, which won an award for innovation in government from the Kennedy School of Government at Harvard University.

The Broken Windows Theory simply means that you don't give people the sense that they can violate the law in small but substantive ways because they are regarded as less important than serious crimes. In the early 1990s, we had a situation in which there was a sense that there wasn't much we could do about street-level drug use. Likewise, there was a sense that there really wasn't much we could do about street-level prostitution. And there wasn't really much we could do about graffiti. And there wasn't really much we could do about aggressive panhandling. We had over 2,000 murders. We had 600,000 to 700,000 index crimes. With all those serious crimes, how could we be spending time on these less serious crimes?

In that misconception was the very core of our problem. The Broken Windows theory by Professor James Q. Wilson and Professor George Kelling, which is now well over 20 years old, had been used in smaller cities, but it was never thought it could work in a city as large as New York. The name Broken

New York City Police Department

Sever Major Felony Categories*
Calendar 1993-1996



* Murder and Non-Negligent Manslaughter, Robbery, Rape First Degree, Felonious Assault, Burglary, Grand Larceny, Grand Larceny Auto.

Figures are based on preliminary data.

Windows Theory comes from the metaphor used to describe the concept. You have a building and it has a lot of windows and somebody comes along and breaks the first window and you say, "Well, gee, that's not important. I've got bigger things to think about than one little window." Then somebody comes along and breaks another window and they break another window until finally you have no windows and the whole structure of the building begins to fall down.

On the other hand, if you pay attention to the first window that was broken and you fix it, and you try to find who did it and say, "You can't do that. That isn't right," you protect the building at the first, easiest, and earliest possible moment rather than letting it deteriorate. And there is something deeper and more spiritual about it all. By doing it, you reinforce the obligations that we have to each other as citizens. Which is a very, very important thing that a city government has to do. You say, "You don't have a right to break somebody's window if you want to live in a free society." A free society is not a society that says, "I can do violence to you. I can do violence to your property." That's an anarchistic society.

Think about graffiti. We used to be a city that was absolutely covered with graffiti. About a year and a half ago I was watching a movie on television and I saw this subway train go by. And for about a minute I knew there was something wrong, and I asked myself, "What era was this movie representing?" The subway train was all filled with graffiti. So I went and got the date of it, I think it was 1986. Then I went out and had somebody check our buses, our subway trains, and our sanitation trucks. And we don't have graffiti on them anymore.

We started that six and a half or seven years ago. We said that, first of all, we were going to get rid of graffiti the first moment that we see it. Take the train out of circulation, take the bus out of circulation, take the sanitation truck out of circulation, we're going to get rid of the graffiti right away. The second thing we're going to do is to try and find the people doing the graffiti and we're going to fine them. Then we're going to sentence them to cleaning up the graffiti to teach them a lesson. And basically the lesson we were teaching is a very, very simple one: You do not have a right to destroy somebody else's property.

Graffiti-ridden trains, buses, sanitation trucks used to travel through the streets of the city, and everyone who saw them said, "You can destroy somebody else's property and the city thinks it's OK." It was like an advertisement for disrespecting the rights of others.

Now when people see lots of graffiti-free trains and buses, in a very subtle way it says to them, "This is a city that really has a growing number of people respecting the rights of other people." It's a small example, but it's important.

The same thing is true for street-level drug dealing, street-level prostitution, and aggressive pan handling. It doesn't mean you pay more attention to that than you pay to murder or rape, though very often the press will play it that way. The reality is you have to pay appropriate attention to all of these things. You have to remove zones of lawless conduct. And it's not to be punitive. It's actually and ultimately to use the law for the purpose it really exists, which is to teach people the lessons they need to learn in order to have a constructive, productive life.

The ComStat program is the second program that has had a big impact on the level of crime. I used to be the associate attorney general. I was in charge of dissemination of the national crime statistics. So I've been involved in crime numbers for 20 years. And it seemed to me that we were doing something wrong in the way in which we measured police success. We were equating success with how many arrests were made. A police officer was regarded as a productive police officer if he made a lot of arrests. He would get pro-

moted. A police commander in a precinct would be regarded as a really good police commander if his arrests were up this year. This wasn't the only measure of success, but it was the predominant one.

Arrests, however, are not the ultimate goal of police departments or what the public really wants from a police department. What the public wants from a police department is less crime. So it seemed to me that if we put our focus on crime reduction and measured it as clearly as we possibly could, everybody would start thinking about how we could reduce crime. And as a result, we started getting better solutions from precinct commanders.

We have 77 police precincts. Every single night they record all of the index crimes that have occurred in that precinct and a lot of other data. We record the number of civilian complaints. We record the number of arrests that are made for serious crimes and less serious crimes. It's all part of ComStat, a computer-driven program that helps ensure executive accountability. And the purpose of it is to see if crime is up or down, not just citywide, but neighborhood by neighborhood. And if crime is going up, it lets you do something about it now — not a year and a half from now when the FBI puts out crime statistics. After all, when you find out that burglary went up last year, there's nothing a mayor can do about it because time has passed and the ripple of criminal activity has already become a crime wave.

Now we know about it today. And we can make strategic decisions accordingly. If auto theft is up in some parts of the city and down in others, then we can ask why. And that will drive decisions about the allocation of police officers, about the kinds of police officers.

This is one of the reasons why New York City has now become city #160 on the FBI's list for crime. Which is kind of astounding for the city that is the largest city in America. Think about the other 159 cities: Many of them have populations that are 300,000, 400,000, 500,000. And on a per-capita basis, some of them have considerably more crime.

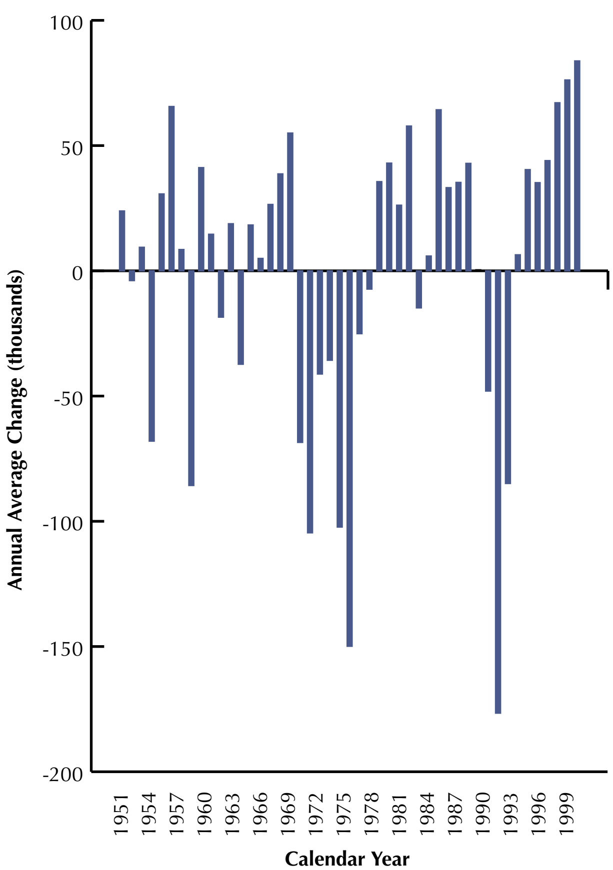
ComStat is an excellent system, but the core of it is the principle of accountability. Holding the people who run the precincts accountable for achieving what the public wants them to do, which is to reduce crime.

Improving the economy

The next area where we've made tremendous strides is the whole area of our economy. In the past, the city government of New York was perennially in fear of bankruptcy. And the reason for that is we were spending too much. We were spending more money than the growth of our economy would allow. If our economy would grow by 3 to 4 percent in a given year, we would say, "That's wonderful. So now we're going to increase spending by 6 to 7 percent." We were essentially spending more money than we had, borrowing against the future. And for 20 to 30 years we created a structural deficit of massive proportions. We reduced it by cutting spending. We've cut spending by over $9 billion. The first year it was cut by about $2.5 billion, which was difficult. It meant making very difficult choices about privatizing. For example, reducing the number of employees in our hospital system by about 15,000 to 16,000, because we were staffed for 100 percent bed capacity and operating at significantly lower levels. It meant restructuring a lot of the agencies so even if we did increase the number of employees, they were going to have to find new ways of paying for them, in terms of productivity and work that was done. Because if we were spending the same amount of money as we were six years ago, instead of having an almost $3 billion surplus at the end of this fiscal year, we would have probably a $500 million deficit. Even with this good economy.

Private Sector Job Growth

During this administration, New York City has experienced the strongest six-year job growth on record.



Source: Bureau of Labor Statistics

So, again, this is a question of accountability, of saying that government can't do everything. You have to figure out what government can do, and do that well, so that citizens will be confident that their government is responsible, honest, and effective. And the truth is that then you're able to really accomplish things for people.

For example, we've cut taxes by $2.3 billion, which the city has never done before. We did this to try to stimulate our job growth and to make New York City a more attractive place for business. And the last three years are our three greatest years for job growth in the history of the city going back to 1951, before which we don't have statistics. This is now the longest period of sustained private-sector job growth that our city has ever had.

The tax cut I like the best illustrates the value of cutting taxes in terms of spurring private sector growth and creating jobs. Our hotel occupancy tax used to be the highest in the country — 21 percent. That was because more than a decade ago the city and the state were facing huge budget deficits — there were a lot of services they had to fund — and the only political thinking available was, "Let's raise taxes and we'll have more money." So the city and state together raised the hotel occupancy tax to 21 percent. And they kept it there for quite some time. The Association of Convention Bookers actually put out an advertisement that said, "New York City has the highest Hotel Occupancy Tax in the country. Don't book your convention there." And according to our City Council, we lost maybe $900 million to a billion dollars in business as a result of this tax. This was a tax that clearly needed to be reduced. Well, we reduced it by almost a third. At the time, there was a lot of fear and a lot of worry. And now we collect $90 million more from the lower hotel occupancy tax than we used to collect from the higher hotel occupancy tax.

Cutting the hotel occupancy tax also had a tremendous effect in helping our welfare reform efforts, because it encouraged the creation of entry-level jobs in hotels and restaurants that have flourished during the past four years of record tourism in our city. It is a concrete example that reducing taxes can actually help to achieve job growth and reforms in other areas.

I fought very, very hard to eliminate the sales tax on clothing in New York City. I believe it should be eliminated for all clothing purchases in New York State. We have succeeded in reducing the sales tax on clothing purchases of $110 or less. So if you go out and buy a shirt today, or a tie, or shoes of

$110 or less, you pay no sales tax. I'd like to see it reduced completely. That would be the best jobs program we could create for people who are poor, given our economy, which is a free-market capitalist economy. That's the economy we have, and we have to make that economy work for us. We can't do things that are contrary to it. Likewise, the best jobs program in New York City we could have is to take that $110 sales tax elimination and make it no sales tax on any clothing. It would produce another 12,000 to 14,000 new jobs.

Reforming welfare

Finally, I'd like to speak about the whole area of welfare, which is maybe the most important thing that needed to be changed. Our city's welfare reform program pre-dates the federal welfare reform legislation by about a year. Our welfare reforms are designed to reinforce, and to teach, the social contract, which is philosophically the idea upon which our democracy is based. The social contract says that for every benefit there is an obligation, for every right there is a duty, and for everything that you're given, you have to give something back. Government should be teaching it and reinforcing it — but definitely not doing the opposite, which is teaching and reinforcing dependency.

In the past, it seemed to me that one of the things that was happening in urban America was that we were not allowing the genius of America to happen for the poorest people in America. In fact, in some perverse instances we were doing just the opposite — we were blocking the acquisition of the genius of America for lots of poor people. The genius of America is that if you can acquire the work ethic, you can really accomplish a lot for yourself and your family.

We realize that there are people who are disabled and there are people who need help. And there are people for whom this just isn't going to work. But our philosophy in the past was, "Let's see how we can maximize the number of people who are dependent." Now our philosophy is, "Let's see if we can maximize the number of people who can feel the joy of taking care of themselves, and minimize the number of people that are dependent."

Back in 1965 we had about 400,000 people on welfare. Between 1965 and 1971, we went from about 400,000 people on welfare to over 1.1 million people on welfare. We went over 800,000 in the late 1960s and we remained there through the '60s, '70s, '80s, and through the '90s. This was not a result of a change in our economy. The American economy did not deteriorate during that period of time; it was actually growing. This explosion in the number of people on the welfare rolls was a direct result of government's decision about how to deal with poverty. The only answers that my city government had for 20 to 25 years was, "Let's go to Washington to get more money, so we can put more people

on welfare." We used to use terms like, "Welfare should be user-friendly," without thinking about the destructive consequences this could have on people's lives.

So we began a workfare program which said, "If we can help you get a job in the private sector, we will. If you can get a job in the private sector, take it. But in exchange for welfare benefits, if we can't get you a job or you can't get a job, then we will have you work for the city, assuming that you're able bodied, assuming you're not sick, and assuming that you don't have young children that we can't place in day care."

We took that on as our obligation and we spent hundreds of millions of dollars to solve the humane problems and practical problems many people feared would come with welfare reform. Now, you have to work 16 to 20 hours a week for the City of New York — which is the maximum that the law allows — for the Police Department, for the Parks Department, for the Transportation Department, for the Mayor's Office. You've got to give something back. If other people are supporting you, you have an obligation to help improve their quality of life and to give something back to this city. About 300,000 people have gone through the workfare program. And now we've shrunk the city's welfare rolls from over 1.1 million to below 600,000. This is the lowest number of people on welfare since the mid-1960s. Last month, even with some court disputes about our Welfare to Work programs, we had our largest decline of people on welfare — 11,000 fewer people on welfare by the end of the month than at the beginning of the month. Of course, right now we're helped by a growing economy that provides lots of jobs for people. We have a situation where anyone who wants a job can get one. We've got to take advantage of that and try to move as many people towards work as possible — in order to help them.

If I took you to a welfare office today — or at least half of them, and hopefully by the end of the year all of them — the sign on the door when you walk in says, "New York City Jobs Center." It doesn't say welfare office. And the difference isn't just a sign. Inside, a whole different process goes on. When you sit down and ask for welfare, the first thing we ask you is: "What kind of work have you done, what kind of jobs have you had, what kind of work do you think you can do?" We fight to keep you from dropping out of the workforce. We want to encourage you to take the maximum number of steps to take care of yourself, rather than going in the other direction. And we're doing that because we care about you. Maybe because after all these years of mistakes regarding welfare, we have a little better understanding of the human personality and what can really help people. Again, it's a question of accountability in a sensible, rational, and decent way.

Reforming public education — the challenge ahead

The last area that I'd like to mention very briefly is the area of education. We've made a lot of changes in education. We've changed the governance of our school system to some extent, but not as completely as we should. After a very long battle, we have ended principal tenure. Principals can no longer remain at a school if they are failing to really help the children. In addition, we've introduced merit pay for principals, so that the good principals can be paid bonuses. We've instituted citywide reading programs such as Project Read. We've re-established arts programs in the schools, which had foolishly been removed 25 years ago. We've put computers in all of our elementary schools and trained over 1,000 teachers to teach new technology, which the children now have access to. We've changed special education and moved it in a positive direction for the first time.

But I would be less than candid — and I'm not — if I told you that we've been able to really reform our school system in the same way that we've been able to reform other areas of city government that I've mentioned to you. And the reason for that is rooted in philosophy. I believe very much in philosophy. Philosophy guides a lot of what happens in a government. The ideas that you argue for and discuss get implanted in people's minds. And that's more important than lots of specific programs, or specific tax cuts, or anything else.

The New York City School System is today a job protection system, not first and foremost a system about children. And the biggest change that has to be made — and there are many different ways to make it — is that we have to change the idea of the school system. The idea of a school system is not about protecting the jobs of everybody in the system without regard to their performance. The idea of a school system is to do the best job in the world of educating children. And then everything else follows from that. That is how we're going to evaluate this system. We must take the risk that somebody may not have all his benefits and perks. Currently, it doesn't matter if the teacher is the best teacher in the world or the worst teacher in the world. They're treated exactly the same — despite the fact that there is a real difference in performance. And we've got to get the system around to performance.

In that area, New York City has a lot to learn. We have a lot to learn from Chicago, where the legislature in Illinois did away with their Board of Education and their local Boards of Education several years ago. Mayor Daley has done an excellent job of making that school system much more accountable under his control, because he's accountable, and he's putting good people there that are already putting principles

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[INTRODUCTION]

The New Government Executive: The Leader/Manager

By Mark A. Abramson

The leadership literature has long made a major distinction between "the leader" and "the manager." In a well-known early 1990s *Harvard Business Review* article, John Kotter argued that leaders "set direction" while managers undertake such activities as "planning and budgeting." The implication has long been that executives either "lead" or "manage," but they clearly don't undertake both sets of activities.

Based on recent conversations with 14 outstanding government executives, the traditional distinction between leading and managing appears to be vanishing. In discussing their activities, these 14 executives describe an exciting blend of both leading and managing simultaneously. It can be argued that government executives of the 21st century must perform both sets of activities in order for their organizations to fully succeed. Vision alone is no longer adequate when American citizens are demanding increased performance and world-class customer service. Like the old saying that war is too important to be left to the generals, management is now too important to be left to middle managers. In the year 2000, executives must both lead *and* manage.

In a series of interviews on *The Business of Government Hour* radio show, hosted by The PricewaterhouseCoopers Endowment for The Business of Government, the government executives interviewed and profiled in this issue of *The Business of Government* discussed deploying a wide variety of management innovations to dramatically improve the performance of their organizations. Sam Chambers discussed creating his own Total Quality Management program at the Food and Nutrition Service. Dick Calder talked about getting the Central Intelligence Agency to use activity-based costing to find out the "real costs" of their support activities. John Mitchell and Coleen Vogel described implementing Enterprise Resource Planning (ERP) at the United States Mint. Admiral James Loy, Commandant of the Coast Guard, talked about the use of strategic planning to improve accountability within the service.

These leaders/managers are not just describing the latest "fad" of the day. Many of them talked about how they have institutionalized these new methods. It has become "the way" that their organization now does business. None used or recommended "cookie cutter" approaches to management. All described designing new management initiatives that were appropriate to both the activities and the needs of their organizations. Because the U.S. Mint is a manufacturing organization and distributes products, Mitchell described their need for a faster, more effective financial system and hence their need for ERP. Because the Coast Guard is a very operational service, Admiral Loy described how it could be held accountable for the amount of drugs they seized, the number of lives they saved, and the dollar value of the property saved in the midst of hurricane relief operations.

These leaders/managers also talked about the importance of traditionally mundane management topics such as the recruitment, retention, and development of their workforce. In years past, it would have been highly surprising to hear such high-level executives talk about the size of their training budgets and the need for more extensive recruitment initiatives. But times have changed in the world of the 21st century. Today's world requires that top executives now be concerned with such issues. Tom Bloom of the Defense Finance and Accounting Service (DFAS) talked about his desire to make DFAS "an employer of choice" by providing progressive and professional work environments for employees. Dick Calder talked about the CIA's efforts to retain employees by keeping their skills marketable so that they are constantly performing at the top edge of their business.

These new leaders/managers are not just deploying techniques used in the private sector, they are also creating new ways of doing business. Tom Fox of the U.S. Agency for International Development described the new AID model — instead of directly providing technical assistance as in the past, AID now emphasizes creative partnerships with universities and non-profit organizations that are "enabled" and "supported" by AID. Ray Kammer of the National Institute of Standards and Technology (NIST) also discussed the challenge of creating new partnerships with the private sector. NIST has pioneered the use of agree-

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Thomas R. Bloom

Director, Defense Finance and Accounting Service
Department of Defense

"Defense is big business," states Tom Bloom, director of the Defense Finance and Accounting Service (DFAS) at the Department of Defense. "We pay out over $1 billion each and every day. Each month we pay over 5.5 million soldiers, sailors, airmen, Marines and civilian employees, as well as retirees and annuitants. And we pay over 144 million invoices each year." DFAS was created in 1991 to reduce the cost and improve the overall quality of Department of Defense financial management through consolidation, standardization, and integration of finance and accounting operations, procedures, and systems.

Bloom, a third-generation public servant, has served as chief financial officer (CFO) of the General Services Administration, inspector general of the U.S. Department of Education, and CFO and assistant secretary for administration of the Department of Commerce. He has also worked in the private sector, starting from junior staff and rising to senior partner in a large public accounting firm. Describing the differences between the private and public sectors, Bloom says, "The biggest area that I would note would be the area of risk and reward. In the public sector, too often folks are afraid to take risks. In the private sector, we had to take risks to continue to exist…. Now that, to a certain extent, is changing in the public sector dramatically."

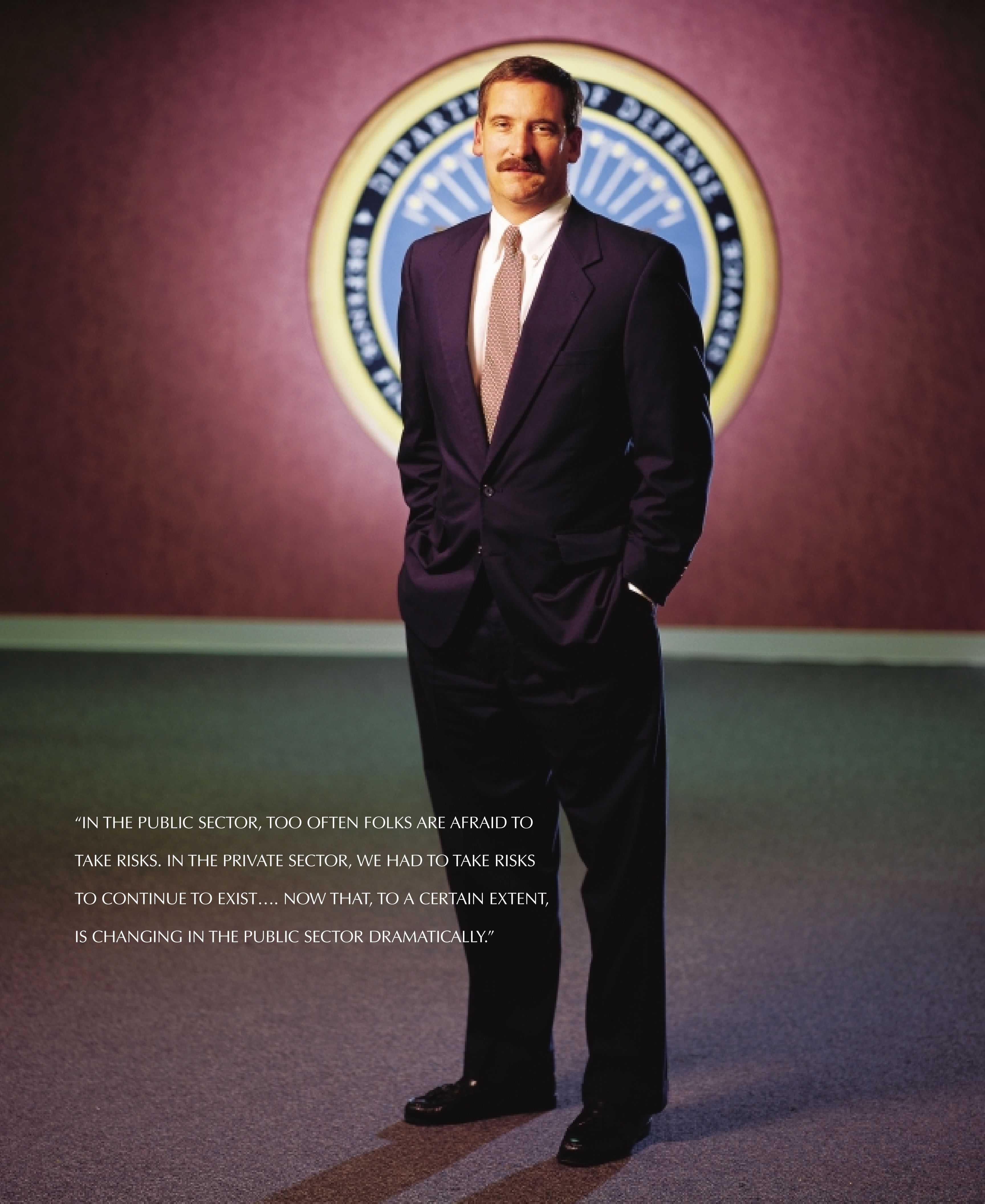
At DFAS, one of the manifestations of that change is in the area of competition. Bloom explains that private firms will have an opportunity to compete with DFAS employees by bidding on work currently performed by DFAS. This competition will deliver better value to the customer. "We have two initiatives, retired and annuitant pay and civilian pay, two very large parts of our business, that we will be competing out in the next year. Our philosophy on this is that we want to be doing [what] we do best. We think that in many areas, we match up with the private sector. But the things we do not do so well … so be it. That should probably be done by someone else and we should stick to what we do best, our core competencies."

