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THIRD ANNIVERSARY ISSUE

PROVIDING CUTTING-EDGE KNOWLEDGE TO GOVERNMENT LEADERS

The Business of Government

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[TABLE OF CONTENTS]

[FROM THE EDITOR'S KEYBOARD]

By Paul R. Lawrence

I'm always impressed by how much there is to learn from others. Today, we have a fancy name for it—benchmarking. But in the old days (not that long ago), it was simply learning from others. Several years ago, Peter Senge popularized the concept of the "learning organization." Everybody wanted to become "learners."

Whatever you call it, the concept of learning from others is still important. In reading this issue of *The Business of Government*, I was struck again by how much there is to learn from both individuals and organizations. The entire world has become our classroom—provided one is paying attention and attempting to learn from what others are saying and doing.

From the academic community, I learned about the need to rethink the concept of accountability. Harvard University's Robert Behn taught me that we need to expand our concept of accountability to include accountability for performance. While it may be easier to hold people accountable for keeping a good set of books and running fair processes, the next major challenge facing government is to bring accountability for performance to the forefront.

From the New York City Police Department, I learned that it is possible to manage an organization day-to-day on the basis of relevant, real-time, and accurate data. The CompStat story, as described by Frank Straub and Paul O'Connell, demonstrates that organizations can use data to hold their managers accountable for performance. Another key part of the CompStat story is its diffusion to both other police jurisdictions and other government entities. The city of Baltimore studied CompStat and concluded that the city needed a new way to manage all of its departments—not just the police department—and created CitiStat. Government organizations can clearly learn from each other.

From Dan Goldin, administrator of the National Aeronautics and Space Administration, I learned a key lesson in leadership: the right to fail. At an Endowment seminar, Administrator Goldin told us organizations that don't have failures are not taking enough chances. They are playing it safe. By not taking chances, organizations too frequently set mediocre goals. "It's like Babe Ruth, instead of pointing to the stands for a grand slam, he says, 'I'll try for a bunt,'" Goldin explained.

From Tommy Thompson, Secretary of the Department of Health and Human Services, I learned about the need to rethink the historical relationship between the federal government and state governments. Based on his experience as governor of Wisconsin for 14 years, Thompson described the increased capability of state governments over the past 40 years. Based on this increased capacity, the federal government needs to find new ways to collaborate and partner with states—a challenge that Secretary Thompson is working to implement at HHS.

From Mitchell Daniels, director of the Office of Management and Budget, I learned about the Bush administration's Management and Performance Agenda. For all of us involved in government in some way, we learned that the next several years will not be "business as usual." We need to explore new ways in which government can manage its workforce, competitively source, improve its financial performance, and move increasingly toward e-government.

While there is much to learn from leaders at the top, there is also much that can be learned from leaders at all levels within government. I have the unique opportunity to talk with an outstanding federal executive each week on the Endowment's radio show, *The Business of Government Hour*. In that hour, I explore new ideas and new ways of doing business with government executives who are on the frontier of changing government.

While I always intuitively knew that our government was large and diverse, my recent radio guests—profiled on the following pages—brought the point home even more clearly to me. I spoke with federal executives who were protecting the president, supporting the development of websites for classroom history teachers, providing state-of-the-art professional services to government agencies, ensuring safer skies, clothing our military, protecting our lands, providing distance learning to government health professionals, setting work-life policies for our civil servants, and providing intelligence to our nation's military leaders. From each, I learned about their quest to do things differently and to seek new ways of doing business. No one was advocating the status quo. While I'll never hold any of these important positions, I did learn about a "spirit" and "attitude" toward change that I aspire to bring to my own organization.

There is much to learn out there. One need only look and listen.

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The Accountability Debate

By Mark A. Abramson

Accountability has often proven to be a difficult concept for individuals to fully understand, let alone implement in organizations. Exactly what do people mean when they talk about accountability? Who are we talking about holding accountable: organizations or individuals? Can government organizations really hold their executives accountable for performance? How do oversight organizations, such as the United States Congress, define accountability and what are they planning to do to achieve it in the federal government?

In this issue of *The Business of Government*, we hope to shed some light on the debate over accountability and how it can be achieved in government. In an excerpt from his landmark new book, *Rethinking Democratic Accountability*, Harvard University's Robert Behn presents a framework for thinking about accountability. Behn sets forth three types of accountability: accountability for finances, accountability for fairness, and accountability for performance. He concludes that government has historically had a clear bias against accountability for performance. The problem, writes Behn, is, "It is much easier to establish who should be accountable for a failure in finances and fairness than for a failure in performance." Behn argues that government should at least devote as much time and energy to performance accountability as it devotes to accountability for finances and fairness.

While difficult, substantial progress is now being made across the nation in implementing accountability for performance. The public sector does indeed appear to be moving toward performance accountability. A key factor in the ability to hold both organizations and their executives accountable is the capacity to generate relevant, real-time, accurate data and information on how government organizations are actually performing. Frank Straub and Paul E. O'Connell describe the New York City Police Department's "CompStat" model, which tracks crime reduction by precinct, patrol borough, and citywide. Crime data is then presented in regularly scheduled weekly "CompStat" meetings in which all levels of management in the department come together to review the data and precinct success in reducing crime. Based on the data, individual precinct