Another change at DFAS under Bloom is its effort to become paperless. "Paper is our enemy," Bloom notes. "We are developing as many electronic means and as many electronic interfaces as possible, so that we end up with as little paper as possible." This includes an electronic self-service system for Defense employees. "Employees can change most of their human resource allotments; they can make changes to their addresses and to exemptions on their tax forms," he explains. DFAS also plans to convert pay stubs into electronic formats.

And what about the 144 million invoices that DFAS pays each year? "There is a big push to have [vendors] transfer their invoices to us electronically," explains Bloom. "We are also producing an electronic interface for smaller businesses, which represents the lion's share of our vendors, to make it easier for them…. A participating business only needs a computer and access to the Internet. They will be able to pull up a screen and essentially put their invoice information on a predetermined screen and then send it to us electronically, thus eliminating the need for paper."

Part of Bloom's new vision for the organization is to become an employer of choice. "We want to attract the best and the brightest to DFAS by providing a progressive and professional work environment, where we are working with the latest in technology," he asserts. "We're training our people all the time to operate in this new economy. We want DFAS to be the ticket that people must have on their résumé if they want to be relevant in this community. We want the private sector to be beating down our doors to hire our folks. However, I want our environment to be so good that the employees choose to stay at DFAS."

Another critical component of Bloom's vision is to be "a world-class provider of financial and accounting services." "It is no longer good enough to be the best in government or one of the best or as good as the average in the private sector," he says. "We are going to have to be in the top 10 percent of the competition who provide the kind of services that we provide. To be world-class, we will need to be competitive, relevant, and give the best value to our customer."



"IN THE PUBLIC SECTOR, TOO OFTEN FOLKS ARE AFRAID TO TAKE RISKS. IN THE PRIVATE SECTOR, WE HAD TO TAKE RISKS TO CONTINUE TO EXIST.... NOW THAT, TO A CERTAIN EXTENT, IS CHANGING IN THE PUBLIC SECTOR DRAMATICALLY."

Radio Interview Excerpts

Thomas R. Bloom
Director, Defense Finance and Accounting Service

TECHNOLOGY

On using technology

In order to stay relevant, to stay competitive, to become world-class, we have to work with technology. In an effort to become paperless DFAS has engaged in e-commerce activities, to include things like document management, electronic funds transfer, and EDI — electronic data interchange.

We currently have 32 new systems that we're in the process of installing, and that in itself is a daunting task. I don't know of any organization, whether it's General Motors or Mobil-Exxon, that has that kind of initiative, to put in 32 new systems. So we're certainly on the cutting edge there.

APPLYING NEW BUSINESS MODELS

On customer focus

Our customers are world-class customers. They're the best in the world and we need to be as good as them. We hope our new slogan, "Your financial partner @ work," will emphasize what we're trying to do.

Each word in our slogan conveys a specific meaning. The first word, "your," makes it clear to our customers that we belong to them, that we're there to serve them. The second word, "financial," means that we provide accounting and financial services. "Partner," the third word, communicates that we want our customers to know that we are partners with them. We want to do all the things that partners do for one another. The Internet "@" sign signifies that we are modern and we are jumping full force into the e-commerce world. It says that we are ready to go. The fourth and final word in our slogan, "work," means that we are working hard for our customers. We've got the same kind of work ethic that our customers have, the hard-working war fighters.

On change in the public sector

One of the things that I like to always ask our folks now that I'm in the public sector, when we're going to do something or we're going to spend money, I'll ask the question, "If it was your money, would you spend it that way?" That's sometimes a bit of a foreign concept to them, as strange as that may seem. But we are trying to change the way we think about things in the public sector — and not just at DFAS, but throughout the government.

ORGANIZATIONS AND PEOPLE

On recruiting

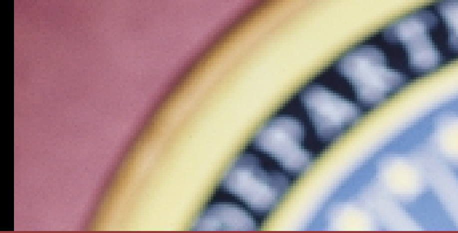
Recruiting is something that I believe is very personal. I encourage my managers and my executives to get involved in the recruiting process. I would like to see all my top-level people visiting colleges for entry-level folks, as well as getting involved in the recruiting of mid-career folks.

On training

One of the things that we believe very strongly at DFAS is in keeping our folks trained. We spend a large portion of our budget, approximately 5 percent of our salary expense, on training and educating our folks. We want our folks to work with the latest technology, to understand the latest technology and to learn the latest management techniques. We work hard at making our employees employable.

On empowerment

Our workforce has to be empowered. You have to make folks feel as though they are contributing to the organization. You have to have an organization where you encourage some risk taking. This is the public sector, and so you have to be careful that you are controlling your assets, but in order to move ahead you have to have a certain amount of risk.



"WE CURRENTLY HAVE 32 NEW SYSTEMS THAT WE'RE IN THE PROCESS OF INSTALLING, AND THAT IN ITSELF IS A DAUNTING TASK. I DON'T KNOW OF ANY ORGANIZATION, WHETHER IT'S GENERAL MOTORS OR MOBIL-EXXON, THAT HAS THAT KIND OF INITIATIVE."

On communication

Effective communication is very important. One way in which we hope to address this area is to launch, in the next month or two, video snippets. These snippets will be between five and 10 minutes in duration. Our employees will receive these videos through e-mail and then pull them up on the server to hear me, my deputy or other executives talk to them about our visions and future changes.

On people and change

We have what we call the Responsible Employer Program because we believe we do owe employees some consideration. We work hard to prepare our employees in case their jobs disappear. However, they do see that the technology means that some jobs will go, and that can produce a morale problem.

STRATEGIC INTENT

On vision

Our vision includes four tenets. The first tenet is to be a world-class provider of financial and accounting services, with a strong corporate identity. It is no longer good enough to be the best in government or one of the best in government or as good as the average in the private sector. We are going to have to be in the top 10 percent of the competition who provide the kind of service that we provide. To be world-class, we will need to be competitive, relevant, and give the best value to our customer.

The second tenet of our vision is to become a trusted innovative financial advisor. We've been too much of a utility, where we supply folks with data but not much information.

Our third tenet is to become an employer of choice by providing progressive and professional work environments for our employees. We want to attract the best and the brightest to DFAS by providing a progressive and professional work environment, where we are working with the latest in technology. We're training our people all the time to operate in this new economy. We want DFAS to be the ticket that people must have on their résumé if they want to be relevant in this community. We want the private sector to be beating down our doors to hire our folks. However, I want our environment to be so good that the employees choose to stay at DFAS.

The last tenet of our vision is to be competitive and of the best value to our customers. We are going to have to compete with the private sector, probably, for most of our jobs over the next five to seven years. And we should encourage that. We should want that competition. We should want to be the best that we can be, and to be the best value.

On communicating that vision

We have to make sure that our people know what our vision is, what the bottom line is, and what the finish line might be. We are also working to eliminate as many obstacles as possible. I look at my job as chief obstacle eliminator. Fewer obstacles enable my folks to get their jobs done a lot easier.

To read the full transcript of *The Business of Government Hour's* interview with Thomas R. Bloom, visit the Endowment's website at endowment.pwcglobal.com/ontheair.asp.

Bradley A. Buckles

Director, Bureau of Alcohol, Tobacco and Firearms
Department of the Treasury

"Traditionally, governments didn't have to operate like a business because, unlike a business, they didn't have competitors, and they also were creatures of a statute or law that fixed what their responsibilities were and how people had to deal with them," explains Bradley Buckles, director of the Bureau of Alcohol, Tobacco and Firearms (ATF). But today, reflects Buckles, "… more and more of the government is expected to act like a business, to prove its value every day. I think that an agency like ATF that has had a history of people challenging whether or not we should exist, how we do our business, has, from a government agency point of view, been very difficult." As a consequence, Buckles reports that ATF is working hard to "prove our worth." "We're going to attempt to hold ourselves more accountable publicly," he says.

The Bureau of Alcohol, Tobacco and Firearms can trace its history back to the Revolutionary War and the Whiskey Rebellion of 1794. Buckles remarks that some people characterize "ATF as the Internal Revenue Service before there was an Internal Revenue Service." The first taxes that were issued by the federal government were on alcohol. When the Office of Internal Revenue was created in 1862, collecting taxes on alcohol was one of its responsibilities. In 1968, the mission of the Alcohol, Tobacco and Firearms Division of the Internal Revenue Service (IRS) was expanded from traditional alcohol issues to a greater emphasis on firearms and explosives. In 1972, ATF was split from the IRS and became an agency within the Department of Treasury. Today, its mission and challenges continue to grow. Buckles comments, "Over the 25 years, I think that if you look at the enforcement of firearms laws and the collection of taxes, ATF is an agency that has had a tremendous amount of success. Man for man, dollar for dollar, our tax collection is difficult to surpass."

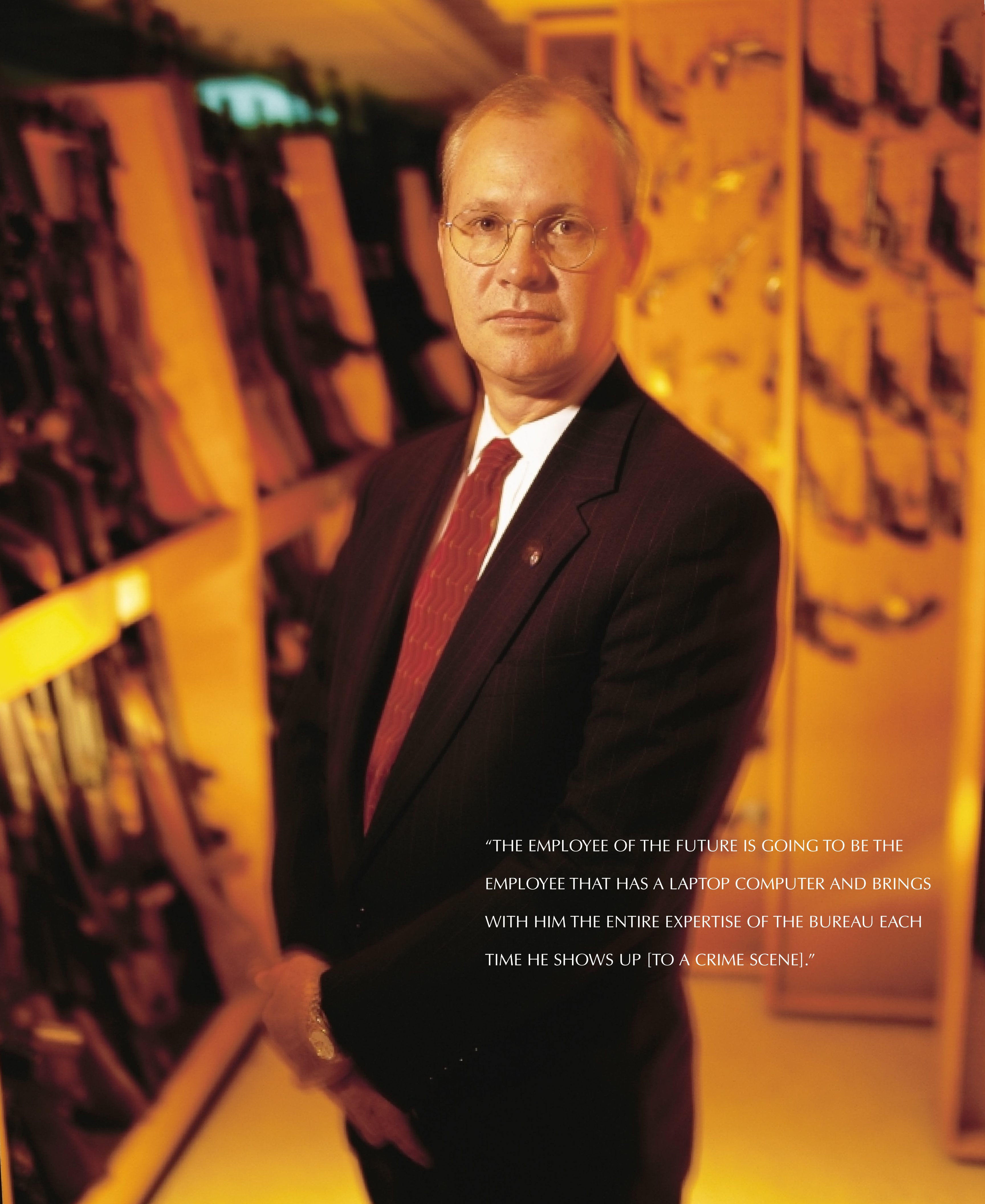
Director Buckles has been with ATF through its growth, having spent his entire career there. He started in 1974 as an attorney advisor in the office of chief counsel in the ATF headquarters office. Within the chief counsel's office, Buckles held a variety of positions, including assistant to the chief counsel, assistant chief counsel for litigation, deputy chief counsel, and chief counsel. In 1996, Buckles was named deputy director of ATF. This was his first direct management position and probably the most important in terms of preparing him for the director's position, to which he was appointed in December 1999.

In reflecting on his career, Buckles remarks, "I had a good history on what we've done in the past, why we did things in the past, what worked, and what didn't work. The deputy director job then set me up where I was in the position of actually making the decisions, as opposed to being in an advisory capacity."

A key factor in the success of ATF has been its ability to recruit and retain agents. ATF agents have to be very mobile and have to be willing to deal with the challenges, threats, and dangers of being law enforcement officers. "I think what gives us an advantage is people who are drawn into the law enforcement profession … there's a certain dedication to the profession that allows them to put up with … problems because they believe in the larger mission that they're trying to carry out as law enforcement officers," observes Buckles.

Even though recruiting hasn't been a problem for ATF, the type of agent they are looking for has continued to change. "The employee of the future is going to be the employee that has a laptop computer and brings with him the entire expertise of the bureau each time he shows up [to a crime scene]," explains Buckles. Technology has made the transmission of information real time in many cases. Therefore, crime investigators must continue to be on the cutting edge of technology so they can more easily solve their cases and protect the American public. "If ATF can put information and knowledge into the right hands through technology advancements, it is going to make a difference," says Buckles.

Director Buckles describes ATF's recent past as "a period of time when I think we were able to jell. We suddenly had an idea of a vision for what we wanted to be and a vision for how we were going to use the laws that we had under our jurisdiction to accomplish important public policy." ■



"THE EMPLOYEE OF THE FUTURE IS GOING TO BE THE EMPLOYEE THAT HAS A LAPTOP COMPUTER AND BRINGS WITH HIM THE ENTIRE EXPERTISE OF THE BUREAU EACH TIME HE SHOWS UP [TO A CRIME SCENE]."

Radio Interview Excerpts

Bradley A. Buckles
Director, Bureau of Alcohol, Tobacco and Firearms

MANAGING

On senior leadership

When we sat down five years ago to set out a strategic plan for ATF, part of the structure we came up with to carry those plans out was to operate as a team on the executive level and see the plans through. If we simply came up with grand schemes and then everybody went back to their office and took care of their own business, the strategic plans would not be met. The day-to-day demands would continue to govern the decisions that were being made as opposed to the long-range goals.

By setting up a strategic leadership team, which was composed of all of the assistant directors who were required in that capacity to be thinking beyond whatever their particular business operation might be within ATF, everyone was required to be thinking of larger bureau issues and the implications of all of the decisions we were making. Gathering as a strategic leadership team forced us to make more strategic investment decisions about where we were going as an agency and, by using that larger body, making sure that everybody was pulling in the same direction and achieving those goals.

On cross-agency partnerships

We work closely with almost every federal, state, and local law enforcement agency. ATF is in a position where the laws that we enforce — for example, the Gun Control Act — put a federal overlay on top of state laws that basically require dealers and others to comply with state laws. Everything we're doing is basically trying to assist state and local enforcement authorities.

Almost any other kind of crime, even at a federal level, is quite often going to involve firearms or explosives. These crimes require us to work closely with a variety of other federal agencies as well. Partnering is something that is part of ATF's culture. We have a saying that we have a history of partnerships that goes back even into the '50s, the old moonshine days. We've always had very close relationships with state and local agencies. That's basically part of our standard operating business — getting along and assisting others.

On cross-agency cooperation

I think that in law enforcement and in government in general, the old paradigm was everybody had their responsibility and you could basically carry out your responsibilities and you didn't need other people to do it. But the world has become too complicated, too fast moving. Everything is done too quickly and people can't operate in that environment anymore. The challenge of virtually every law enforcement is to be able to get along with, and cooperate with, others.

The only solution to [the interdependence of law enforcement issues] would be, for example, a national police force and nobody believes that's the right direction for this country to go. As long as we believe there shouldn't be a national police force, then that makes it all the more incumbent upon federal agencies to learn how to deal with each other and cooperate. I'm very optimistic about how things are working in that area.

On decentralized managing

Decentralized managing is one of our greatest challenges. When it comes to law enforcement operations, the business is driven by what the problems are in each location. We can have law enforcement officials who are basically empowered to respond to the problems that are taking place in a given area.

It becomes more of a challenge when we talk about our regulatory responsibilities where we're licensing somewhere in the neighborhood of 80,000 businesses around the country. When we have offices all over the country that are interacting with those businesses, advising them on how they are to conduct business to make sure it's in compliance with the federal law and regulations, it gets much more difficult to keep the consistency that you have to have in a regulatory environment, which is different than you have in a law enforcement environment.

I have to tell you, information technology, Internet, and similar communications systems are rapidly improving our ability to get information out and to maintain consistency without trying to direct every single decision out of headquarters to remain consistent.

"PARTNERING IS SOMETHING THAT IS PART OF ATF'S CULTURE.... WE'VE ALWAYS HAD VERY CLOSE RELATIONSHIPS WITH STATE AND LOCAL AGENCIES. THAT'S BASICALLY PART OF OUR STANDARD OPERATING BUSINESS."

GOVERNMENT AS A BUSINESS

Traditionally, governments didn't have to operate like a business because, unlike a business, they didn't have competitors and they also were a creature of statute or law that fixed what their responsibilities were and how people had to deal with them.

We've seen over time that more and more of the government is being expected to act like a business, to prove its value every day. I think that an agency like ATF that has had a history of people challenging whether or not we should exist, and how we do our business, has, from a government agency point of view, been very difficult.

Not every agency has had to face what we have. But what we've tried to do is turn that challenge about our existence and our worth — to turn it around from a liability to an asset. That asset being that we're going to be able to prove our worth. We're going to attempt to hold ourselves more accountable publicly, in order to prove our worth.

TECHNOLOGY

If ATF can put information and knowledge into the right hands through technology advancements, it is going to make a difference. Our technology and information area is allowing us to set up a national crime gun information center in West Virginia, for example, which will be a center that will allow people for the first time to really understand the movement and the trafficking of crime guns — where they come from, where they're going — in a very systematic way. Before, we dealt with the problem when a crime gun was used. We worried about trying to catch the person who committed the crime.

Our new system will allow us to take a more proactive approach to crime guns. We also have systems now with technology that are going to allow us to identify firearms on the basis of ballistics evidence. Today, you can look at the projectile or the shell casing from that firearm and it's like a fingerprint for a human being. Technology is going to allow us, I'm sure, in the not too distant future, to have that shell casing fingerprint associated with the serial number at the manufacturer level. That means when a shell casing is recovered from a crime scene — there's no suspect, there's no gun found — but if there's a shell casing left behind, we would be able to look at that shell casing, identify the firearm that it was fired from, and, from that, go back and trace the ownership record of that particular firearm. Our ability to provide this type of information to local law enforcement trying to solve a murder is going to be a critical part of our future business in ATF.

On the skills of the future

ATF's employee of the future is going to be much more information based. The tools that we will bring will be a greater level of expertise. I think that's what our value will be in the future — not just the individual helping and doing the work, but the expertise that's going to be behind every ATF agent that they'll be carrying with them.

Every ATF agent has a laptop computer today. That laptop computer is locked into virtually every database we have as a bureau. An agent arriving at a scene to help a state and local officer today, and even more so into the future, brings with him every piece of information that the bureau has in terms of helping solve that crime or deal with the situation they're looking at.

To read the full transcript of *The Business of Government Hour's* interview with Bradley A. Buckles, visit the Endowment's website at endowment.pwcglobal.com/ontheair.asp.

Richard D. Calder

Deputy Director for Administration
Central Intelligence Agency

"In many ways, I think the Central Intelligence Agency has changed more in the last decade than it did in the previous 40 years," claims Richard D. Calder, deputy director for administration at the Central Intelligence Agency (CIA). "Until the start of the 1990s, the biggest strategic threat to our nation was the Soviet Union. Now that threat is gone and is not going to come back… The post-Cold War challenges are increased by the information revolution and by telecommunications. Fundamentally, all those issues are transforming the globe, transforming the way that we look at policy concerns and the way we look at security issues."

Change and the increased speed of change have become constants in the life of Calder. "The one thing that I think is critically important is that everything seems to be moving much faster today than it ever did before," he says. "We used to have much more time to plan, much more time to make thoughtful considerations. Today, we simply don't have that luxury anymore."

As Calder makes clear, the world has changed dramatically since he entered public service. Like many of his generation, Calder entered government in the mid-1960s. He first served as a radio communicator at the CIA and then worked one overseas tour before deciding to go back to college and finish his degree in political science. He later earned a graduate degree in information systems. Calder returned to the agency in 1973 as a career trainee and then after a year of training, "I took Arabic language training and then spent six or seven tours overseas, mainly in the Middle East, but some tours in Europe as well." Prior to his present position, Calder spent his entire career in the Directorate of Operations, one of the four pillars of the agency. "Operations does clandestine collection of foreign intelligence, including human resource intelligence, and provides the product that our analysts find critical in doing the analysis and reporting that they do."

As a career-long customer of the Directorate of Administration, Calder developed a clear vision of the importance of that directorate in providing the critical infrastructure for the entire agency. In the old days, Calder recalls, "when the Soviet Union existed, it afforded us a certain degree of stability and a certain degree of ability to focus on a single target. Today, those targets are much more diverse, the interests of our policy community are also much more diverse." As a consequence, the Directorate of Administration has "to be there in a more agile fashion so that we can do the kind of things that have to be done, from information technology to communications, and even being able to help them to file travel claims more quickly. The expectation is that we will be much more responsive than we have been in the past."

In addition to responding to the changing needs of the agency, Calder was also responding to his own frustrations with the support side of the agency. "As someone who had to travel often, who had to deal with a series of regulations, often in environments where the regulations didn't quite apply, it was always that battle back and forth about how do you fix this or how do you make it work here, and that was always frustrating for me. As I came into my present job, I wanted to figure out how we could make ourselves more responsive, how we could take people who are imprisoned in this hierarchy that they work in and make them understand better what our customers need from us and therefore be able to shape and formulate policies that make the most sense to the people that are really depending on us."

And that is what Calder and his colleagues have spent the last four years attempting to do. His strategy was to use a market-based approach — with business planning, financial management, activity-based costing, balanced scorecard, and a working capital fund as tools — to create an "internal market" for administrative services.

In a break with the past, Calder has also been willing and eager to discuss management innovations at CIA outside of the agency and with the media, including the *Washington Post* and other national newspapers and journals. When talking about change, Calder concludes, it takes organizations a "significant amount of time" to get there, but the CIA journey is now well underway. ■

"WE USED TO HAVE MUCH MORE TIME TO PLAN, MUCH MORE TIME TO MAKE THOUGHTFUL CONSIDERATIONS. TODAY, WE SIMPLY DON'T HAVE THAT LUXURY ANYMORE."

Radio Interview Excerpts

Richard D. Calder
Deputy Director for Administration
Central Intelligence Agency

CULTURAL CHANGE

On the need for change

Today our targets are much more diverse and the interests of our policy community are much more diverse. CNN and the other news sources are almost immediately present when a crisis erupts in one part of the world. Therefore, the pressure on our policy makers to make decisions and the pressure on our customers to respond is much greater. We have to be much more responsive in terms of being able to meet the needs of those customers as they try to address these issues.

In terms of the administrative side, this means that as our internal customers respond to these issues we also have to be there in a more agile fashion so that we can enable them to do the kinds of things that they understand need to be accomplished.

On empowerment

I've read several articles that talk about the death of bureaucracy, people trying to move out of this command-and-control hierarchy and trying to restore some authority down into the ranks. That was really what I was looking to do. Instead of having a series of policies and procedures that force things to march up through the organization, I am trying to give the authority and the capability to the people who work the front lines and understand the issues so they can take care of problems on their own.

On creating a market environment

The different components of the CIA wrote business plans and were appropriated a certain amount of money. Once we had approval from our executive board, the money that was given to those components to do their services was returned to the customers. In other words, the customers would have an opportunity to spend some, all, or none, of those resources on us as providers. They could go to alternative providers, they could spend less for a certain service or a certain good, but they had the option. The reason we did this was because we're looking at two behavioral changes. One, the incentive on us was now to deliver our services, our goods, much more effectively and more competitively than we had in the past. This forced us to look at our processes. It forced us to really try to understand what our customers wanted.

On effecting change

I think it takes organizations a significant amount of time to get there. One of the things I think that is needed, and unfortunately in many organizations it's very difficult to get, is the persistence of leadership on these issues. Fortunately, I have had the backing of my director in what I have been doing.

TECHNOLOGY

On information and decision making

Activity-based costing helped us to understand the cost of our processes. I think that one of the biggest problems with government is the free good syndrome. I don't think any of us can get enough of a free good. The administrative processes that we do, the services that we provide, were basically free to our customers.

What I was trying to do was begin to understand what those processes and services cost so that we could understand how better to deliver them. Through benchmarking studies, we learned that Hewlett Packard has a very low transaction cost for some of the vouchering that they do compared to ours. It was only by beginning to understand the individual or incremental process costs that we could begin to see how we might do ours differently. We needed to know those costs in order to drive some different behaviors within the organization.

"ONE OF THE THINGS THAT WE HAVE TRIED THROUGH HAVING AN INTERNAL MARKET IN THE CIA IS TO MAKE SURE THAT THOSE PEOPLE WHO ARE MAKING SMARTER DECISIONS ... WHO THINK THROUGH HOW THEY WANT TO USE OUR SERVICES AND AS A RESULT EFFECT A SAVINGS, THAT THEY ARE ABLE TO BENEFIT FROM THOSE SAVINGS."

DEVELOPING LEADERS

On the need for developing leaders

The one thing that I think is critically important is that everything seems to be moving much faster today than it ever did before. We used to have much more time to plan, much more time to make thoughtful considerations. Today, we simply don't have that luxury anymore. Director Tenet recognizes this fact clearly and has really set a strategic direction for the agency that calls on us to try and step up to this challenge in ways that we haven't before. He also recognizes that the intelligence business is fundamentally about skills and expertise. It's about people — people in whom we need to invest more in order to deal with the vast array of complex challenges we will face over the next generation. He has made this the centerpiece of his strategic direction and the centerpiece of what we're trying to do right now — develop the skills, talents, and the people that we will need to meet the many challenges that we will face in the next decade.

On retaining and training today's leaders

You retain people by keeping their skills marketable so that they feel that they are constantly performing at the top edge of their business. In the CIA we are trying to give people the opportunity to make sure they have the skills to do the job that is required, and that they receive training and development in new skills. We also reward and recognize them when they add significant value.

It is not just a simple training program in some new technology that allegedly makes our employees more capable. It is really having them feel that they have an impact and making sure that we give them the opportunities to continue to expand their own skill base and do that regularly.

On incentives

I really think the issue here is the incentives. If you're going to ask people to think more critically about how they do something there has to be something in it for them. One of the things that we have tried through having an internal market in the CIA is to make sure that those people who are making smarter decisions, those who sit down and do a cost-benefit analysis, who think through how they want to use our services and as a result effect a savings, that they are able to benefit from those savings.

The Business of Government Hour's interview with Richard Calder will be rebroadcast on Sunday, July 16 (8:00 pm EDT) and Tuesday, July 18 (9:00 pm EDT) on WWRC (570 AM) in Washington, D.C. The interview will also be simulcast nationwide on the web at www.businessradioam570.com.

To read the full transcript of *The Business of Government Hour's* interview with Richard Calder, visit the Endowment's website at endowment.pwcglobal.com/ontheair.asp.

Samuel Chambers, Jr.

Administrator, Food and Nutrition Service
Department of Agriculture

Samuel Chambers, Jr., administrator of the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS), knows that change is often met with resistance. His retort to skeptics who say, "If it ain't broke, don't fix it" is, "If it ain't broke, then break it. Nothing in life is constant." In today's fast-paced environment, Chambers argues that it is important that organizations continue to adapt to the changing environment in order to increase and enhance customer service, especially at FNS, whose vision is to end hunger and improve nutrition and health.

As FNS administrator, Chambers oversees USDA's 15 domestic nutrition assistance programs including the food stamp program, the national school lunch and school breakfast programs, and the special supplemental nutrition program for women, infants, and children. With a staff of 1,600 people across the country, FNS administers a budget of $40 billion to support these programs, which represents about 70 percent of the entire USDA budget. "Essentially what you have is a situation where 2 percent of the department's staffing resources are responsible for 70 percent of all of its financial resources," states Chambers.

When Sam Chambers is asked how he became involved in public welfare programs he replies, "Quite by accident." After graduating from Southern University in Louisiana, Chambers worked as a bus porter for $1.77 per hour. In search of an automobile manufacturing job, he moved to Detroit, Michigan, where instead he was offered $3.64 per hour as a public welfare trainee. Regarding his career change, Chambers recalls, "… the young lady who made the job offer to me was somewhat embarrassed and thought that I would reject the job because of the low wages. She couldn't imagine my excitement … you just doubled my income." Thirty years later, Chambers is still in public service and is now "sensitive to the calling."

Chambers' new career as a welfare trainee in 1968 provided an opportunity for him to practice some of his undergraduate training in psychology and philosophy. Chambers reflects, "Starting out as a public welfare trainee, with no experience with welfare programs at all, was an eye-opening experience for me... I became sensitized to the fact that there really were gradations of poverty that were much more severe than anything that I had experienced, and that there were programs such as the ones that I was involved in that could, in fact, be a means to an end or a way for individuals and families to live a richer life." During his career, Chambers continued working in public welfare programs for the state of Michigan and took on positions of increasing responsibility. In 1991, he became director of the Michigan Family Independence Agency for Wayne County, formerly the Michigan Department of Social Services. He held this position until his appointment to FNS on August 31, 1998.

When Chambers started at FNS, he found an organization with "a staff of exceptionally competent and well-educated and well-trained professionals … unfortunately rooted in culture and somewhat resistant to change." He has worked hard to encourage the organization to reach its potential and institute a total quality management process. Over the years, Chambers has become an expert in quality management. Using this expertise, he developed the Leadership 2000 and Beyond Initiative at FNS, which he describes as "an eclectic approach to quality management processes that is developed based on a set of principles that I've practiced myself." This initiative has not only created a more flexible management structure, but it has also empowered employees at all levels to be creative and develop new processes that will enhance efficiency.

Another part of the Leadership 2000 and Beyond Initiative is developing leaders within FNS. Chambers believes that "every employee who joins an organization has a right to expect some opportunity for actualization … as part of their commitment…." — as was true for his own professional development. In addition, he maintains that FNS has an "obligation to also meet that person halfway and to provide them with the tools and resources that will help them develop, so that they could aspire to do more in the organization." ■


"EVERY EMPLOYEE WHO JOINS AN ORGANIZATION HAS A RIGHT TO EXPECT SOME OPPORTUNITY FOR ACTUALIZATION … AS PART OF THEIR COMMITMENT."

Radio Interview Excerpts

Samuel Chambers, Jr.
Administrator, Food and Nutrition Service
Department of Agriculture

CULTURAL CHANGE

On the need for change

When I started at FNS, I found an organization that was rooted in its culture and somewhat resistant to change. They were not tempted by my experience nor my words of encouragement that we could do better organizationally. I knew that I needed to address the culture of the organization and help them understand that the organization had a number of challenges that could only be overcome if its management, leadership structure, and style were more flexible and more open to change. One of the first things I did was to introduce a total quality management process — Leadership 2000 and Beyond.

On quality management

The initial driving force behind the Leadership 2000 and Beyond Initiative was to establish a total quality management culture. This organization has been under siege, with at least five years of continuously declining resources and escalating expectations and requirements for products. The situation required improved efficiencies, rebuilding and a reorientation of the culture and mind-set of the leadership. It also needed a constancy of focus on purpose and mission and objectives.

On empowerment

One of the first things that I did was make the employees a part of the change. Each employee was given the license to improve a process. This mechanism empowers individuals to look at their work, at the way their teams work, identify outdated processes, and then look for methodologies that they can sponsor, author, create, design, and innovate. And without needing to get approval from higher ups, they are able to make necessary changes. Since February of last year, we've been able to document 165 locally inspired employee-directed licenses to improve. As long as the employees have the support of their immediate supervisors and they can identify other individuals who have an interest in working with them, they are free to innovate.

We now have implemented a new cultural change process, which has led to significant redevelopment of the organizational culture. Our staff has been empowered at the most elemental level to be creative and we have a number of reinvention efforts that have already begun.

On a vision for FNS

In the last two years, FNS has stimulated its workforce. We have developed a community food security strategy, and empowered and required every one of our staff, throughout the entire system, to become personally involved in working with those local communities.

We sharpened our agency's vision. Our new vision challenges us to end hunger and to improve nutrition and health as our primary objective. This is what we do every day. We've created new resources and new tools. Many of them are up on our websites, so individuals and organizations can access information that demonstrates our commitment as an organization and as individual professionals toward achieving this vision.

On communicating the vision

We have a newly reformatted teaching plan in our organization. Everyone who goes out and does any public speaking tries to find some way to highlight that strategic plan and that vision. And as I said, we now charge all of our administrators and all of our staff with the responsibility for living that vision through their professional connections and personal relationships as a part of their job.

TECHNOLOGY

On electronic media

We are relying upon technology to expedite access to program benefits, thereby contributing to reduced waste and reduced fraud in our programs. By October of 2002, our entire food stamp program and all of our benefits will be authorized elec-

"BY OCTOBER OF 2002, OUR ENTIRE FOOD STAMP PROGRAM AND ALL OF OUR BENEFITS WILL BE AUTHORIZED ELECTRONICALLY. IN FACT, WE'RE CONSIDERING RENAMING THE PROGRAM BECAUSE FOOD STAMP COUPONS WILL NO LONGER EXIST."

tronically. In fact, we're considering renaming the program because food stamp coupons will no longer exist.

Individuals will access their program benefits by using magnetic cards, similar to the ATM and credit cards that you and I use. Welfare, food stamp, Social Security, VA benefit recipients, and many others in the foreseeable future will be transacting all of their business activities with us by way of electronic media.

On efficiency in customer service

We're looking at how we can utilize technology to increase participation and to make that participation more efficient than currently is available, utilizing paper scrip and coupons. Eventually, I can foresee the day when there will be no paper or card stock being used at all in the transaction of any of our business. With the electronic benefit transfer program, for example, in food stamps, we're able to more quickly and more accurately reconcile transactions. We can look for transaction patterns that illustrate or provide evidence that there is some sort of illegal trafficking, misappropriation, or misdirection of program benefits.

DEVELOPING LEADERS

On developing new leaders

When we analyzed what the short- and long-term implications of retirement and normal attrition mean for the organization, we discovered that over the next four to five years we're going to lose 40 percent of our middle to senior management. FNS had no plan for addressing this fact, so we immediately went into a planning mode. We have now created the first ever Leadership Institute. The first 21 of our potential new senior leaders are going through an intensive 15-month program, which is designed to create the next cadre of senior leaders for FNS.

On recruitment

We are about to institutionalize a new program to improve our recruitment strategies. We will look to non-traditional sources for future employees so that we'll have a group of employees available who've been pre-screened, pre-certified, and pre-interviewed for entry into the federal government. These employees, along with those that we are developing in-house, will provide us with a richer mix of employees who have significant leadership skills, who have strong commitment, strong educational backgrounds, strong experience bases, and who come in ready to get the job done.

On training

We took the resources that were housed in Human Resources Development and relocated them to my office to be managed and developed. I assigned them to a quality manager so that he could ensure that our training was consistent and compatible with our overall goals for quality management and leadership development.

The Business of Government Hour's interview with Samuel Chambers, Jr., will be rebroadcast on Sunday, August 13 (8:00 pm EDT) and Tuesday, August 15 (9:00 pm EDT) on WWRC (570 AM) in Washington, D.C. The interview will also be simulcast nationwide on the web at www.businessradioam570.com.

To read the full transcript of *The Business of Government Hour's* interview with Samuel Chambers, Jr., visit the Endowment's website at endowment.pwcglobal.com/ontheair.asp.

Thomas H. Fox

Assistant Administrator for Policy and Program Coordination
U.S. Agency for International Development

"Altruism is still alive and well," asserts Tom Fox, assistant administrator for policy and program coordination at the U.S. Agency for International Development (AID). "It's not talked about enough, but … there are a lot of people that are very motivated by simply doing what they believe is the right thing. And the right thing corresponds to why people support AID, that it reflects … a vision of what we want American leadership to be, that it's more than simply economic and military muscle and influence and ideas. It's also a generosity that is in our self-interest."

AID is the federal government agency that implements U.S. foreign economic and humanitarian assistance programs. It administers $7 billion of the $10 billion overall foreign aid budget, which comprises less than 1 percent of the federal budget. Fox's policy and program coordination administration has central responsibility for program policy formulation — overseeing the development of long-term policy, ensuring that agency policies are clearly communicated internally and externally, administering the agency's evaluation program, and coordinating AID's international donor programs.

Fox's public service career has spanned the not-for-profit sector, as well as the government sector. He started his international work in 1965 as a Peace Corps staff member, serving in Togo and Burkina Faso. He has been executive director of Volunteers in Technical Assistance, vice president of the Council on Foundations, director of AID's Office of Private and Voluntary Cooperation, and vice president of the World Resources Institute.

Fox reflects that the main difference between government and the not-for-profit world is government's complexity of management. "It's a dramatically more complex, much more time-consuming, and a much more inefficient means of management than in the not-for-profit sector." He comments further: "The government, just by the way it was set up initially by our Founding Fathers, puts an enormous amount of protection into the way we spend money and make decisions so that there's the least possible chance of fraud or corruption or tyranny, which was their original focus. And all of that in turn means that it's harder to do something.... It's appropriate that the protections be there, but there are also, of course, costs in terms of what we call efficiency."

One way that AID spurs greater efficiency is its focus on long-term results and outcomes. This focus, explains Fox, pre-dated the Government Performance and Results Act (GPRA) and the current administration's focus on the reinvention of government. These early efforts helped AID to produce, by 1999, an annual performance report that was heralded as the best of all federal agencies. "That's a huge tribute to our agency, and … the customer-focused, the forward-looking quality of [the report] as well as the transparency of it."

Fox sees GPRA and its requirements "as an opportunity, not an imposition from the Congress. It is, rather, an opportunity to take advantage of management principles that have been fully established in other sectors of our society." In fact, he shares that what he is most proud of is "establishing a planning process that is measurable and is now increasingly realistic…. We've established a system of planning and programming by strategic objective. And it's saved colossal amounts of time and is much more focused, I would say, even visionary … and a more forward-looking way of planning what we do."

AID measures the results of foreign aid through strategic objectives. Fox explains: "In every country, each of our programs has three or four strategic objectives that they are managing against and that they are devoting resources to. The programs have established targets. Then there are also annual targets and targets at the end of the activity. These programs are measured every year, and then a self-report is produced." Examples of success measures are how many schools have been strengthened or to what degree primary school enrollment has increased in a given region where AID is active.

To his successor at AID in the next administration, Fox offers the following advice: "… come with a vision and with the courage to try to support it even against all of the many obstacles that are going to be there … and really stick with it because change is needed. Consensus must come. We waste too much time now in trying to overcome the absence of consensus." ■

"WE'VE ESTABLISHED A SYSTEM OF PLANNING AND PROGRAMMING BY STRATEGIC OBJECTIVE. AND IT'S SAVED COLOSSAL AMOUNTS OF TIME AND IS MUCH MORE FOCUSED, I WOULD SAY, EVEN VISIONARY … AND A MORE FORWARD-LOOKING WAY OF PLANNING WHAT WE DO."

Radio Interview Excerpts

Thomas H. Fox
Assistant Administrator for Policy and Program Coordination
U.S. Agency for International Development

PERFORMANCE MATTERS

On managing for results

The focus on longer-term results and outcomes was something that actually started at AID early in the 1990s. Then the administration changed, and the combination of the enactment of the Government Performance and Results Act and the administration's focus on the reinvention of government compelled AID to take these changes seriously. The responsibility and the focal point for the agency's work on these initiatives are very much in my bureau, and in some cases in close association with our management bureau.

During this time the agency developed some basic values and strove to adhere to them very closely. These values included managing for results, a greater emphasis on customer focus, a focus on teamwork, empowerment and accountability, and respecting and valuing diversity. Using these principles, a number of basic systems have been examined and in some cases dramatically improved.

I just learned before coming here that Senator Thompson, the father of GPRA, announced that our annual performance report for 1999 was the best of all federal agencies. That's a huge tribute to our agency, and they particularly cited the customer-focused, the forward-looking quality of it as well as the transparency of it.

On measuring success

A few years ago we were trying to pitch everything at such a high level, and it was virtually impossible for us to see how successful our role was. To address this area, we established a system of planning and programming by strategic objective, of reporting and corresponding with Congress, and developing our systems around that kind of a model as opposed to project by project. This new system has saved time and is much more focused.

In every country, each of our programs has three or four strategic objectives that they are managing against and that they are devoting resources to. The programs have established targets. Then there are also annual targets and targets at the end of the activity. These programs are measured every year, and then a self-report is produced. We sometimes go back and double-check from Washington on results such as how many schools have been strengthened or to what degree has primary school enrollment increased in a given region where we are active.

ORGANIZATIONAL CHANGE

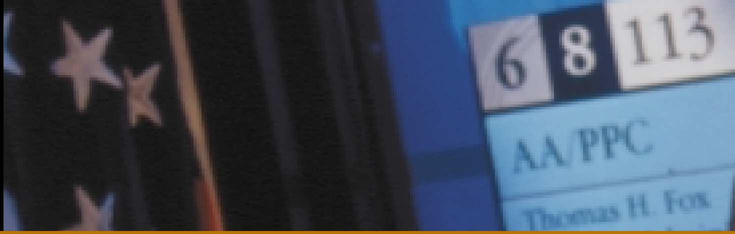
On the new workforce

There's been a lot of evolution over the years. I would say 20 years ago AID was dominated by people that had not only good generalist programming skills but also had particular technical capacity and technical skills. They in most cases were the primary providers of the cohesive development message or technical capacity. However, today this is not the case. Largely the technical capacity that AID delivers comes through other organizations that we enable, that we support, and that we complement.

On partnering

We use universities or nonprofit organizations that allow our staff to be more than enablers for the provision of technical assistance. They are also the vehicles by which technical cooperation, and technical assistance is used in policy dialogue.

In other words, our staff will play the role of talking with the local government about what the implications might be for their policies and their institutions. So it means that the staff is much less technical than it was and much more involved in the skills of enabling.



"BOTH THE PRIVATE SECTOR AND THE MULTILATERALS ARE THE MORE DIRECT PLAYERS IN THE MOVEMENT AROUND MONEY, BUT CAPACITY BUILDING IS A PARTICULAR AND A VERY IMPORTANT NICHE OF OURS."

On recruiting

This decrease in staff size has hampered our recruitment abilities. We are not expanding; if anything, we are contracting a little more every year. We have made a very conscious effort in the last two years to recruit young Foreign Service officers. Last year was the first year that we brought in a significant number of people, and we're continuing to give that a high priority.

There are still a number of really fine people that want to work for AID and go overseas. It's a more competitive market today because there are many other ways that people can go overseas or have an international career rather than just work for the government. So there is much more competition with the private sector in particular for good, strong people.

On AID in the post-Cold War era

We now have a substantial program in the countries of the former Soviet Union and of the former Soviet bloc in Eastern Europe with a particular focus on assisting in opening markets and opening societies and governments.

Secondly, the rationale for a foreign aid program is dramatically different. It used to be couched in Cold War terms. It no longer is. There's not a replacement vision that everybody accepts.

VISION

On the future of AID

I think you're going to see a greater relationship between AID and our foreign policy apparatus in the State Department. We will also see a greater synergy between how we operate and how we view the world in our bilateral program. It is also possible that there will be more of a division of responsibilities than is currently the case. I think it might be an outcome which will assist the agency in becoming more specialized instead of trying to do everything at once. It is in this direction that we are trying to go now because we are a big agency and we feel that we should assume a leadership role in almost any situation.

Capacity building is what I think our niche is. Both the private sector and the multilaterals are the more direct players in the movement around money, but capacity building is a particular and a very important niche of ours.

On globalization

As to the broader question about globalization, our particular role in that, particularly economic globalization, is in helping developing countries better participate and better benefit from globalization. This area deals with the question of whether they have financial systems and transparency systems that can withstand the kinds of pressures and speed that take place in the moving around of money and ideas. Do they have an institutional and a policy base that allows them to take advantage of globalization? Do they have it in a way that will allow for some equitable distribution of the benefits and not simply those that are the most ready to take advantage of the immediate opportunities that come from globalization?

The Business of Government Hour's interview with Thomas H. Fox will be rebroadcast on Sunday, August 27 (8:00 pm EDT) and Tuesday, August 29 (9:00 pm EDT) on WWRC (570 AM) in Washington, D.C. The interview will also be simulcast nationwide on the web at www.businessradioam570.com.

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Raymond Kammer

Director, National Institute of Standards and Technology
Department of Commerce

"It's the best job in government. I get to learn new technologies. I'm obliged to own the most advanced computers and use them, which is something I like very much. I also spend time with my staff, having them explain to me what they think are the technical opportunities of the future and how we're going to respond to the opportunity. The job is a lot of fun," says Raymond Kammer, director of the National Institute of Standards and Technology (NIST), an agency within the U.S. Department of Commerce's Technology Administration. Established by Congress in 1901 as the National Bureau of Standards, the agency was charged with strengthening the U.S. economy and improving the quality of life by working with industry to develop and apply technology, measurement, and standards. It carries out its mission through four major programs: Measurements and Standards Laboratories, the Advanced Technology Program, Manufacturing Extension Partnerships, and the Baldrige National Quality Award.

Kammer was nominated to serve as director of NIST, a presidential appointment, in 1997. His nomination culminated 28 years of service as a career civil servant. Joining the government in 1969, Kammer began his career as a program analyst within the Department of Commerce. Prior to his appointment as director, he held a variety of positions within Commerce, including serving twice as deputy director of NIST and deputy under secretary of commerce for oceans and atmosphere in the National Oceanic and Atmospheric Administration (NOAA).

Kammer's career is also unique in that he served "downtown" in the Department of Commerce as chief financial officer/assistant secretary for administration from 1994 to 1996. Reflecting on his tenure in the Office of Secretary, Kammer observes, "The only problems that come into the Office of the Secretary are problems that are guaranteed to be virtually insoluble and yet they must be dealt with." An example of such a problem was the controversy over the 2000 census that Kammer dealt with during his tenure as CFO.

During his career, Kammer has learned much about leading in a political environment. A key factor to succeeding in this political environment, concludes Kammer, is "a willingness to make decisions rapidly on quite incomplete information, a willingness to accept responsibility for your decisions and realize that with these kinds of decisions there is no selection, there is no choice you can make that will please everybody, and indeed for a high-stakes issue like the census there are going to be intense feelings from people who aren't happy with you already who are going to continue to be very unhappy with you."

According to Kammer, the ability to quickly learn how Washington and the political system works is the key quality needed in politically appointed positions such as the director of NIST. "Many people who come from outside the Washington environment don't learn that until they're almost ready to leave, and it's a terrible handicap," says Kammer.

Based on his long tenure in NIST — as both a career civil servant and political appointee — Kammer concludes that the most important thing that a NIST director can do is to persuade people in the Department of Commerce, the Office of Management and Budget, and on Capitol Hill that the budget invested in NIST is well spent. "In order to do that, you have to understand the programs, but you also have to understand your audience. They are mostly lawyers. Some of them are economists. There's one physicist in the House and there's one physician in the Senate…that are prepared to understand technical issues at a more sophisticated level. The rest are not, and are actually a little intimidated by the technical issues, and if you can't explain things to them in a way they understand, they tend to just shut down," explains Kammer.

While he was drawn to public service because it was "the local industry," Kammer looks back over his career and concludes, "What should have drawn me was the opportunity to make a big difference, which you can do in government, especially if you are a person like me who enjoys seeing the results and enjoys making society better." All in all, notes Kammer, "… government is a good career choice." ■

"WHAT SHOULD HAVE DRAWN ME [TO PUBLIC SERVICE] WAS THE OPPORTUNITY TO MAKE A BIG DIFFERENCE, WHICH YOU CAN DO IN GOVERNMENT, ESPECIALLY IF YOU ARE A PERSON LIKE ME WHO ENJOYS SEEING THE RESULTS AND ENJOYS MAKING SOCIETY BETTER."

Radio Interview Excerpts

Raymond Kammer
Director, National Institute of Standards and Technology (NIST)
Department of Commerce

TECHNOLOGY

On supporting the organization's mission

Our mission is to work with the private sector to grow the economy and to improve the quality of life in the United States. We use three tools in accomplishing our mission, and they are measurements, standards, and technology.

We have three main roles — measurements and standards for electronic commerce and providing measurements of interoperability. Because one person does not produce e-commerce services, the only way they can interoperate is if they are manufactured with hooks that are standard, with application hooks that allow them to interoperate with other services.

On leveraging the Internet

It's changed everything. The Internet is the most profound influence that I can think of.

Most of what NIST does needs to be shared with the public in order to succeed. No standard is valuable unless people know about it and practice it. So we now have websites for everything we do. All of our publications are now online. We have a virtual library that people can access over the Internet. And most of our handbooks and data are now published on the Net.

We have experienced a tremendous increase in productivity. We're the same size today that we were in 1954, but the economy has increased many fold. The use of technology allows us a greater reach. Operating has also become more sophisticated and more complicated. The ability for us to rapidly reach our clientele, to have our clientele quickly reach us, and the ability to operate 24 hours a day have all been made possible by the Internet.

ORGANIZATION BUILDING

On public-private partnerships

The most challenging part of creating these partnerships is the intellectual property. I made a fundamental decision for NIST to concede intellectual property to the private partner. I believe it makes it more likely that it will be exploited and developed for use by all of society. However, other agencies have not come to the same conclusion. This reluctance has caused some potential cooperative agreements to be delayed or to fail altogether.

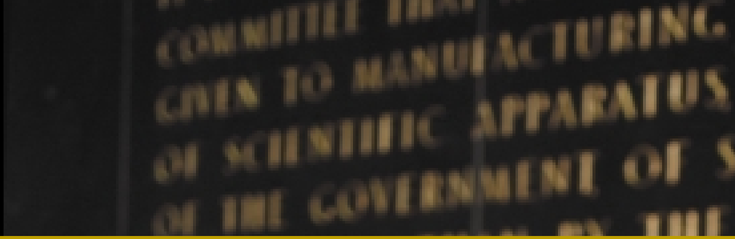
We don't need to debate intellectual property with people we collaborate with. Sometimes we can sign agreements on the same day that they are proposed.

Not everyone is comfortable with a federal manager conferring upon the private sector the credit for finding a cure for some disease as opposed to the government receiving the credit — even though it's the appropriate way, the way our economy works, and the way this cure will get exploited and made available to the rest of society.

On managing in government

I think the biggest challenge is recruiting and retaining good people, as well as creating an environment where they'll want to stay.

One thing that's different about NIST from the rest of government is that we have our own personnel system. Approximately 15 years ago we realized that it was taking eight months to get a new person through all the approvals. We weren't able to be competitive in the sciences or engineering with that system. Our new system permits us to hire somebody in two weeks. And we can speed this time frame up if the need arises.



“MOST OF WHAT NIST DOES NEEDS TO BE SHARED WITH THE PUBLIC IN ORDER TO SUCCEED. NO STANDARD IS VALUABLE UNLESS PEOPLE KNOW ABOUT IT AND PRACTICE IT. SO WE NOW HAVE WEBSITES FOR EVERYTHING WE DO.”

On employee recognition

We have a very active recognition program. We also nominate our staff for external awards. Many of our staff have received the distinction of being inducted into the National Academy of Sciences or the National Academy of Engineers. We even have one Nobel Prize winner. One of the things that I do is to send a handwritten note to people when they’ve accomplished something. I visit people and tell them that I think they are doing a good job. And we promote. We have a pay system that’s performance-based as well.

VISION

On future challenges

I have and continue to articulate five challenges for the staff.

1. The first challenge is to make sure that NIST has the best measurements and standards laboratories in the world.

2. The second is to focus on creating a level playing field for product standards in the U.S. Our economy buys and sells goods by voluntary products standards that are specifications of products. In the international marketplace those tend to be very Eurocentric. I’ve spent a lot of time creating a national consensus on a national strategy, and we are approaching the ISO and the IAC, the international standards bodies, for a more level playing field.

3. The third challenge is to resolve the political controversy surrounding the advanced technology program. Some feel that it’s an intrusion into the marketplace, while advocates of the program feel that it’s the best way to encourage the private sector to invest in high-risk and hopefully high-payoff technology.

4. The fourth challenge that I articulate is to increase the reach of the Manufacturing Extension Partnership.

5. The fifth challenge, which we’ve accomplished, was to add two categories of the Baldrige Award: health care and education.

On NIST’s role in the world economy

What we’ve done is to benchmark ourselves against the rest of the world. We ask questions such as, What are the current and future needs of the U.S.? Who’s doing the best job of measuring this particular attribute in the world? If it’s not us, what do we need to do to become the best in the world? The U.S. economy is the largest and most vibrant economy in the world, and they need the best measurements and standards in the world.

On advice for his successors

The most important thing for a successor is to quickly learn how Washington works and how the political system works. The important thing is to be able to persuade people in the Department of Commerce and the Office of Management and Budget as well as on the Hill that the budget invested in NIST is well spent. And in order to do that you have to understand the programs and your audience. You must be able to communicate clearly and effectively the technical issues at their level of understanding, or they will shut down.

To read the full transcript of *The Business of Government Hour’s* interview with Raymond Kammer, visit the Endowment’s website at endowment.pwcglobal.com/ontheair.asp.

Brigadier General John J. Kelly, Jr. (Ret.)

Director, National Weather Service
National Oceanic and Atmospheric Administration
Department of Commerce

"It is more difficult to implement than to write [recommendations]," contends Jack Kelly, director of the National Weather Service. In 1997, prior to his appointment as director, when Kelly was a senior advisor to the Department of Commerce, he conducted a bottom-up review of the National Weather Service. He was then asked to lead the Service and implement the recommendations he had written.

"It is kind of a unique experience for Washington," Kelly reflects. "This is a city where whenever there is a problem, the solution is [to] bring in an outside team to do a study. The team writes a report, hands the report to the Secretary, everyone smiles, and you implement some of the recommendations. But the team that put the report together rarely is in the position of implementing the recommendations in the report. Well, I did that. I did a study … [and] now I get to implement the recommendations that we put together."

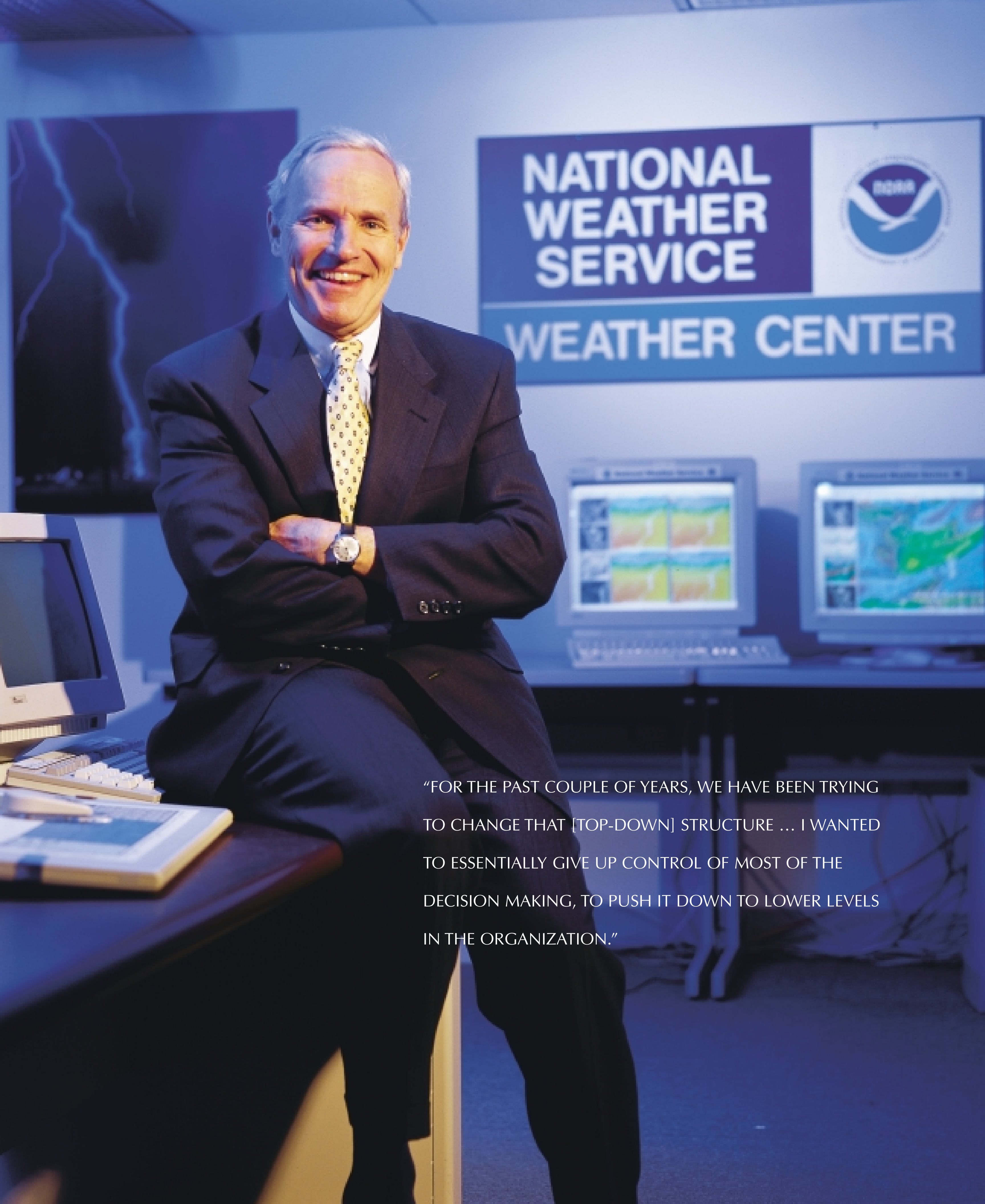
The National Weather Service provides weather, hydrologic, and climate forecasts and warnings for the United States, its territories, adjacent waters, and ocean areas, for the protection of life and property and the enhancement of the national economy. It provides warnings and forecasts of hazardous weather, including thunderstorms, flooding, hurricanes, tornadoes, winter weather, tsunamis, and climate events.

Kelly served in the U.S. Air Force for 31 years, retiring in 1994 as a brigadier general. During his last six years with the Air Force, he served as director, Weather and Commander, Air Weather Service. One of his most notable accomplishments as director was restructuring the organization, thereby reducing overhead by 52 percent, decentralizing control and improving efficiency, overhauling and modernizing business practices, and reducing operating costs by 30 percent.

One of the management challenges Kelly discovered in his 1997 study of the National Weather Service was the centralization of control and authority in the organization. "It tended to be top-down as opposed to bottom-up," Kelly explains. "For the past couple of years, we have been trying to change that structure … I wanted to essentially give up control of most of the decision making, to push it down to lower levels in the organization." He understood that with greater authority comes greater responsibility. "At the same time, I wanted everyone to understand that we were then going to start holding them accountable for both what they did and what they didn't do. Because once you give people the authority to make decisions, they have to act."

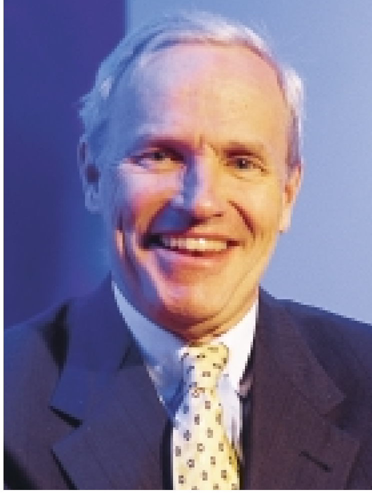
To enable and support employee decision making, Kelly moved to provide them with increased training opportunities, particularly in the area of technology. "We spent more than $85 million in training, because our view was that without training we would not be able to use all this new technology.… And we continue to invest a lot of money in training to continually refresh the knowledge of our forecasters." This includes distance learning courses as well as cooperative courses with the Navy, Air Force, and the Federal Aviation Administration.

Kelly's goals for changing organizational culture extend beyond pushing decision making to lower levels. "I would also like the employees to understand how important we all think they are," he states. "When I first took over as the director, a couple of my senior leaders said to me, '[The only] thing the employees in this organization recognize is if you give them a cash award.' I come out of the military where, generally speaking, you don't get cash awards. So what I started doing early on in my tenure was, if I saw an employee doing something really good, I would write them a personal note. I didn't understand the power of that act until an employee then wrote me a thank you note for writing them a thank you note for something that they did. They said to me, 'It is the first time in my history in this organization that someone took the time to take pen in hand and write a personal note.' What I also have discovered as I travel around the organization, both in headquarters … and in the 121 forecast offices, I see my handwritten notes now up on bulletin boards or in cubicles. I think that is sending a powerful message." ■



"FOR THE PAST COUPLE OF YEARS, WE HAVE BEEN TRYING TO CHANGE THAT [TOP-DOWN] STRUCTURE … I WANTED TO ESSENTIALLY GIVE UP CONTROL OF MOST OF THE DECISION MAKING, TO PUSH IT DOWN TO LOWER LEVELS IN THE ORGANIZATION."

Radio Interview Excerpts



Brigadier General John J. Kelly, Jr. (Ret.)
Director, National Weather Service
National Oceanic and Atmospheric Administration

ORGANIZATION BUILDING

On culture

There is tremendous similarity between the military culture and the culture of the National Weather Service. In the military, the culture is a service over self. You see that in the National Weather Service also. When bad weather is expected to hit an area, the average Weather Service employee comes to work early that day. We have had Weather Service employees spend nights in forecast offices because floods have cut them off or the highways have been covered with snow. So, the service-servant ethic is very similar between both of them.

The forecasters and hydrologists in the National Weather Service, those in the forecast offices, love what they do. They love trying to forecast what Mother Nature is going to do for us. You see that in the military as well.

On consensus

There are some differences between the military and the National Weather Service. The military tends to move faster, I think, than the civilian world does. Also, in the military, when you tell people to do things, they do it. On the other hand, in the business setting, you have to work to get consensus. A simple order doesn't get things done.

One of the first things I've learned is that the culture is not dictatorial. I have formed integrated teams to improve the strategic plan. The first plan wasn't very effective. To address this, we assembled together the union, employees, and management. We also brought in academics and people from the private sector to help talk about where we ought to go. We spent time clarifying our mission and articulating what values the organization holds important.

On public service

In the private sector one focuses on generating profit and business development. When you are doing a job you are thinking about where the next job is going to come from. The bottom line is very important in the private sector. But in the military and in the government you tend to be thinking of what is best for the citizens of the country. You certainly are concerned about whether you are making the best use of your resources, but you are not trying to generate a profit. That's the big difference.

On empowering workers

We are trying to put decision making into the hands of office directors, regional directors, and forecast offices, and let the meteorologists and the hydrologists in charge become more involved in the decision making process.

We are trying to make it a learning organization, trying to encourage more participation.

I think that the National Weather Service was not unlike many other government organizations in that it had attempted to centralize control and authority over the organization, but it had not empowered the employees. The organization was top down as opposed to bottom up. For the past couple of years we've been trying to change that structure. We have also attempted to focus more on financial and technical measures and to introduce the concept of accountability.

I wanted to change the leadership and management culture which tended to be top down. I wanted to push decision making to the lowest practical level in the organization. We put in place some metrics to help us assess where we were in terms of executing our budgets and our technical performance. At the same time, I wanted everyone to understand that they would be held accountable for their area of responsibility.

"TECHNOLOGY HAS ENABLED US TO INCREASE THE LEAD TIME AND THE ACCURACY OF OUR WEATHER WARNINGS. WE HAVE DOUBLED OUR TORNADO LEAD TIME. AND WE HAVE MORE THAN TRIPLED THE LEAD TIME ON OUR FLASH FLOOD WARNINGS."

TECHNOLOGY

On changes due to technology

One thing that has happened in the Weather Service the last 10 years since it has been modernized is that we have significantly increased the amount of data available to the forecaster. The forecaster needed some tool to turn that data into information so that they could then use that information in making a weather forecast.

The heart and soul of our Forecast Office today is this computer system. It allows the forecaster to manipulate the data and take a look at different representations of how the atmosphere might unfold and then make a forecast. But as I said, it had a history of some problems. It was not unlike other information technology systems that are out there.

We took a program that had a checkered reputation and turned it into one that is now used as an example. Technology has enabled us to increase the lead time and the accuracy of our weather warnings. We have doubled our tornado lead time. And we have more than tripled the lead time on our flash flood warnings.

We are giving people more time to prepare for adverse weather that could destroy, if not take, their lives. They are able to make an informed judgment as to what action to take. Technology has also enabled us to improve the accuracy of our track forecast for hurricanes.

On using technology

The issue is how do we use technology. From a managerial side, the challenge is, as a government organization, how do you maintain what you are currently doing and find ways to issue new products in a budget-neutral environment where there is little growth in your budget?

We are constantly looking at how we use the current systems, how can we get some efficiencies and economies out of them so we can add new products. Just this past year we have introduced a relative host of new products. We issued last year a drought monitor where, in one unit, we can show you where drought is occurring across this country and give you a short-term forecast. We are going to start issuing a product that I'm calling an "Extreme Heat Event." We are going to give you an outlook weeks in advance of where we think there are going to be combinations of very high temperatures and high humidity, so people will be aware that this summer there may be heat waves impacting their lives and activities.

On future challenges

The better we get with our skill, the higher the expectation. We have gotten better at forecasting hurricane tracks, yet more and more of the American population is moving to the coast and it is taking more and more time to evacuate areas. How do we keep pace with that? How do we keep pace with the speed of change that is happening in the information technology arena? I mentioned we deployed the Advanced Weather Interactive Processing System last summer. The hardware will be obsolete in about three years. This hardware was one of Hewlett-Packard's front line pieces last summer, and it isn't today. So how do you keep pace? How do we infuse that technology? These are the real challenges that we face.

The Business of Government Hour's interview with Brigadier General John Kelly will be rebroadcast on Sunday, July 23 (8:00 pm EDT) and Tuesday, July 25 (9:00 pm EDT) on WWRC (570 AM) in Washington, D.C. The interview will also be simulcast nationwide on the web at www.businessradioam570.com.

To read the full transcript of *The Business of Government Hour's* interview with Brigadier General John Kelly, visit the Endowment's website at endowment.pwcglobal.com/ontheair.asp.

Raymond W. Kelly
Commissioner, U.S. Customs Service
Department of the Treasury

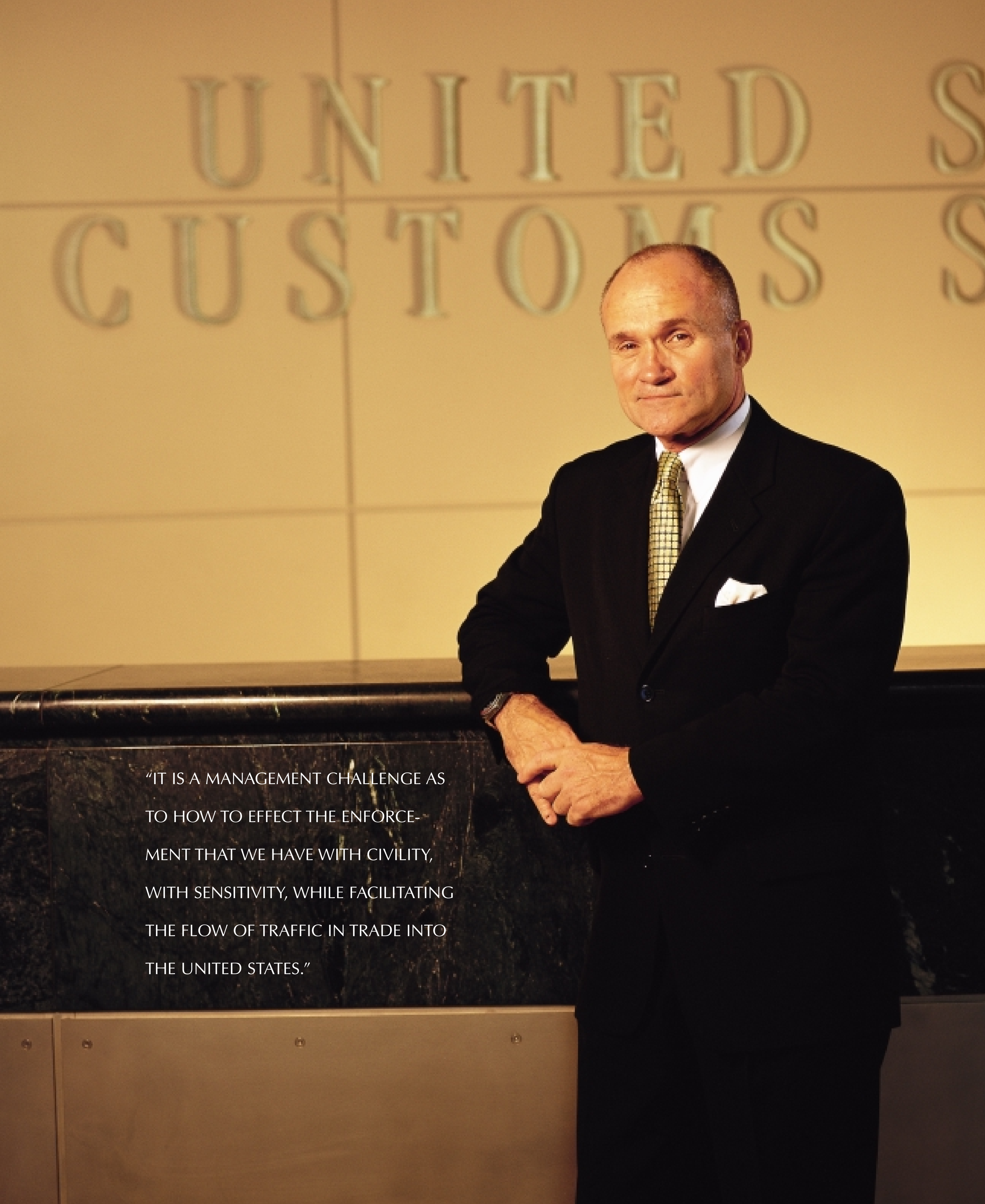
"Money is overrated," Ray Kelly, commissioner of the U.S. Customs Service, often tells graduating college seniors. "It is ultimately, at least for me, about experiences and about a feeling of making a difference and doing good and impacting people's lives. That is what government provides young people." Kelly should know — he has been a public servant for over 30 years.

A former Marine who served in combat in Vietnam, Kelly rose through the ranks of the New York City Police Department, serving in 25 commands, before becoming police commissioner in 1993. His leadership was critical in the successful investigation of the 1993 World Trade Center bombing. President Clinton named him director of the International Police Monitors of the multinational force in Haiti during the U.S. intervention in 1994. In 1996, he was named under secretary for enforcement of the Treasury Department, where he served until he was appointed Customs commissioner in 1998.
As Customs commissioner, Kelly now directs over 19,000 employees responsible for enforcing hundreds of laws and international agreements that protect the American public. "Customs is charged, as the oldest law enforcement agency in America, with protecting our borders against contraband and collecting tariffs," Kelly explains. "Last year was a record year for drug seizures. We collected approximately $20 billion a year in revenues, making us the second largest government agency contributor to the federal Treasury."

Customs deals with issues as varied as intellectual property rights, money laundering, weapons of mass destruction, child pornography, cyber-crime smuggling, illegal drugs, and trade. While the advent of technological advances makes the challenges more complex, technology is critical to Customs' mission. "We are hopeful that we will be able to put in place a new automated system … [to] enable us to 'do business the way business does business,'" comments Kelly. The proposed new system, Automated Commercial Environment (ACE), will enable Customs to operate on the Internet and manage centrally rather than in a stovepipe environment. "There has been a tremendous increase in trade in the 1990s," Kelly asserts. "It puts a lot of strain on our automated systems and on people as well…. So we need a system that facilitates trade but gives us information as to what is coming into the United States."

Kelly credits technology with enabling the Customs Service to do "much more than it has ever done with less resources." A key to that success is adequately training and equipping employees to deal with increasingly complex jobs. "We have brought in a director of training for the entire Customs Service. Up until last year, our training was very localized and very diffused," he explains. "Now this person directs all training throughout the organization, from entry-level training to executive training. This enables us to make certain that the proper IT training is done throughout the organization…. People are not losing their jobs; however, their jobs are changing as a result of technology. The training regime that we've implemented will help people adapt to these new changes." Training is especially important at the Customs Service because of the sensitive issues involved and the interaction of employees with the public, which may include personal searches. "Yes, we want to protect America from drugs," states Kelly. "But we want to be sensitive and be concerned as to how to use the substantial power that we have…. It is a management challenge as to how to effect the enforcement that we have with civility, with sensitivity, while facilitating the flow of traffic in trade into the United States."

Kelly shares that he has used the same leadership principles in the Marine Corps, in policing, and in his current position leading the Customs Service. "I think leadership principles are pretty fundamental and can transcend the public and private sector," he asserts. "People want to be treated fairly. People want to know who is in charge, and they want that person to be honest, direct, and to communicate well. I think those fundamental traits that I learned in the Marine Corps are applicable today in government and in business…. I don't think leadership has changed that much or that it is complex. Things are just more hectic. Technology has proliferated and now impacts on every part of our lives, especially business. But how you deal with people, I think, has stood the test of time." ■



"IT IS A MANAGEMENT CHALLENGE AS TO HOW TO EFFECT THE ENFORCEMENT THAT WE HAVE WITH CIVILITY, WITH SENSITIVITY, WHILE FACILITATING THE FLOW OF TRAFFIC IN TRADE INTO THE UNITED STATES."

Radio Interview Excerpts

Raymond W. Kelly
Commissioner, U.S. Customs Service

TECHNOLOGY

On the need for technology

Trade is expected to double in less than five years. The volume of trade that we are charged with the responsibility of examining and the commodities that are coming in are going to put a lot of pressure on us. We need technology to help us with our increased responsibilities.

I think the future is going to be more challenging for us. We see the growth of e-business in this country largely focused on American firms. People are ordering things over the Internet coming from U.S. locations, but we also see it coming from overseas. I think that will increase. So the volume of trade coming in will increase.

On uses for technology

There have been huge changes in the use of technology. This change has significantly impacted law enforcement throughout America and certainly has had a tremendous impact on the Customs Service.

Technology is absolutely critical to our mission. We have 301 ports of entry. All goods coming into the United States come through those ports of entry. We use an evaluation process to determine the value of goods and then the tariff that is charged for those goods.

Information on what is entering the country in order to guard against the entry of contraband is required. Our system enables us to accomplish this.

Technology has tremendously improved productivity. We are doing much more than we have ever done and with less, certainly static resources and less resources in some areas. It is a major success story for America and our agency.

On managing with technology

Technology has given managers more information with which to better manage people and resources. Our managers now have real-time information, so that they can make decisions more quickly.

On new technologies

We have a non-intrusive technology plan. We hope to have most of the components of that plan in place in another two years. This new plan will enable us to X-ray vehicles and containers entering the country as a protective mechanism against contraband.

MANAGEMENT

On private sector versus public sector

I think there are some areas that are different, but I think fundamentally government is business. We do a lot of things that the private sector does, and in fact, we want to do more things like the private sector. One of the things we say in Customs is, "We want to do business the way business does business."

On leadership

People want integrity in their leaders. They want people who are able to communicate and who know the business. The world is changing, but I think some of the leadership principles are standard and are fundamental to leading big organizations.

On recruitment

Just like the business community, we need top IT people, and we are competing with the private sector to get the best people. Of course, the government is somewhat restricted on what it can pay.

It's not for everybody. We understand that. This is the attraction we try to use — we are making a difference. We have a mission to protect Americans. Come on board.

NEW ENVIRONMENT

On Customs' workforce

Approximately 2,700 of our employees are very sophisticated investigators who conduct some of the most comprehensive and complex investigations of any agency.

I am very impressed with the quality of the work that our investigators do — money-laundering investigations, controlled deliveries of drugs, investigations on weapons of mass destruction or weapons being exported from the United States to other countries.

On customer needs

I have seen a change in the awareness of customer needs and concerns. We don't oftentimes refer to the people we deal with in the public sector as customers, but they are.

I think it is fair to say that government in general is much more sensitive and more aware of the needs of its clientele than it was when I started.

On the need for balance

We need information and intelligence to [balance between the need for free access and the need to restrict the people we don't want to move through our society]. Those are two different things — information is not intelligence. In the case of terrorist threats, we need to work closely with our intelligence-gathering agencies. We need more information on what is coming into the country. That is where our new ACE [Automated Commercial Environment] system comes in….

We have to be sensitive to the issues and how we interact with people entering the United States…. A lot of this is addressed in training. There is room for us to do a better job in letting people know that they may be subjected to a search. We are working to bring balance to all of these areas. It is a management challenge as to how you effect the enforcement authority that we have with civility, with sensitivity, while facilitating the flow of traffic in trade into the United States. Our managers are aware of it and are implementing the concepts developed in our meetings.

On future challenges

Trade has increased tremendously. Commodities coming into the United States have doubled in the last six years and are projected to increase by another 70 percent by the year 2005. So we are processing goods at record breaks.

We are very much concerned about illegal drugs, money laundering, and weapons of mass destruction….Terrorism is another issue. Our inspectors at Port Angeles, Washington, on December 14, 1999 stopped Aman Rassad, who had almost 200 pounds of bomb-making materials in his vehicle. Prior to this incident, we had only talked about this in theory, but it is real now.

The law enforcement community is concerned about these kinds of amorphous break-away groups that want to harm America by bringing weapons of mass destruction into the United States. Our agency is charged with the responsibility of identifying and preventing harmful contraband from entering American borders. Harmful contraband includes weapons of mass destruction and biological and chemical agents. These are real challenges for the Customs Service to address.

Donald J. LaVoy

Director, Real Estate Assessment Center
Department of Housing and Urban Development

Barbara L. Burkhalter

Deputy Director, Real Estate Assessment Center
Department of Housing and Urban Development

"REAC is the model of what the future HUD needs to look like, as well as other government agencies," states Donald J. LaVoy, director of the U.S. Department of Housing and Urban Development's (HUD) Real Estate Assessment Center (REAC). REAC was created in 1998 to improve housing quality and assure the public trust by providing accurate, credible, and reliable assessments of HUD's real estate portfolio. With the assistance of partners representing public housing agencies and multifamily owners, resident groups, lenders, and appraisers, REAC set out to design a totally new system based on a paperless, e-business model.

LaVoy runs REAC along with Deputy Director Barbara Burkhalter. Both were brought in to make the idea of REAC a reality. They bring vastly different experiences to their positions. LaVoy is a former jet fighter pilot with the U.S. Marine Corps; Burkhalter is a former financial manager with a large public accounting firm. LaVoy had no HUD experience prior to this position; Burkhalter had worked with the agency for eight years. LaVoy has a background in finance, change management, and building information technology systems; Burkhalter has worked as a private sector financial manager, is familiar with HUD's housing programs, and designed, installed, and implemented a large financial management system. LaVoy comments that their different backgrounds are "extraordinarily complementary." While he spends time on construction matters and the external aspects of REAC's business, Burkhalter focuses on the financial and internal matters. "It's been the most fun I've ever had, and I think it's because things happen every single day. Every single day we're able to make a difference, and we're able to make something happen," explains Burkhalter.

By moving the assessment tasks to an electronic medium, REAC eliminates cumbersome paperwork and enables employees to spend time solving problems rather than crunching numbers. "For the first time, a government — or any employee for that matter — is able to have all of the baseline analysis done for them so what they can really focus on are the problems," LaVoy explains. Adds Burkhalter, "Even with a reduced workforce, if you're focusing on just the problems, you can actually … get more done."

As an e-business, REAC is different from other government entities in both structure and operations. It is a flat, simple organization, with all employees reporting directly to LaVoy and Burkhalter. To foster teamwork, the workspace is an open environment, with programmers working side by side with business analysts. LaVoy comments, "What we want to see happen, and what does happen in our case, is that everybody sits side by side, everybody in the same equal compartment, everybody working on the same type of problems, putting those two very strong skill sets together and coming to the same joint solutions."

REAC's organizational culture also differs from typical government agencies, which some employees with government experience find initially disorienting. "Coming from other government sectors as well as from HUD, they're used to being policy specialists, they're used to attending meetings, and they're used to advising and guiding somebody else, and we're totally not about that," Burkhalter asserts. "We are about production, output, and outcomes. We're not as interested in whether they attended the meeting, but what did they go to the meeting for and what are they going to do with that information in terms of bringing it back to their business and producing a better product."

While employees must adapt to this new culture, they ultimately thrive in it. "I think they are [happy], once they change because this is a more job-satisfaction type of work environment," Burkhalter explains. LaVoy agrees, "REAC is about job satisfaction. The environment, the way that we treat people, the way that we team build — it really pays off for us because we have a lot of individuals who give us 110 percent." ■

"REAC IS ABOUT JOB SATISFACTION. THE ENVIRONMENT, THE WAY THAT WE TREAT PEOPLE, THE WAY THAT WE TEAM BUILD — IT REALLY PAYS OFF FOR US BECAUSE WE HAVE A LOT OF INDIVIDUALS WHO GIVE US 110 PERCENT."

— DONALD J. LAVOY

Radio Interview Excerpts

Donald J. LaVoy and Barbara L. Burkhalter
Real Estate Assessment Center (REAC)
Department of Housing and Urban Development

ORGANIZATIONAL CHANGE

On the need for change

Barbara Burkhalter: In the past, the employee would receive a hard copy or paper version of a set of financial statements. They would manually create some ratios typical to a banking industry, and then they would maybe do something about that, all at their desk with paper. People in headquarters wouldn't know anything about the results of that work or if the employees did it, how they did it, or what format it was accomplished in. Within an electronic system, the opposite is true. The computer does the math and the employees can focus on solving the problem. Intervention to solve the problems — that's the big change in the work product.

On the future of government management

Donald J. LaVoy: REAC is the model of what the future HUD needs to look like as well as the other government agencies. That same physical inspection that we won the [*Government Executive* magazine] award for is the same one that the Department of Agriculture is getting ready to partner with us for and start with all their properties. We are also in consultation with the U.S. Marshals Service to start doing all of their properties using this electronic medium, as well as the IRS's tax credit program. What this says is that the program is a success and that all of government is starting to understand the importance of E-commerce in doing all of their transactions.

On new challenges

Barbara Burkhalter: One of the problems we have is that our constituents are only moderately able to use the Internet. We even have to help them acquire an Internet service provider to use our data. The technology is very new, so we experience problems with its stability in terms of application and software development.

I think the special challenge with anything electronic is technical support. We have backlogs of ideas. What is holding us back is the technical support, the infrastructure, and the attitude toward making technology efficient, fast, and user friendly. We are held back, at the moment, from all the things we want to do by the technical support that we need to keep it moving.

On philosophical foundation

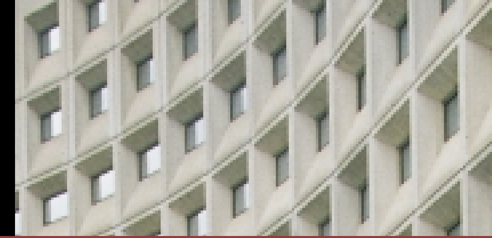
Donald J. LaVoy: I think that philosophically, we both believe in good government — which is a high-sounding statement, but you have to have an understanding or philosophical underpinning. We believe that this project is important. There are 6 million people who depend upon the housing provided by HUD, and the look of satisfaction on the faces of almost everybody who sees the things we've been able to accomplish is one of the real drivers. There is a definite outcome and people's lives are affected, and we are making change.

TECHNOLOGY

On the advantages of new business models

Donald J. LaVoy: As in many parts of government, people know how to do their job, but the problem is that we basically have done it using paper. Paper by virtue of volume, handling, and logistics makes information retrieval cumbersome and time consuming. Knowing that this was a problem and realizing the business we had to perform as assessors, we decided to build our entire REAC using the e-commerce model where everything is done on the Internet using the electronic medium. This model has enabled us to convert reams of data into data warehouse format and perform incredible amounts of analysis, as well as accurate, reflective, portfolio management.

Look at our ability to share with a reporting entity the results of their financial physical analysis, giving them the remedy electronically, then in a real-time fashion being able to monitor that. It increases efficiency, allows for better communication, and it creates a government that is truly responsive to what individual taxpayers, regulated people and entities are expecting from government.



"THE COMPUTER DOES THE MATH AND THE EMPLOYEES CAN FOCUS ON SOLVING THE PROBLEM. INTERVENTION TO SOLVE THE PROBLEMS — THAT'S THE BIG CHANGE IN THE WORK PRODUCT." — BARBARA L. BURKHALTER

On keeping up with technology

Barbara Burkhalter: [We use] the 80/20 rule as our overriding principle. We try to get 80 percent done in 20 percent of the time, then move on because technology moves that fast. If we put all that extra time into that extra 20 percent of value, technology has gone beyond us and we've lost our edge.

On organizational design

Barbara Burkhalter: One of the ways we've been able to move fast is we have a very flat, simple organization. Everyone works directly for the two of us. Everyone knows what their job is and they're all very empowered to produce what they have to produce. We have very common business processes. We collect data, process it, and report it, and we don't change that. We make everybody follow the same model. We've even named all of our business systems with common-sounding names. We just change the first letter.

We have very aggressive, flexible contracting so that we can move contractors in and out as our business needs change.

IMPLEMENTING CHANGE

On leveraging existing resources

Donald J. LaVoy: We have a lot of government employees that are very knowledgeable in resources and in programs in the traditional areas who are perhaps not completely up to speed on some of the latest uses of technology and all the enablers that go with it. On the other hand, we have a gifted bunch of young people who are very, very up to speed on the use of and all the tools accessible via that medium. Our approach is that we team these two constituencies together, if you will, sitting side by side in an open environment.

On recruiting the new workforce

Barbara Burkhalter: We advertise in the *Wall Street Journal*. We do the best we can to hire and tempt people to come. I think we have to be more innovative, though, and perhaps even provide our own training.

Donald J. LaVoy: The fastest growing segment, I think, in the job market is probably people who have technical proficiency and people skills. We have been fortunate in that we have acquired as part of our team some key individuals who bring both skill sets to the table. But in the end, most people will tell you that it's not so much the dollar that an individual receives because the private sector can reward more in terms of dollars. I think the big thing that brings everybody and keeps him or her here is job satisfaction.

On public sector challenges

Donald J. LaVoy: In the private sector, from the time that you want to institute a change to the time you have to put the change in place, usually you can count on six to eight weeks. You meet the pace of business. In government, because of the contracting issues, because of the existing infrastructure, because of the requirements for efficiency and broad application, there's a much more difficult problem that you have to encounter in that you have an existing structure, if you will, a large, moving train, and to get it to change directions you have to put in an incredible amount of personal effort to make it work.

To read the full transcript of *The Business of Government Hour's* interview with Donald J. LaVoy and Barbara L. Burkhalter, visit the Endowment's website at endowment.pwcglobal.com/ontheair.asp.

Admiral James M. Loy

Commandant, U.S. Coast Guard
Department of Transportation

In describing the United States Coast Guard, Admiral James Loy, the 21st Commandant, says, "We bring a certain set of skills to the table that complement those of the other four services." More specifically, Admiral Loy describes his service by using three M's. "It's a military service, one of the five armed forces of the United States by law. It's also multi-missioned in nature, which suggests that we have an awful lot of things that we do for the American public, and the third M is maritime. We do virtually everything on the water or near the water in a maritime service."

Admiral Loy describes himself as a sailor, having graduated from the United States Coast Guard Academy in 1964. He spent 13 years on Coast Guard ships, commanding four of them, "all the way from patrol boats in Vietnam to our major cutters." Admiral Loy recalls, "When I wasn't at sea, I was pretty much in the personnel and training business. I taught at the Coast Guard Academy for a number of years. I ran the Officer Candidate School program." In addition, after he was made flag officer, he commanded the Eighth Coast Guard District in New Orleans, served as the Chief of the Office of Personnel and Training at Coast Guard Headquarters, and was also Commander of the Atlantic area.

As Atlantic Area Commander, he planned, coordinated, and directed inter-district operations and was responsible for the conduct of Coast Guard operations in 39 states from the Canadian border to the Caribbean, and east of the Rocky Mountains. Prior to his appointment as Commandant in 1998, he was the Coast Guard's chief of staff for two years.

Having served in the Coast Guard for over 30 years in various positions, Admiral Loy has experienced many changes. One interesting challenge he has witnessed over the years is the increased expectations placed on the Coast Guard, while during the same period the number of service men and women remained stable. In reflecting on this challenge, Admiral Loy comments, "Our service is about the same size in terms of people as it was in the mid-1960s. And in the meantime, we have had an enormous array of challenges rolled in our direction, some from the Congress, some from various administrations over that 30 years, and some from the American people themselves, who often have an opportunity to stipulate quite clearly what it is that they're interested in some organization doing." Having to do more with less is a management challenge that many government agencies face and one that Admiral Loy struggles with daily.

Currently under his command, Admiral Loy has 35,000 active duty military, 5,700 civilians, and 7,000 reservists. Over the last several years, the Coast Guard has become very well known for its strategic planning capability and increased emphasis on accountability. Admiral Loy states, "Because the Coast Guard is a very operational service, we can be accountable. We can count the amount of drugs we seize, the number of lives we save, and the dollar value of property saved in the midst of our hurricane relief operations. We can add up the number of oil spills that the nation is experiencing on an annual basis and make certain that over time those numbers are decreasing. And so we have realized in the last four or five years that as an organization, we have to invest … in strategic planning." *The Government Performance Project*, sponsored by *Government Executive* magazine and the Maxwell School of Citizenship and Public Affairs at Syracuse University, gave the Coast Guard an overall A for their management capability, including an A for "managing for results."

Admiral Loy not only believes in leadership, but more importantly, he believes people should serve their country whether in uniform or not. No matter how much the economy thrives, Admiral Loy is an advocate of the nobility of public service. "I think if America at large comes to understand again the fundamental purpose of government … and understands therefore the value of stocking that government with good people of noble purpose, we will all be able to watch this wonderful USA of ours press on into the future with the same strengths that it has shown through its first 200 years." ■

"BECAUSE THE COAST GUARD IS A VERY OPERATIONAL SERVICE, WE CAN BE ACCOUNTABLE. WE CAN COUNT THE AMOUNT OF DRUGS WE SEIZE, THE NUMBER OF LIVES WE SAVE, AND THE DOLLAR VALUE OF PROPERTY SAVED IN THE MIDST OF OUR HURRICANE RELIEF OPERATIONS."

Radio Interview Excerpts

Admiral James M. Loy
Commandant, U.S. Coast Guard
Department of Transportation

MANAGEMENT

On capability

We're in the business of generating capability so as to do whatever the nation needs done in our various assignments. Capability equals the product of modernization, readiness, and current operations.… Current operations are activities that we're executing today and will likely be doing tomorrow. Modernization has to do with evaluating the equipment that we currently have and making sure we are attending to our needs by providing the appropriate equipment to help us carry out our mission. Readiness has to do with everything from adequate recruiting and retention, compensation and incentives, to what we do for a living as well as spare parts and adequate maintenance provided to the equipment inventory. Readiness is also concerned with ensuring that our force — equipment and people — is up to the requirements of protecting this country.

On results-based management

The great leadership challenge for our service has to do with focusing on results. I am of the mind that we almost have a revolution of sorts going on here in Washington, D.C., and throughout the nation. I truly believe that programs such as the Government Performance and Results Act and the National Performance Review have offered us a chance to make the translation between activity-based management and leadership to results-based management and leadership.

On accountability

Because the Coast Guard is a very operational service, we can be accountable. We can count the amount of drugs we seize, the number of lives we save, and the dollar value of property saved in the midst of our hurricane relief operations. We can add up the number of oil spills that the nation is experiencing on an annual basis and make certain that over time those numbers are decreasing. And so we have realized in the last four or five years that as an organization we have to invest very carefully in strategic planning.

We have largely held on to the core of how one does business in this town over the years as an adjustment from what Robert McNamara brought to Washington, from the Ford Motor Company. We now have four years of increasingly sophisticated performance and strategic plans. We have been part of Secretary Slater's work at the Department of Transportation, which was voted the "Best Strategic Plan in Government." We would like to think that the Coast Guard's work played a major role in the Department winning this award.

On retention

We are making every effort to stay abreast of the Department of Defense services with respect to the incentives and bonuses and the kinds of monetary challenges and inducements that can be provided to keep our young people satisfied with the work environment. We have been working very hard on recruiting the last couple of years. I have always been more concerned about retention, because if we bring a new high school graduate or college graduate off the street into the service to replace someone with eight, 10 or 12 years experience, then you lose a vast amount of accumulated capability.

In the period from 1994 until 1998, as part of the federal government's workforce reduction efforts, the Coast Guard reduced its total size by 4,000 for a savings of about $400 million per year, forever. I think we went a little too far.

In our zeal to be good stewards and to meet the requirements of streamlining, we overshot the mark and ended up with a personnel deficit, even falling short of the base structure that we were actually allotted. So for the last two years we've been working very hard on restoring our workforce numbers, with particular emphasis on retaining technology professionals.

We focus on producing incentives that induce our workforce into wanting to stay in order to do some very gratifying work. When you're saving lives, protecting the environment, and dealing with migrants, we want the nobility of what we do for a living to be the gratification that keeps our people in, but at the same time we want very much to motivate them to stay as well.

"TECHNOLOGY WOULD ALLOW US TO GO FROM NEEDING A CREW OF 50 TO OPERATE A SHIP TO ONLY 20 IN ORDER TO ACCOMPLISH THE SAME THINGS. OVER TIME THE DIFFERENCE IS 'SAVINGS FOREVER' BECAUSE IT IS A RECURRING SAVINGS."

LEADERSHIP

On defining leadership

For me leadership has always been defined on two levels: at the personal and the organizational level. I think on the personal level, we must all continue to be developers of our own capabilities for leadership. Eisenhower had a wonderful model that he used and to which I personally ascribe. He said leadership was the combination of three things — native ability, the knowledge of one's craft, and the opportunity to exercise it. He said that there is not much you can do about native ability. It's either in the genes or it's not there at all.

On opportunity as a component of leadership

Interestingly enough, we don't always have a lot to do with opportunity. We have all known leaders that we thought were superior people but never got the chance to be the Douglas MacArthurs of the world. But the knowledge of one's craft provides us the chance to perfect our craft. You can spend a lot of time learning and reading and watching models and watching mentors do their thing. You can learn negative or positive lessons and accrue over the years a knowledge of your craft that, combined with your native ability, you should be able to use if the opportunity presents itself.

TECHNOLOGY

On information systems

First of all, the information systems business will clearly be part of the future of all of our organizations, not only in Washington but in the private sector as well. Consequently, database design and management, information systems management, the idea of stakeholder and customer sharing, and collegial sharing of databases are all of those things that are enormously important to our technology capabilities.

On technology's efficiency improvements

Perhaps the most positive aspect associated with technology for our service is its potential to replace people — people being the most expensive thing that we have in the Coast Guard. We spend about 66 cents of every dollar on an employee — recruiting them, retaining them, giving them bonuses, paying them, dealing with quality-of-life issues, and motivating them.

Technology would allow us to go from needing a crew of 50 to operate a ship to only 20 in order to accomplish the same things. Over time the difference is "savings forever" because it is a recurring savings. It is always a challenge, of course, in these difficult and tight federal budget years to be convincing as it relates to the investments that you sometimes have to make up-front to enjoy the recurring savings. That's always the great challenge.

FUTURE CHALLENGES

On restoring readiness

The greatest challenge in front of us right now is to restore the readiness of our organization in order to meet the expectations of the American public. We need to upgrade it in terms of parts in the spare parts lockers, we need to decrease the need to defer maintenance and recognize the age of this old deep-water fleet and the need to replace it.

On shaping the future

We also need to acknowledge today's role in shaping the future of our service. We should be cognizant of the future, have a vision that defines the desired state of the organization so that you can literally build bridges between what the current state is and what you want the desired state to be.

The Business of Government Hour's interview with Admiral James Loy will be rebroadcast on Sunday, July 30 (8:00 pm EDT) and Tuesday, August 1 (9:00 pm EDT) on WWRC (570 AM) in Washington, D.C. The interview will also be simulcast nationwide on the web at www.businessradioam570.com.

To read the full transcript of *The Business of Government Hour's* interview with Admiral James Loy, visit the Endowment's website at endowment.pwcglobal.com/ontheair.asp.

John P. Mitchell

Deputy Director, United States Mint
Department of the Treasury

Coleen B. Vogel

Procurement Director, United States Mint
Department of the Treasury

"We are a very fun place to work.…There is a 'buzz' around the United States Mint that we have been able to create," says John Mitchell, deputy director of the Mint. In recent days, the Mint has received much attention with the introduction of and the publicity around the new golden dollar, as well as the 50-state quarters program. The Mint closely resembles a *Fortune* 500 sized manufacturing and international marketing enterprise, generating more than $2 billion in gross revenues and $1 billion in bottom-line profits in 1999. These profits were deposited directly into the Treasury General Fund and reduced the amount of debt the government issued to fund its operations.

In describing the Mint, Deputy Director Mitchell says, "The combination of building relationships and trust, getting to know each other so that we work better together as a team … and then having the organization focus on itself as a business that is in existence to serve the public and our customers — I think all of those things woven together is the reason that we've been able to be so successful." Coleen Vogel, procurement director at the Mint, adds, "When I first came 10 years ago, the Mint was the government that also happened to be in business, and I think we've shifted to a business that also happens to be in government."

For over seven years, Mitchell and Vogel have worked to create dramatic changes at the Mint by focusing on strategic planning, procurement reform, and technology. Both started their public service careers as GS-2s and have seen the government grow and evolve in the way that it conducts business, as they moved to positions of greater responsibility. During his career, Mitchell has held various positions at the Federal Reserve Board, the Bureau of Public Debt, and a private sector auditing firm. He was acting deputy chief financial officer for the Department of the Treasury prior to joining the Mint in 1993. A member of the Senior Executive Service, Mitchell became deputy director of the Mint in 1995. He also served as acting director for several months earlier this year.

Mitchell was a key member in drafting the Mint's first strategic plan. Though much less sophisticated than today's plan, this first plan provided a good starting point. The Mint was able to set a vision for where it wanted to be in the future and how it wanted to serve its customers. Specifically, Mitchell comments, "We realized that it's okay to set the bar high, and if you fall short of that, then you still have made much more progress than you otherwise would have made with more modest goals."

As part of its strategic plan, the Mint wanted to focus on technology. One part of that was e-procurement. Since Vogel had held various positions in accounting, procurement, and human resources for both the Department of the Air Force as well as the Mint, she brought strengths in this area and has been instrumental in the Mint's procurement reform. While at the Mint, she has helped streamline the procurement processes and insure that they are partnering with key companies to obtain optimum performance results. Under her leadership, the Mint has achieved significant reduction in lead times, increased the number of performance-based service contracts, and saved millions of dollars through strategic purchasing decisions. In describing Vogel's important role, Mitchell says "... procurement is very much seen as a partner within the organization with the various business units and corporate chief financial officer and chief information officer positions."

With more accurate data and new products, the Mint is capitalizing on its latest changes and is now looking to utilizing Web technology for more of its business. The Mint is trying to compete with the private sector in the area of technology. Mitchell comments, "I think that there's a culture that also goes along with the Web that is very closely matched to the Mint culture, and that is we move very fast and we're very customer focused and there's an immediacy within our operations, and that very much typifies the Web." ■

"WE REALIZED THAT IT'S OKAY TO SET THE BAR HIGH, AND IF YOU FALL SHORT OF THAT, THEN YOU STILL HAVE MADE MUCH MORE PROGRESS THAN YOU OTHERWISE WOULD HAVE MADE WITH MORE MODEST GOALS."

— JOHN P. MITCHELL

Radio Interview Excerpts

Coleen B. Vogel and John P. Mitchell
United States Mint

On strategic planning

John Mitchell: Up until six years ago, we'd never had a strategic plan. Then we crafted our very first one, which, all things considered, was a very modest document. We designed our strategic plan in partnership with our union. We had union leadership sitting around the table with management from the Mint and we created a strategic plan from scratch, really focusing on our vision, our mission, and our guiding principles as to what values we as an institution held.

If you look at that plan now, it's not in a good format. It has no measurements. It is not aligned in terms of goals, objectives, strategies, and performance measurements. But it was a great beginning. It projected out a vision as to what we could become and the things we needed to do to get there, including legislation.

On partnering

Coleen Vogel: I think a key to the success is partnering with the union and bringing the employees in and not having management go off-site, create a plan, and then bring it back. Each year we've gotten better and better at including more of the nonmanagerial people in the strategic planning process so that it institutionalizes the culture that management has identified for us.

John Mitchell: We had 30 or 40 of us off-site for three days putting together our strategic plan. One of the things that the [union steward] mentioned was that as a union individual, it was rewarding to him to look across the table and not see three- and four-headed management dragons staring back at him; that we're all people, that we all have the same challenges. As the union listened to us as managers talking about all of our different perspectives on how to realize opportunities and how to vanquish a lot of challenges that we had, they also understood that we didn't speak in one voice, we weren't monolithic, that it was a very active discussion which began to build trust within the organization — dealing with issues and not being hung up with personalities.

On business models

John Mitchell: One of our opportunities, but also our frustrations, is that we've had the support of the administration and Congress to gain the flexibilities that we've worked real hard to acquire to allow ourselves to operate even more like a business. We had a good opportunity to model various business practices on behalf of the administration and Congress. We have taken to heart all of the president and vice president's reinvention initiatives and basically completed them all at the Mint, and they're ongoing and thriving.

One of our frustrations is that other people say that they're different from us and they can't do the same thing at their agency. However, most of what we do is very service- and customer-oriented and is easily translatable to other federal agencies.

In terms of other aspects of the Mint, we think that what we do and the flexibilities that we've gained through legislation as well as just taking on other initiatives allows us to maintain a very high level of the integrity that goes along with being a federal agency and fulfilling our mission as mandated by Congress. However, we also operate very much in a private-sector manner in terms of being profit and loss driven, very cost conscious, and very customer focused.

On procurement reform

Coleen Vogel: When the Mint first got a procurement waiver, we had to complete all of our streamlining. However, once we got through the initial shifts, we found that we needed to change even further. One of the key things that we did was conduct a review and a benchmarking of our practices. We found that a lot of the things that we do are best practices in both the public and private sector.

John Mitchell: Initially, when we got the waiver from the federal acquisition regulations most saw it as a business opportunity. Some saw it as an opportunity to avoid any sort of oversight. We quickly, with some very good support from senior leadership, dispelled that notion and communicated that in fact we would have lean procedures, but ones that would

"ONE OF THE KEY THINGS THAT WE DID WAS CONDUCT A REVIEW AND A BENCHMARKING OF OUR PRACTICES. WE FOUND THAT A LOT OF THE THINGS THAT WE DO ARE BEST PRACTICES IN BOTH THE PUBLIC AND PRIVATE SECTOR."

— COLEEN B. VOGEL

protect the government's interests and have a high level of credibility and integrity.

On ERP systems

John Mitchell: To say that we had nonintegrated, Byzantine-type automated systems before our ERP would not be an exaggeration. We went to an ERP because of the power of the information systems, because it tightly integrated manufacturing, financial, sales and distribution, and database mining and warehousing capabilities, and we need all of those.

We are a manufacturer, and we distribute products. We need to have strong financials. We need to work with our customers and serve them best at the lowest cost. All of those things together are important to us, and we basically implemented the entire suite of systems, a PeopleSoft ERP solution, plus three other systems in 12 months.

Our ERP solution works very well. We saw the ERP implementation as a very significant challenge, especially because it was our 100 percent Y2K solution, so the risks were large. In addition, we saw it as a tremendous opportunity for both people in functional areas as well as our information technology area to get into state-of-the-art systems that all of us could benefit from.

ERP can be implemented by everyone and by any federal agency. Tying it into certain service measurements matches up to what any federal agency does. If you happen to have a particularly unique product or service like we do at the Mint with coins and coin-related products, then the manufacturing piece is an added benefit as well.

On training and development programs

Coleen Vogel: We have an individual development plan program for our employees that's very robust, and it offers on-the-job training, tuition reimbursement, and various job assignments. We've also instituted many flexibilities that are friendly towards our employees like our flexible work schedules, public transportation incentives, and telecommuting. These things make it a little easier on the employee and also are good recruiting tools.

John Mitchell: In addition, we created an employee advocate position in our human resources office — somebody that's responsible for coordinating with new employees as they come on board and then working with them for their first three months to make sure everything is going well.

On recruitment

John Mitchell: Everyone is very conscious of the quarters and of the Golden Dollar. They've seen our various promotions. There is a "buzz" about the Mint that we've been able to create. Beyond that we want prospective employees to know that the reason this buzz has been created is because of our employees. By coming and joining the Mint, people can both use and develop skills that are very marketable. They can stay at the Mint, which would be great for us. But even if they're there two or three years and then leave, that's also great because while they're with us they'll have fun with their work, they'll know they're contributing, and then they'll leave with very marketable skills.

We are a very fun place to work. People can come to work with us either with existing skills or wanting to develop new ones. We have an incredibly supportive training program and culture where developing new talents is a good thing and something that we welcome and encourage. Also, the environment that we have is very innovative and risk oriented — obviously measured risks, but nonetheless we encourage risk taking in our organization.

The Business of Government Hour's interview with John P. Mitchell and Coleen B. Vogel will be rebroadcast on Sunday, August 20 (8:00 pm EDT) and Tuesday, August 22 (9:00 pm EDT) on WWRC (570 AM) in Washington, D.C. The interview will also be simulcast nationwide on the web at www.businessradioam570.com.

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Robert E. Wenzel

Deputy Commissioner of Operations, Internal Revenue Service
Department of the Treasury

"The ultimate function of the IRS is to support and to finance our democracy," observes Robert Wenzel, deputy commissioner of operations at the Internal Revenue Service (IRS). "Right above the main entrance into our headquarters is an inscription by Oliver Wendell Holmes. I think it describes our purpose very well. What it says simply is that 'taxes are the price we pay for a civilized society.'"

The Internal Revenue Service is responsible for determining, assessing, and collecting revenue in the United States. However, IRS functions go beyond tax collection, explains Wenzel. "We are responsible for implementing a great number of new tax laws and provisions each year. We have education, assistance, and outreach programs to individual taxpayers, small businesses, business liaison groups, and corporate taxpayers. We also interact with and assist other government agencies such as the Social Security Administration and the Small Business Administration. We have an active international tax organization and assist both emerging and established countries in administrating their programs. Our criminal investigation function is at the forefront of battling crimes involving illegal drugs, financial crimes, tax evasion, and money laundering."

Wenzel is the highest-ranking career official in the IRS, having served 35 years. "I started with the IRS as a revenue officer right out of college," he says, despite private sector offers of twice the starting salary. When asked what drew him to public service, he replies, "I am a first-generation American. My parents immigrated to the United States. They learned about the Constitution of the United States and set as their goal, when they were young, to come to the United States for a better way of life. My father and mother encouraged me to always remember what a great country this is … [and] that we all have a responsibility to give back."

As the deputy commissioner of operations, Wenzel has primary responsibility for those programs that address customer service, including revenue collection, payment processing, and refund issuance. Recent changes at the IRS, including the IRS Restructuring and Reform Act of 1998, have made customer service a greater priority than ever before. Comments Wenzel, "I think the focus of our job has really changed to make quality service to our customer not so much a 'nice to have,' but really an integral part of doing our job correctly and well."

Wenzel clarifies that this focus on customer service does not signal an abandonment of the compliance functions of the IRS. "Because we've moved to do a better job to meet the needs of taxpayers, it does not follow that we no longer require taxpayers to meet their legal obligations … it's important that the small minority who are not willing to comply are not permitted to get away with not complying," he asserts.

Wenzel characterizes his tenure as deputy commissioner of operations as "a time when the IRS is changing and modernizing itself during the most critical rebuilding phase the Service has faced since 1952." To engage IRS employees in this change process, 600 employees representing all functions and all areas of the country are participating in the design efforts. "The employees are linked to their peers around the country, so there's a lot of active engagement and a lot of communication taking place," Wenzel explains. "Many employees have spent months away from their families and their regular work in order to contribute to the original design efforts, but we had more volunteers than what we actually could accommodate with our effort."

Wenzel shares that despite many challenges, including lagging technology and resource needs, "the Internal Revenue Service remains the leader throughout the world in tax administration. We have regular visitors from around the world, [tax] commissioners, and their top staffs, who come to learn about our operations and how we go about our business." He attributes this leadership role to "… a highly effective and efficient leadership, along with a top leadership team, and a dedicated workforce. We are convinced that we will continue to ensure tax-administration leadership as well as to provide better, more effective operations while serving as a model throughout the world." ■

"I THINK THE FOCUS OF OUR JOB HAS REALLY CHANGED TO MAKE QUALITY SERVICE TO OUR CUSTOMER NOT SO MUCH A 'NICE TO HAVE,' BUT REALLY AN INTEGRAL PART OF DOING OUR JOB CORRECTLY AND WELL."

Radio Interview Excerpts

Robert E. Wenzel
Deputy Commissioner of Operations
Internal Revenue Service

ORGANIZATIONAL CHANGE

On implementing change

As we started to implement the changes that the Restructuring and Reform Act of 1998 required of our agency, such as the new mission statement, developing new goals, mandating a new organizational structure, and new performance measures, we needed to engage our entire workforce as much as possible.

On employee participation

We are thoroughly committed from the top down to listening to our employees. Conducting annual employee surveys using a survey feedback action process has proven to be an effective means of acquiring information on employee opinions and views.

I think that our employees feel good about having this opportunity to contribute input. I believe it's helped during this difficult time of transition as it relates to their attitude and their feeling about their job and their role within the IRS.

On working with new executives from the private sector

Up until the Restructuring and Reform Act of 1998 there were two political appointments within the IRS, and the rest of us were all career civil servants. But the Restructuring and Reform Act of 1998 allowed the Commissioner to bring in up to 40 additional individuals from the private sector…. What we've discovered from that very positive experience is that there's real value in both sources for recruitment of IRS leadership, inside and outside. We all work together and value one another in terms of what we each bring to the table. The key is to … listen to the experience the rank-and-file IRS leaders provide, but keep an open mind, embrace change and progress, and have a ready acceptance of new ideas and improved ways of achieving our mission and goals.

On partnering with the National Treasury Employee's Union (NTEU)

We have, at the highest level of the IRS, a national partnership council that consists of the president of the NTEU, other top leadership, and myself. Representation on this board consists of equal numbers of individuals appointed by the president of the union and executives that I appoint. We meet bi-monthly for about three days on key issues of concern to both parties. Recommendations stemming from these meetings are forwarded to various executives and are being implemented throughout the agency.

The national president of the NTEU also has the opportunity to appoint members from the union to be a part of the design teams. These appointments are not all just management type appointments. It's that partnering effort that we've committed to ensure that we achieve three basic goals in terms of measures, and they are customer satisfaction, employee satisfaction, and business results. The NTEU is a critical part of making that happen.

COMMUNICATION

On the importance of external communication

We have made extensive efforts to communicate information on an ongoing basis with our stakeholders. In January of this year, we invited all our external stakeholder groups to Washington, D.C., where we held a nationwide conference. We entitled this modernization conference "The New IRS Stands Up." This event provided an opportunity for many taxpayer and tax practitioner groups to get a glimpse of our new organization and hear firsthand what was happening within the IRS.

It's important for us as an agency to have open and frequent communication. Much of our success can be attributed to our ability to achieve employee and customer buy-in to the many changes that are underway in our organization.

"IT'S IMPORTANT FOR US AS AN AGENCY TO HAVE OPEN AND FREQUENT COMMUNICATION. MUCH OF OUR SUCCESS CAN BE ATTRIBUTED TO OUR ABILITY TO ACHIEVE EMPLOYEE AND CUSTOMER BUY-IN TO THE MANY CHANGES THAT ARE UNDERWAY IN OUR ORGANIZATION."

On the importance of internal communication

We recognized in the earliest planning stages of the modernization that internal communication was important, but that it was necessary to manage communication and decision-making operations in order to keep our top management out of endless and repetitive meetings.

We have established an executive steering committee within our organization for each area to help us manage this change process. This committee consists of the commissioner as the chairperson and senior executives to perform as the top-level governing body. Also included on this committee are the assistant secretary of the Treasury Department, the assistant secretary for administration of the department, our president of the National Treasury Employee's Union, and other key leaders.

We work within this executive steering committee to provide consistent direction and prompt decision making on major issues that affect progress in any or all of the change areas.

NEW BUSINESS MODELS

On constraints and mistakes

We're very conscious of the fact that we need to make sure we don't make mistakes, and if we do make them, keep them to a minimum and learn from them so that we can improve our operation.

Despite lagging technology and resource needs, we continue to be a leader because of the commitment and dedication of our employees.

On leveraging technology

Technology presents us with a great opportunity to serve our customers even better. There is also a great incentive for us to provide better, quicker service to taxpayers.

Our ability to serve taxpayers is key to our ability to achieve our mission, and electronic tax administration is a vital piece of our future plans. We've moved into the Internet in a big way, and we'll continue to look for more ways to serve taxpayers through technology.

I guess it may be fair to say that the future of electronic tax administration is really the real future of tax administration.

Our electronic-filing strategy includes use of the Web for a wide range of tax-administration purposes. We also have underway a multi-year plan to modernize our core computer systems, which is critical to our successfully providing the public with the same level of service and responsiveness as the private sector.

On recruiting talent to the IRS

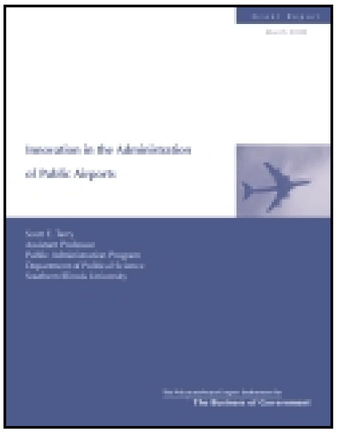
I really believe that the Internal Revenue Service is the only game in town when it comes to learning about tax administration. Whether an individual wants to acquire a strong background within the public sector and move on to something else, or whether a career in public service is a goal from the beginning, we've always been recognized for the excellent training that we offer.

To read the full transcript of *The Business of Government Hour's* interview with Robert Wenzel, visit the Endowment's website at endowment.pwcglobal.com/ontheair.asp.

[GRANT REPORT]

Innovation in the Administration of Public Airports

By Scott E. Tarry



America's public airports operate in an increasingly complex political and commercial environment. Competitive pressures in the airline industry, heightened sensitivity to environmental concerns, and waning federal support for airport expansion create onerous challenges and exciting opportunities for airport administrators. While some airports seem unable to shake a public-utility mentality that is ill suited to the dynamics of today's air transport business, other airports are excelling through creative management strategies and innovative approaches.

This study explores the administration of public commercial-service airports through an examination of the factors that impede innovation and those that enhance the opportunity for successful innovation. The study focuses on five airports: Chattanooga Metropolitan Airport, Miami International Airport, Portland International Airport, Salt Lake City Airport, and Chicago O'Hare International Airport. The airports were not chosen randomly. Instead they were selected to show that innovation takes place in a variety of airport environments. In other words, there is nothing special about physical size, nature of air service, or location.

The cases reveal a number of lessons about airports and innovation:

- **Good strategies depend on knowing who you are.** Airports that recognize where they fit into the broader air transport system can effectively tailor strategies and innovations to help them succeed.

- **Successful airports are open to new ideas and technologies.** They are always on the lookout for approaches that can be borrowed from other airports or even other industries.

- **Innovative airports allow their people to work creatively.** They find good people and give them the opportunity to identify and solve problems in new ways.

- **Successful airports embrace effective communication and education strategies.** Each airport in this study understands that the public and the media often fail to understand how the airport works and what the airport is doing to improve services.

- **Successful airports understand that the airlines, other service providers, and the public are all stakeholders and must be treated as such.** Building cooperative relationships among stakeholders is essential.

- **Autonomy increases innovation, which increases productivity and quality of service.** Airport administrators who are given flexibility and the resources necessary to address ongoing changes in the air transport industry are more likely to innovate and improve performance.

Based on these findings, three recommendations emerge from the study. No specific innovative strategies or approaches are advocated, since each airport faces different challenges and opportunities. The recommendations are, instead, general in character and appropriate for a broad array of public commercial-service airports. The recommendations are:

- **Increase autonomy.** Innovation is no longer a luxury in the airport business. The dynamic nature of the air transport industry means that innovation is a necessity and should be encouraged as much as possible. While innovation is possible at airports where local and regional political leaders exercise some influence over management decisions, increased autonomy for airport administrators will substantially improve the likelihood of innovation and its beneficial impact on productivity and service quality.

- **Measure performance.** Even innovative airports need better mechanisms for monitoring their performance and measuring improvements derived from the adoption of new strategies and approaches. Airports need to spend more time and energy on performance measurement so they can accurately understand what works, what does not, and what can be improved even more.

- **Listen to concerns and explain what is being done to address them.** Airports need to listen more carefully to the concerns of their business partners and the traveling public. They also need to do a better job of explaining how they are addressing these concerns. At the same time, airports could do a better job of explaining to the public how airports work, how they are funded, what they are doing about environmental impacts, and what the airport means to the local community.

There are, of course, many successful airports and interesting innovations that are not covered here. However, this study shows that innovation is not only possible in large, complex public enterprises, but that innovation can produce substantial social, commercial, and environmental benefits. ■

About Scott E. Tarry

Scott E. Tarry is Assistant Professor of Political Science at Southern Illinois University at Carbondale (SIUC) and Coordinator of Aviation Administration for the SIUC Public Administration Program. Dr. Tarry received his B.A. from the University of Puget Sound and his M.A. and Ph.D. from the University of Michigan. His research on aviation issues has been published in *Transportation Quarterly, Public Works Management and Policy, Journal of Air Law and Commerce,* and *International Interactions.*

Dr. Tarry will be joining the faculty of the Aviation Institute and the Department of Public Administration at the University of Nebraska at Omaha (UNO) in August 2000. He will continue his research on aviation policy and airport administration while teaching in UNO's aviation administration programs.

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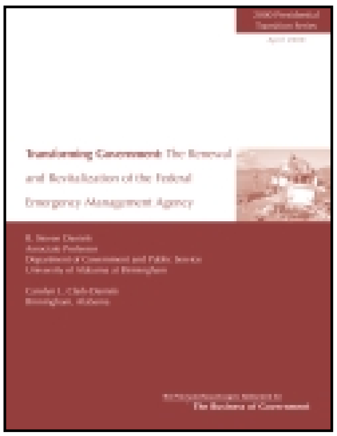
Transforming Government: The Renewal and Revitalization of the Federal Emergency Management Agency

By R. Steven Daniels and Carolyn L. Clark-Daniels



Although the U.S. Constitution places the executive power of the national government in the hands of the president of the United States, an incoming presidential administration confronts serious issues in managing federal agencies. The experiences of James Lee Witt at the Federal Emergency Management Agency (FEMA) reveal several important lessons that an agency should understand before attempting to transform an under-funded and under-performing government organization.

Lesson 1: Experience Counts: Recruit the Best

Lesson 2: Clarify Your Mission

Lesson 3: Structure Your Agency to Reflect the Agency's Mission

Lesson 4: Leverage the Presidency

Lesson 5: Use Your Career Staff

Lesson 6: Don't Be Afraid of the Press

Lesson 7: Provide Governmental and Nongovernmental Partners a Stake in the Outcome

In this study, the researchers investigated the evolution of the disaster assistance programs of FEMA from the Bush administration to the Clinton administrations. The federal response to Hurricane Hugo, the Loma Prieta Earthquake, and Hurricane Andrew revealed serious flaws in FEMA's structure and procedures. Extraordinary tensions existed between the secretive National Preparedness Directorate and the more public State and Local Programs and Support Directorate. The Bush administration frequently bypassed FEMA and centralized response in the White House. The administration's response to catastrophic disasters was largely reactive. Little of the funding went toward mitigation of future disasters. The media, Congress, and several evaluative organizations including the U.S. General Accounting Office (USGAO), the National Academy of Public Administration (NAPA), and FEMA's own Inspector General's Office (FEMA-IG) all underscored the shortcomings of FEMA's structure and operations.

Learning from the Bush experience, the Clinton administration moved quickly to recast federal disaster response. President Clinton appointed James Lee Witt, Arkansas's emergency services director, as director of FEMA and elevated the FEMA director position to Cabinet-level status. Director Witt moved to redefine FEMA's mission, reorganize the agency around basic emergency management functions, make FEMA more consumer oriented, rebuild the staff's commitment to FEMA's mission, and redirect the focus of disaster assistance toward mitigation. Consequently, media and political criticism has diminished. However, FEMA is not free from problems, with issues regarding financial management and decision criteria still remaining to be addressed. ■

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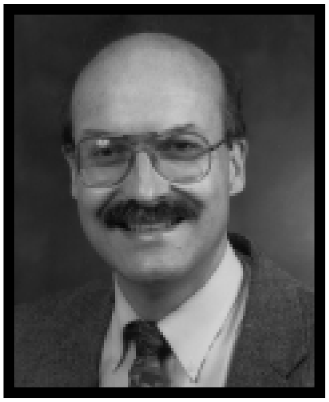


R. Steven Daniels is Associate Professor in the Department of Government and Public Service and Director of the Master of Public Administration Program at the University of Alabama at Birmingham. Dr. Daniels has received grants related to disaster management from The PricewaterhouseCoopers Endowment for The Business of Government, the Gerald R. Ford Foundation, and the University of Alabama at Birmingham Graduate School, and presented 12 convention papers on presidential decision making, FEMA, and disaster management. He is the author or coauthor of 14 refereed publications and book chapters in the areas of decision making, aging, legislative behavior, and public policy in such journals as *The American Political Science Review, The Gerontologist, Social Science Quarterly, The Journal of Criminal Justice,* and *The Policy Studies Review*. His doctorate is from the University of Oregon.

Carolyn L. Clark-Daniels is retired from Iowa State University. She has received grants related to disaster management from The PricewaterhouseCoopers Endowment for The Business of Government, National Science Foundation, and the Gerald R. Ford Foundation. Solely and jointly, she has presented 12 convention papers on Presidential decision making, FEMA, and disaster management. She is the author or coauthor of 16 articles and two research reports in the areas of public administration, gerontology, decision making, and welfare policy in such journals as *Social Science Quarterly, The Gerontologist, The Journal of Criminal Justice,* and *The Journal of Elder Abuse and Neglect*. She has also worked as an auditor for the U.S. Army Corps of Engineers and the U.S. Department of Health, Education, and Welfare (now the Department of Health and Human Services). Her doctorate is from the University of Alabama.

Excerpts from an Interview with James Lee Witt, Director, Federal Emergency Management Agency

(The interview below is excerpted from the May/June 1998 issue of *The Business of Government*, published by The PricewaterhouseCoopers Endowment for The Business of Government.)

In your role as chief executive officer of the Federal Emergency Management Agency (FEMA), how do you define your job?
I found that the job came with a lot of responsibility, and I have taken the job very seriously. Shortly after assuming office, I undertook two major initiatives. First, I worked within the agency to strengthen it. I wanted to involve employees in the future of the agency. Second, I refocused the organization on the customer by placing emphasis on those we were serving externally.

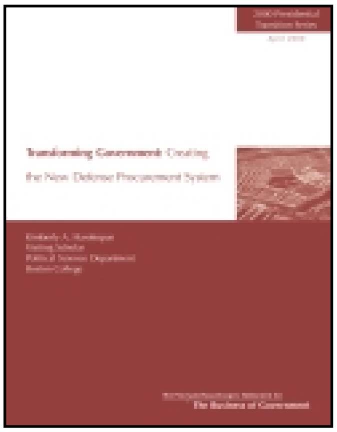
As a new agency head, it was my job to describe where FEMA needed to go. After describing where we wanted to go, it was my job to involve the entire organization. I wanted employee input into how we could best meet our goals because I strongly believe in involving our people. I met with FEMA's senior managers during a three-day retreat in which I described where I thought the agency was heading.

Can you tell us more about your efforts to involve your employees?
I made a special effort to visit with employees, both at headquarters and in the regions. I am constantly asking them what they think we should be doing. I also developed an open-door policy: any employee can make an appointment to see me on Tuesdays to discuss any matter. For those in the regions, they can call and make telephone appointments to speak with me on Tuesdays. The open-door policy has been very effective. I also started lunch sessions with employees from all over the organization.

I have worked closely with members of the Senior Executive Service (SES) in FEMA. When I came in, I told them that I thought the agency needed new ideas and new faces. I thought that they could all benefit from a rotation system for SES members. All but two of the SES members were enthusiastic about assuming a new job and new challenges. The two who were reluctant turned out to be happy with their new assignments, and they are now two of my most effective senior managers.

Transforming Government: Creating the New Defense Procurement System

By Kimberly A. Harokopus



There have always been extraordinary military commanders, battlefield heroes, and national security executives. But historically the feats of such leaders are most noteworthy for their war-planning expertise, precision battlefield strategies, or bravery under fire. The leaders involved in reform of the military procurement system fought a different, but very real, battle. Their challenge was to reform a $44 billion procurement budget; to eliminate charges of cost-overruns, schedule slips, and performance problems; to fundamentally alter the practices of the largest federal bureaucracy, and to do so without sacrificing the welfare and readiness of the nation's military forces. Consider further that the same remedies for fixing the military acquisition system had been suggested repeatedly, during the last four decades. Rarely had these attempts at reform been long lasting or effective. In frustrating regularity, they failed to achieve the desired effect. Yet, the Pentagon indeed is witnessing critical and exceptional changes to the way in which it buys its weapons.

This report examines a cadre of government leaders within the Pentagon and the White House, investigating their efforts to transform the traditional weapons procurement process from a rule-bound, inflexible, and inefficient system to a more subjective, cost-effective, and innovative public acquisition process. William Perry, Paul Kaminski, Colleen Preston, and Steven Kelman were not the only advocates of defense procurement reform. In fact, these leaders deflect credit for the reform successes from themselves, instead lavishing compliments and credit upon a dedicated workforce and enthusiastic colleagues. Yet, their roles in and impact upon acquisition reform cannot be understated.

Their personal histories and professional expertise readied them for this effort. And, their diligence, innovative management strategies, and passion made implementation possible.

How did they do it? How did they achieve such remarkable success in an area of public management many thought could never be transformed? The answer lies in a combination of strategies or factors. In fact, this report reveals six key factors for success.

- **Creation of a cohesive leadership team.** For each of these leaders, their commitment to procurement reform was not newly found. They were not rushing to join voguish policy trends. Rather, they were long-suffering enthusiasts who had worked years, hoping to revamp a system that needed repair. And most had worked together previously. They knew their leadership teammates.

- **Inclusion of industry and the government acquisition workforce.** The leaders expected, indeed demanded, that the source of detailed procurement reform initiatives be the workforce itself — both industry and government. The strategy worked. Top-echelon leaders launched the notion of reform and then created an environment conducive and accepting of new ideas. The acquisition workforce and industry developed creative solutions and helped implement the day-to-day mechanics of the new system.

- **Frequent and continuous communication.** Of particular importance was the leaders' ability to transfer their vision and passion to others. Indeed their strategy required the full appreciation of the workforce and industry. To that end, each leader sustained a remarkable communications strategy with constant but varied platforms for publicizing their message. From public speeches at symposia, conferences, and industrial gatherings, to brown bag lunches, town-hall-style meetings, and electronic chat sessions, there was always a variety of styles, media, and audiences.

- **Strong use of recognition, awards, and training.** To promote acceptance and encourage initiative, the leaders relied heavily on recognition, awards, and training. The "recognition factor" was a critical component of the implementation strategy. Success stories about the work of innovative acquisition practitioners found their way into congressional testimony, trade publications, and formal speeches.

- **Attention to organizational climate and careful navigation between agency autonomy and department-wide uniformity.** The military services are strong, established organizations that fiercely protect their autonomy and honor their historical legacies. It would not be advisable for a department executive to trample that organizational independence. And yet, defense acquisition practices had to retain a level of uniformity. The leaders astutely recognized when and where to demand uniformity in operations and when they should allow freer rein and greater autonomy.
- **An ability to capitalize on the political, technological, and national security environments.** The era of defense procurement reform was also an era of political, technological, and national security changes: advances in information technology; commercial trends toward industrial streamlining; a new, relatively peaceful international environment; and bipartisan political support to deregulate and reinvent government operations. While these conditions created a climate for reform, it was key individuals, taking advantage of those circumstances, which made the crucial difference.

Using these six strategies, the leaders of acquisition reform achieved remarkable success. Their accomplishments are especially appealing because it appears that the reforms are likely to become permanent. Achieving long-lasting, cultural change is by no means an easy or quick accomplishment.

And if their individual talents were great, their combined energies were enormous, creating a synergy that allowed them to push reform notions further and faster than had ever before been accomplished. Perry, Kaminski, Preston, and Kelman were a leadership team of extraordinary talent. Through persistence, innovative management strategies, and a little luck they achieved remarkable feats in public management, turning previously failed efforts at procurement reform into tangible, remarkable successes. ■

About Kimberly A. Harokopus

Kimberly A. Harokopus is a Visiting Scholar in the Political Science Department of Boston College. Prior to that position, Dr. Harokopus was a research fellow of the National Security Program at the John F. Kennedy School of Government, Harvard University. There she conducted Department of Defense-sponsored research on the globalization of defense technologies, technology transfer, and the impact of industry concentration and price competition factors on US military readiness.

Dr. Harokopus is a former officer in the US Air Force. She served as a speechwriter and executive officer to the Vice Commander of Electronic Systems Center, Hanscom Air Force Base. She was also a lead negotiator for the Center's Strategic Systems office, and the Engineering Manager for an Anti-Radiation Missile Decoy Program.

Dr. Harokopus earned a B.S. in Electrical Engineering from the University of Pennsylvania, an A.L.M. in Government from Harvard University, and a Ph.D. from Boston College.

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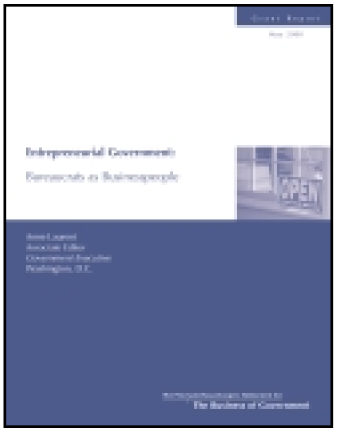
[GRANT REPORT]

Entrepreneurial Government: Bureaucrats as Businesspeople

By Anne Laurent



The federal government has become a business incubator, nurturing a dazzling variety of small businesses within its own agencies. Entrepreneurial organizations have flourished since the Clinton administration came to power in the early 1990s with its goal of remaking government in the image of business. "Intrapreneurs" — employees creating businesses within their agencies — found myriad ways to answer the call for businesslike government. The resulting "government businesses" have taken varying shapes depending on their parent departments and the laws and regulations covering them, among other factors.

The proliferation of entrepreneurial organizations may augur the future role and shape of government. At a time when Americans aren't sure whether they prefer their government to be large or small, activist or passive, slow or fast, egalitarian or efficient, entrepreneurship offers an alternative organizing principle that could bridge the past and the future. Entrepreneurial organizations offer a way for bureaucratic organizations to adopt the techniques, technologies, and efficiencies of business while still functioning within the public sector.

This report examines a dozen government businesses offering services ranging from payroll processing to timber measurement. The study delineates the hurdles such enterprises must overcome. Entrepreneurs often are not welcome in federal agencies because they threaten the status quo. Yet the threats they pose also goad agencies to improve operations. For example, entrepreneurial organizations:

- Often rely on funds not directly controlled by Congress, freeing them to a degree from legislative oversight.
- Work for entities other than their parent organizations and agencies, releasing them from total dependence on and control by less innovative and more risk-averse headquarters officials and enabling them to reduce the prices they charge their home organizations.
- Bring managers face-to-face with the true costs of accomplishing projects, forcing them to acknowledge inefficiencies and reorder priorities.
- Raise questions about the best mix of full-time, regular employees, government businesses, and private sector contractors.
- Demand better service and follow rules inventively, thereby pushing the agencies and organizations that house them to become more responsive and innovative.
- Market their services and compete, thereby compelling other organizations — inside and outside government — to improve their offerings and prices, or lose customers.
- Are beholden primarily to customers for survival and therefore threaten the control of managers of functional silos, such as human resources, acquisition, and financial management.

"Entrepreneurial Government" extracts from the divergent types and experiences of federal businesses some secrets of success. Common characteristics of successful government businesses include:

- An event or circumstance, such as downsizing or a threat of closure, that demonstrates the futility of status quo operations and the need to change.
- A knack for finding unmet needs, underserved customers, or unexploited specialties, and for occupying those business niches.
- Strong, savvy, well-placed leaders and champions to enact the business vision, provide protection, advocate within the parent agency, license experimentation, and build useful connections and support.

- Cost consciousness and a bottom-line orientation.
- The ability to build and maintain financial reserves and to rely upon effective, reliable accounting systems.
- Unswerving customer focus.
- The ability to apply information technology to improve productivity and keep staffing levels low.
- Openness to partners.
- Creativity in dealing with fluctuating workloads.
- Marketing ability.
- Willingness to take risks and to make mistakes.

Inculcating these characteristics, attitudes, and abilities more broadly throughout the federal government undoubtedly will increase the chances for success of entrepreneurs in the future.

This study also seeks to illuminate the legal, regulatory, and cultural reforms in which entrepreneurship has flourished. The convergence of the National Performance Review's calls for businesslike government; reformed acquisition practices, especially for information technology; and downsizing and budget tightening have created an environment in which daring and innovative internal entrepreneurs feel, if not encouraged, at least enabled to creatively implement rules and take risks.

Finally, the report considers some of the most powerful arguments against entrepreneurial government: that it draws agencies' attention toward pecuniary concerns and away from fulfilling the mandates of Congress, and that it creates improper and unfair government-sponsored competition with the private sector. While acknowledging these contentions and those who advance them, this study finds that they are unlikely to halt the movement toward a more "business-permeable" government, whether it resembles the entrepreneurial enterprises of today or takes some other, as yet unimagined, form. ■

About Anne Laurent

Anne Laurent is the Associate Editor of *Government Executive*, a national business magazine about the federal government. In addition, Ms. Laurent served as the lead writer of "The Manager's Edge," an executive guide to cutting-edge management challenges. She also is Project Director of the Government Performance Project.

Ms. Laurent has recently written several articles for *Government Executive* that relate to the topic of entrepreneurial government. These articles include "Premium on Performance," "Let Contractors Take the Risks," "Revamping Reinvention," and "Management Magicians." In addition, Ms. Laurent has been a speaker at numerous seminars including Eastern Management Development Center: Seminar for New Managers, Executive Development Seminar, and Brookings Institution Seminars: Emerging Issues in Public Management.

Ms. Laurent is a graduate of the University of Michigan (B.A.) and Johns Hopkins University School of Advanced International Studies (M.A.).

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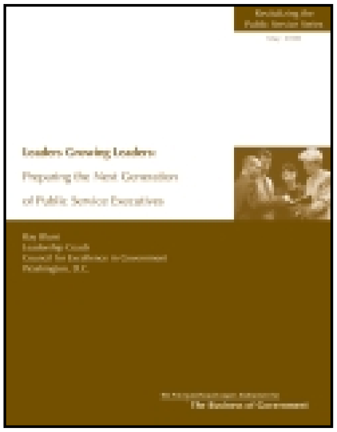
[GRANT REPORT]

Leaders Growing Leaders: Preparing the Next Generation of Public Service Executives

By Ray Blunt



"Above all, leadership is a position of servanthood. Leadership is also a posture of debt; a forfeiture of rights."[1]

How to grow the next generation of public service leaders may be the single most critical responsibility of senior public service leaders today. It is also among the most uneven efforts carried out by federal agencies and perhaps least understood of all leadership capabilities. This study seeks to help close that gap.

It draws upon the extensive research on how leaders grow as leaders, how the best organizations grow their future leaders, and then focuses particularly on the crucial role that senior leaders play in preparing the next generation for the leadership challenges that lie ahead in an era of great change.

As Peter Drucker cogently put it, leaders have followers. They have followers because they earn the mantle, if not the title, through the consistent demonstration of both leadership capability and character. Who leaders are and what they do, day after day, determines for those who observe them whether they indeed "walk the talk" and are willing to serve others as well.

What is known about how leaders grow — through the lessons of experience and documented in the research on the "best practices" of organizations — can be summarized as follows:

Public service leaders can best be grown through:

- The *examples* of character and capability in senior leaders' lives;
- Deep and lasting relationships with exemplary senior leaders acting as *mentors*;
- A systematic and strategic combination of challenging and varied job experiences and *coaching* to learn leadership within these on-the-job experiences; and
- Well-crafted and systematic development programs that are grounded in practical reality, where leadership is learned through action and through deeply involved senior leaders as *teachers.*

The "how to's" of becoming more self aware of your own example of leadership, and being an effective mentor, coach, and teacher are discussed with practical applications. Also, there is inclusion of how to implement an effective leadership development program based on how leaders learn — through experience and action and active involvement of senior leaders.

While the thrust of this report is on the practical — how senior leaders can grow the next generation of leaders — the implications for the public service are profound. Today's senior leaders have an opportunity to leave a legacy, to help to instill public service values and essential leadership capabilities in others who will in turn grow the next generation of public service leaders. ■

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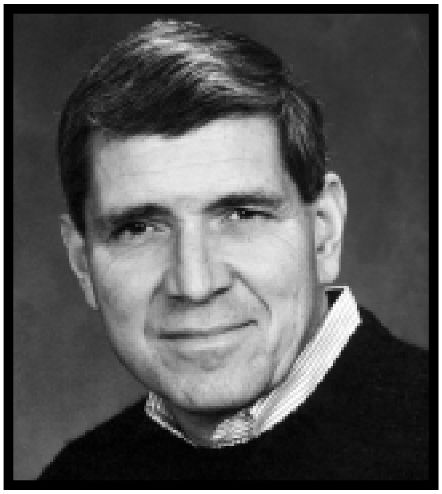
[1] *Max De Pree. "Attributes of Leadership," in* Leadership in a New Era: Visionary Approaches to the Biggest Crisis in our Time, *(San Francisco, Sterling and Stone, 1994), p. 264.*



About Ray Blunt

Ray Blunt primarily focuses on working with public service leadership development, and succession and change management initiatives as a consultant, instructor, coach, and mentor. He has been affiliated with the Council for Excellence in Government since 1997 as a leadership coach and with the Leadership Development Academy of the Graduate School as an instructor and executive coach. He has also been a senior consultant with the Center for Human Resources Management, National Academy of Public Administration (NAPA).

Blunt served 35 years in public service in the Air Force, the Department of Commerce, and the Department of Veterans Affairs, the last 17 of those years as a senior executive. He has successfully led a number of significant change initiatives and headed organizations involved in strategic planning, and policy and organizational analysis.

He is a 1964 graduate of the U.S. Air Force Academy with a concentration in engineering and political science and holds a master's degree in economics from Central Missouri State University. He has done post-graduate work in management and theology.

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From the Editor's Keyboard

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An exciting challenge would be to turn large, nameless, faceless bureaucratic institutions into responsive, agile, and accessible organizations that serve the full range of citizens' needs at e-speed. If government can be turned into the place where large-scale experiments with electronic interactions are born and implemented, it may be the challenge needed to again lure the best and brightest to public service.

In Internet terms, although most attention these days is focused on the B2B (business to business) or the B2C (business to customer) relationship, a huge interest is growing in the G2C (government to citizen) and G2B (government to business) marketplace. Recent college graduates looking for the latest "e" action would no longer be limited to joining the private sector. If government takes the "e" challenge seriously and begins fostering the type of entrepreneurial spirit described by Laurent, it could be a "whole new ballgame" in recruiting and retaining new blood for public service.

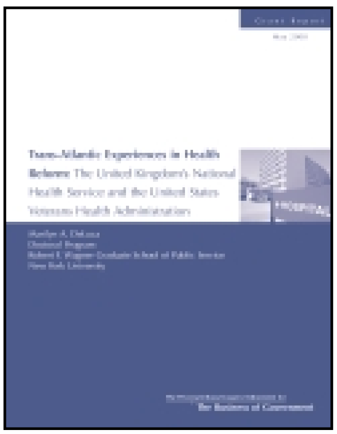
A government where citizens conduct G2C transactions 24 hours a day, seven days a week, might be a very interesting and exciting place to work. E-procurement promises to significantly alter the way federal, state, and local governments purchase goods and services, which in turn will fundamentally change the G2B relationship. Internet portals to government services will make things like renewing a driver's license, submitting a change of address notification, or obtaining a permit almost painless. Also, the debate now heating up over "digital democracy" might further democratize the political process, which could also make government an exciting place once again.

To be a leader in the government of the future will no longer mean just trimming around the edges, but instead will mean thoroughly changing the way work gets accomplished and customers get served. The magnitude of this transformation will create new partnerships and alliances between business and government and, more importantly, might attract the interest and imagination of many who previously would not have considered a career in public service. It is our hope that the grant reports by Blunt, Serlin, and Laurent will stimulate the growing debate over the public service of the future, since they provide important perspectives on what that future might resemble. ■

Ian Littman is a partner at PricewaterhouseCoopers and co-chair of the Endowment's Advisory Board. His e-mail: ian.littman@us.pwcglobal.com.

Trans-Atlantic Experiences in Health Reform:
The United Kingdom's National Health Service and the United States Veterans Health Administration

By Marilyn A. DeLuca



Health reform challenges national policy making across the globe. Despite the current vogue of market-based reform, reform strategies remain subject to local political and institutional environments. Moreover, while evaluation of reform policies is essential in order to understand the effectiveness of such strategies, assessing the impact of reforms is confounded by the political desire to present successful outcomes and the complexities of unraveling reform effects.

This study examines the recent reforms in the two largest public healthcare systems worldwide: the 1991 reforms in the United Kingdom's National Health Service (NHS) and the 1995 reforms in the United States Veterans Health Administration (VHA), the largest component of the U.S. Department of Veterans Affairs (DVA). While their reform strategies differed, there is much to learn from these efforts in transforming large public health systems. The NHS reforms were based on managed competition and a market model of public administration; the VHA's reforms relied on managed care strategies and a deregulation model of governance.

The two case studies drew data from secondary as well as primary sources. The primary data sources included 44 in-depth interviews, other various contacts, and participant observer experiences (VHA).

The findings included:

- Subsequent to the reforms, there was convergence of the NHS and VHA in several areas:

  health service delivery:
  reduced beds; increased outpatient services; persistence of long waiting lists and times; decreased access to long term and mental health services

  medical education and training:
  increased tensions with affiliates; pressure on staff for clinical service

  research:
  decreased managerial support; pressure on staff for clinical service over academic time

- The VHA reforms produced more significant changes in health service delivery for the measures examined.
- With regard to *human resources,* the VHA reforms generated more significant change, which included staff reductions, impaired communications, and morale problems.
- The NHS and VHA reforms produced similar byproducts, which included power shifts, decreased access for some patients, and change in the balance among health service delivery, medical education and training, and research missions.

The findings suggest that while divergent socioeconomic and political factors opened windows for reform of the UK's NHS and the U.S. VHA, the windows varied in duration and characteristics. The respective governmental structure, institutional context, and interest groups influenced reform in each system. In contrast to the NHS's reliance on an internal market, the VHA's use of performance measures and performance contracts encouraged strategies and managerial responses that significantly altered health service delivery. ■

About Marilyn A. DeLuca

Marilyn A. DeLuca is a consultant in health policy and health systems management. Her interests include international health and comparative health system analysis.

Dr. DeLuca has substantial managerial and clinical experience in public healthcare systems, most notably in the Veterans Health Administration, where she held several leadership positions. Dr. DeLuca served as Chief Operations Officer of the VHA NY/NJ Network, a health system with over 170,000 veteran patients; 13,000 employees; and an operating budget of $1 billion. She also served as Special Assistant to the Director at the Bronx VHA (1985-1996) and New York VA Medical Centers (1984-1985) as well as in various clinical and leadership roles in critical care (1971-1984).

Dr. DeLuca holds a master's in public administration (NYU 1995) and a master's in nursing (NYU 1976) as well as a bachelor of science in nursing (Hunter College CUNY 1971). Dr. DeLuca recently completed a Ph.D. in public administration with a concentration in comparative health systems at New York University, Robert F. Wagner Graduate School of Public Service. Her dissertation is entitled: Health Reform in Public Systems: Recent Reforms in the UK's National Health Service and the US Veterans Health Administration.

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The New Government Executive

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ments with the private sector in which, states Kammer, "… we can sign agreements on the same day that they are proposed."

Donald J. LaVoy and Barbara Burkhalter of the Department of Housing and Urban Development's Real Estate Assessment Center described the creation of a new, flatter, more high-tech organization with innovative contracting mechanisms to perform their tasks. Bradley Buckles of the Bureau of Alcohol, Tobacco and Firearms (ATF) described his organization's future as depending on information technology, the Internet, and other communication systems to improve ATF's ability to quickly get information out and into the "right hands."

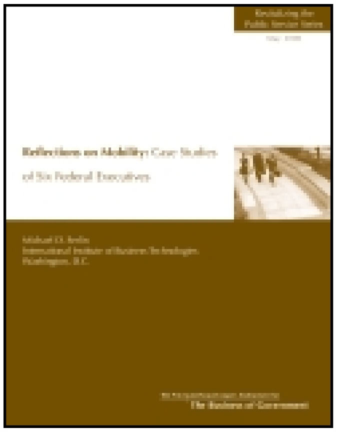
The new leader/manager must also know technology and how it can be used to improve the performance of their organization and the way it delivers service. Executives no longer have the luxury to just communicate "visions." They also must know and make important, well-informed, potentially costly decisions about deploying new technologies. One gets the impressions that the leader/managers profiled in this issue can easily hold their own with any chief information officer in government today. Sam Chambers described how his agency is now considering renaming its well-known food stamp program because the traditional "coupons" will soon no longer exist as recipients begin to access program benefits by using magnetic cards, similar to ATM and credit cards now widely used by the American public. Ray Kelly of the U.S. Customs Service describes technology as substantially changing the way the Service performs its activities. "We want to do business the way business does business," states Kelly. Technology is also changing the National Weather Service. Jack Kelly described how improved forecasting using new technology will double tornado lead time and triple flash flood warning lead time. "Technology," notes Kelly, "has also enabled us to improve the accuracy of our track forecast for hurricanes."

Each decade appears to develop its own definition of leadership. The 1980s and 1990s may well have been defined by visionary leaders who performed few "hands-on" management activities. The description does not fit, however, the 14 government executives profiled on the following pages. Instead, government today may be witnessing the creation of a new type of executive: the leader/manager. While it may not fit traditional theory, it does, in fact, appear to reflect the words and deeds of the new leader/manager. Read on and make your own judgment about government leadership in the 21st century. ■

Mark A. Abramson is executive director, The PricewaterhouseCoopers Endowment for The Business of Government. His e-mail: mark.abramson@us.pwcglobal.com.

Reflections on Mobility: Case Studies of Six Federal Executives

By Michael D. Serlin



In an era of changing public expectations of government and rapid technological change, career public servants with broad experience are a necessity. The Civil Service Reform Act of 1978 (PL 95-454), which established the Senior Executive Service, envisioned a corps of top administrators who could be transferred to senior positions in various agencies based on government need. In the 22 years since, transfers among agencies by career senior executives have not been widespread, but the belief that it almost never happens is untrue. Many senior executives have worked for more than one agency.

This report reviews the careers of six successful and highly mobile current senior executives who have worked in 11 of the 14 cabinet departments and 12 independent agencies during their careers. It describes the circumstances surrounding their changing agencies and the techniques they used to become effective in their new agencies, and provides examples of ideas they introduced from their prior experience that broadened their impact on improving public service. Each of the individuals profiled was asked to identify factors that enhanced or inhibited their ability to move among agencies, and to offer their thoughts on actions that might help to increase the mobility of others.

The six executives interviewed for this report are:

- June Gibbs Brown, inspector general, Department of Health and Human Services
- Carson E. Eoyang, professor of management, Naval Postgraduate School, Monterey, California
- Dennis J. Fischer, commissioner, Federal Technology Service, General Services Administration
- Robert A. Knisely, director, Analysis Service, Office of Student Financial Assistance, Department of Education
- Eileen T. Powell, associate deputy assistant secretary for financial operations, Department of Veterans Affairs
- Myrta (Chris) King Sale, deputy to the chair and chief financial officer, Federal Deposit Insurance Corporation

The profiles offer stories behind their agency transfers and identify some common characteristics, among which risk taking and flexibility are prominent.

To increase interagency mobility among federal executives, the report recommends that the Office of Personnel Management (OPM) take the following actions:

- Establish and maintain a complete and current Internet-accessible database on the careers of all Grade 15 and Senior Executive personnel.
- Explore ways to maximize cross-training value for employees who may move in and out of federal positions among the public, private, and non-profit sectors.
- Research ways of ameliorating increasing differences in pay and benefit systems among agencies to ease transfers.
- Establish a well-staffed and knowledgeable reimbursable executive search office to assist agencies in filling key positions.
- Have current federal career executives who have worked in several agencies speak to each class at OPM's Management Development Centers and the Federal Executive Institute.
- Strengthen the follow-up programs for Presidential Management Interns, including identifying them for interagency task forces, to begin the process for executive mobility in future years.

In addition, independent of any OPM actions, several recommendations are made for individual agency program and human resource managers:

- Change the search and selection process for executive vacancies to broaden the criteria for selection to attract applicants from outside the agency, and include an individual from outside the agency on the selection panel.
- Increase the number of opportunities for all agency executives to work together with executives from other agencies on joint projects, task forces, or conferences.
- Insure that anyone promoted into an executive position attends residential leadership training within two years of appointment that includes non-agency personnel.

In addition, the appendix offers nine suggestions regarding career advice for individual career executives who seek broadly based public service careers.

The paper concludes by pointing out that a number of surveys and research studies have been conducted and are continuing, and that no single study can develop a perfect solution for the large and diverse federal government. It urges that changes to some of the current policies and practices, as suggested in this report, should be tested for their effectiveness without waiting for the elusive all-encompassing solution. ■

About Michael Serlin

Michael Serlin led the financial management team for the National Performance Review (Reinventing Government) Task Force, most of whose recommendations were incorporated into the Government Management Reform Act of 1994. The law included requiring audited financial statements for all major agencies and introduced franchising — competitive cross-servicing of agency administrative support.

A former Senior Executive Service Presidential Rank award winner, and a former president of the Federal Executive Institute Alumni Association, Mr. Serlin worked for three departments (Treasury, Post Office, and Navy) and two independent agencies (Federal Deposit Insurance Corporation and Federal Home Loan Bank Board) in his federal career.

He is a Principal of The Council for Excellence in Government and currently serves on the boards of directors of three non-profit organizations — The International Institute of Business Technologies, the Treasury Historical Association, and the Arlington (Virginia) Retirement Housing Corporation. He has contributed frequent articles on entrepreneurial government and other government change efforts to magazines and professional journals.

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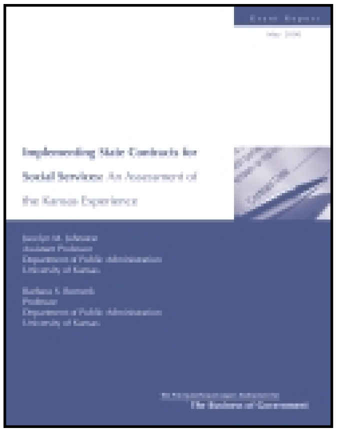
Implementing State Contracts for Social Services: An Assessment of the Kansas Experience

By Jocelyn M. Johnston and Barbara S. Romzek



The chief goals of this study are to identify and discuss the lessons derived from the experience of the state of Kansas with contracting for social services. Our research focuses on the decision processes and organizational adaptations associated with contracting with nongovernmental agencies for selected Medicaid and welfare services.

In recent years the state of Kansas has been aggressive in its efforts to contract with nongovernmental organizations to provide social services. Within the Department of Social and Rehabilitation Services (SRS), the state's main social welfare agency, support for privatization initiatives and reforms was emphasized and a shift to contract management ensued. In the process, program responsibilities for one component of the Medicaid program were shifted to another state agency, the Department on Aging, and contracts for other services were let to various nongovernmental organizations. The result has been a substantial reduction in staff levels and program operation within SRS. SRS staff levels dropped by over 35 percent between 1995 and 1997.

This research examines five specific state contracting initiatives. These initiatives represent different approaches to state contracting for social services. All of the initiatives involve programs concerned with alleviating or reducing problems related to poverty. Some reflect reforms stemming from the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996; others are associated with the Medicaid health care program for the poor. Four of the five contracting initiatives are relatively new, while the fifth has been used extensively for many years.

Our research indicates that the contracting decisions described in this report were driven primarily by ideological and political considerations, as opposed to economic justifications such as provider competition and related operational efficiencies. The decision processes often evolved rapidly, resulting in the need for a great deal of iterative policy design after the programs had been launched. Difficulties were encountered in projecting costs for contracted services and in establishing policy roles and responsibilities in advance. State agencies and contractors faced substantial institutional adjustments with regard to staffing, capacity, information technologies, and contract monitoring. Some of these changes were intended, particularly for state agencies directed to downsize; others were unavoidable and not necessarily anticipated, especially for contracting agencies.

The major findings of the study include the following:

- Despite their participation in the contract decision process, it is often the case that neither the state agency nor the contracting organization is prepared for the changes required under the contract arrangement.
- Genuine goodwill often exists between the state and most contracting organizations.
- Neither the state agency nor the contracting organization is able to accurately project program costs.
- The need for training in contract management/contract monitoring is often underestimated.
- Contracting decisions and implementation processes are infused with political considerations.
- Contracting problems arise when there are only a few available service providers.
- Contract relationships can create problems of accountability.
- Contracting with advocacy organizations may be "too" successful.

The major recommendations from the study are:

- Take enough time in contracting decisions to adequately consider program design, staff, and cost factors, and to identify state and contractor responsibilities.
- Avoid the one-size-fits-all approach to contract design.
- Contract design and negotiations need to anticipate and include discussions regarding performance expectations for program implementation in advance of awarding the contract.
- Examine all costs.
- Identify the presence of multiple providers who have both the fiscal and administrative capacity to provide the service.
- State agencies and contractors need to examine and project financial consequences of contract proposals that shift risks from the government to the contractor. ■

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Jocelyn M. Johnston is Assistant Professor of Public Administration at the University of Kansas, where she teaches public finance and intergovernmental relations. She received her Ph.D. in public administration in 1994 from the Maxwell School at Syracuse University. Her areas of research include government contracting, county finance, and property tax administration, as well as intergovernmental programs and policy. Professor Johnston's work has been published in numerous social science journals. She is co-editor, with H. George Frederickson, of *Public Management Reform and Innovation: Research, Theory and Application* (Alabama University Press, 1999).

Professor Johnston is a field research associate for the Rockefeller Institute's State Capacity Study, contributing to its national studies of welfare and Medicaid reform implementation in the states. She also administered county employment and training programs in New York State from 1978 to 1987.

Barbara S. Romzek is Professor of Public Administration at the University of Kansas, where she teaches public management and human resources management. She received her Ph.D. in political science in 1979 from the University of Texas at Austin. From 1988 to 1993, she served as chair of the Department of Public Administration. Her research focuses on the nature of public management and the career experiences of individuals who serve as public managers. She has concentrated her attention on the issues of accountability, government reform, privatization, and intergovernmental relations. Her work has encompassed a variety of work settings: from complex federal agencies like NASA, Congress, and the U.S. Air Force, to state social service agencies, as well as local governments and nonprofits.

Professor Romzek is a fellow of the National Academy of Public Administration, is listed in *Who's Who of American Women*, and received the Mosher Award from the American Society for Public Administration in 1988. Her most recent book is *New Governance for Rural America: Creating Intergovernmental Partnerships* (with Beryl Radin, Robert Agranoff, Ann Bowman, C. Gregory Buntz, Steven Ott and Robert Wilson, University Press of Kansas, 1996).

[AWARD WINNERS]

Recent Grant Award Winners

The PricewaterhouseCoopers Endowment for The Business of Government is pleased to announce its latest grant award winners. All research grant award winners will produce a report on their topic that will be published by The Endowment.

Sandford Borins
Professor of Public Management
University of Toronto at Scarborough
Project Title: "A Tool-kit for Public Management Innovators"
Description: This report will develop a tool-kit of practical advice for would-be public management innovators based on the experiences of successful public management innovators in a variety of countries. Through a survey of the Commonwealth Association for Public Administration and Management (CAPAM) international innovation award winners, a series of tool-kit characteristics will be generated of innovations and tactics used to build alliances of supporters and overcome obstacles. The survey will address questions such as the implementation obstacles that were encountered, how they were dealt with, and which obstacles still remain. In addition, the report will define and describe the tools, show the frequency with which they are used, and give examples from a variety of national contexts.

Richard Buttimer
Associate Professor of Finance and Real Estate
The University of Texas at Arlington
Project Title: "Financial Risk Management in the Federal Government: Overview, Practice, and Recommendations"
Description: This study will examine the role of financial risk management techniques in government. The goal of this study is to determine which private sector financial risk management techniques are best suited for government adoption. In addition, the report will examine the common traits of successful financial risk management adoptions in government and develop a series of recommendations that will serve as a guide for both agencies and oversight bodies.

Janet Vinzant Denhardt
Robert B. Denhardt
Professors, School of Public Affairs
Arizona State University
Project Title: "Creating a Culture of Innovation: Lessons from America's Best-Run City"
Description: This report will explore how managers create a culture of innovation through a comprehensive case study of Phoenix, Arizona, which is consistently recognized as the best-run city in America. Through interviews with Phoenix's mayor and department heads in city government, themes will be developed on creating a culture of change, encouraging responsible risk-taking, and undertaking public entrepreneurship. The report will also provide recommendations for other managers who are focused on change and innovation within their organization.

Daniel Carpenter
Department of Political Science
The University of Michigan
Project Title: "Technology, Politics, and Organizational Culture: The Acceleration of Drug Approval at the FDA"
Description: This report will examine the rapid acceleration of FDA drug approval over the past decade. Through interviews with FDA personnel, pharmaceutical industry officials, consumer safety advocates, and patient advocates, this study will provide lessons for future attempts to reform the FDA approval process. The report will discuss how drug approval can be accelerated in the future while maintaining a commitment to quality decision making and drug safety.

Carol Chetkovich
Assistant Professor, John F. Kennedy School of Government
Harvard University
Project Title: "Shaping the Career Orientations of Public-Servants-in-the-Making"
Description: This report will examine the ways in which public policy training at two elite institutions shapes the public service orientations of students in these programs. The report will focus on the important question of how the goals and aspirations of policy students interact with policy training to shape their career trajectories. The findings of this project should be useful to public policy education leaders seeking to improve their programs, particularly in a way that supports the goals of a revitalized public sector.

W. Henry Lambright
Director, Center for Environmental Policy and Administration
Professor of Political Science and Public Administration
The Mawell School, Syracuse University
Project Title: "Daniel Goldin of NASA: Strategies for Change"
Description: This report will provide a case study of a leading change agent, Daniel Goldin, administrator of NASA. In an extremely austere and political environment, Goldin has changed NASA and it programs. The report will examine how Goldin initiated and carried through an organizational change process. Specifically, the report will discuss how Goldin met his goals, where he fell short, and the lessons learned from his strategies.

Dennis A. Rondinelli
Glaxo Distinguished International Professor
Director, Center for Global Business Research
Kenan Institute of Public Enterprise
University of North Carolina
Project Title: "Rethinking U.S Environmental Protection Policy: Management Challenges for a New Administration"
Description: This report will assess the limitations and weaknesses of current command-and-control approaches to federal environmental management. In addition, the report will examine the forces driving corporations to integrate environmental management into their overall business strategies and provide recommendations for revising public environmental management policy. The report will also examine the role of EPA in the next administration to leverage the potential of private sector environmental management practices.

Richard S. Rubin
Professor and Labor Center Director
Barry M. Rubin
Professor
School of Public and Environmental Affairs
Indiana University
Project Title: "Municipal Service Delivery and Labor-Management Partnerships: Transforming the Public Sector"
Description: This report will address the issues of privatization through a study of the Indianapolis privatization and labor-management partnership experience. The study will verify the success of the Indianapolis labor-management partnership and will identify the factors that led to its success. Through interviews with key participants, focus groups, survey research and data analysis, a complete picture of the Indianapolis privatization and their labor-management experience will be consolidated and a conceptual model of collaborative management for the public sector will be developed and tested.

Accountability to City Government

continued from page 8

of accountability and competition in place and making big improvements. New York City and New York State have not developed the political will to do that. I never like it when another city is ahead. In education, I think that's particularly terrible. We haven't had the courage to take on that type of innovation yet because of the heavy pressure of the job-protection system.

Milwaukee has also done something really courageous. Mayor Norquist has instituted a school-choice program in which the poorest parents in the city end up with the same choice as the richest parents have. And ultimately then, you break up the job-protection system because then the parents won't choose the schools that are failing.

In 1999, a private organization headed by Ted Forstman offered 2,500 scholarships to private and parochial schools. They received over 160,000 applications from New York City residents. The majority of those applications came from New York's most disadvantaged families. Those families were saying overwhelmingly that they wanted a choice. They wanted more freedom, a better education for their child, and a little more choice about the future of their child, rather than the government telling them that they must put their child in a particular school even if they're not satisfied with that school. The cities that embrace these changes and honestly say, "Let's break this jobs-protection system and replace it with a system that has one primary goal — the education of our children," will thrive in the years to come.

This is not at all an attack on teachers. There are great teachers. There are much-better-than-average teachers. There are average teachers. And then there are teachers that are below average. And there are teachers that shouldn't be teachers. That could be said about any group of people, any profession. And the great teachers should be rewarded. Particularly the ones that are in a difficult school district, and they're having great results — they should be rewarded. We have to start to find fair principles upon which to do that evaluation. That means putting the children first. And I think that is the great challenge of the next three or four years.

All of that, however, is possible because it builds on the changes that you've already made. The book, *Making Government Work*, is an excellent example of that.

I'd like to close by reading you something, because it's something that Fiorello LaGuardia, my hero, used in his first inauguration as mayor of New York City. And I used it in my second inauguration. It's the Ancient Athenian Oath of Fealty, which the citizens of Athens were required to take about their city. It may be the primary model on which a lot of our cities, a lot of our social obligations, and a lot of our sense of politics, is rooted.

> We will never bring disgrace to this, our city, by any act of dishonesty or cowardice nor ever desert our suffering comrades in the ranks. We will fight for our ideals and sacred things of the city, both alone and with many. We will revere and obey the city's laws and do our best to incite a like respect in those above us who are prone to annul them and set them at naught. We will strive unceasingly to quicken the public sense of civic duty. Thus in all these ways we will transmit this city not only not less, but far greater and more beautiful than it was transmitted to us.

That, ultimately, is what we're all trying to do.

Thank you very much. ■

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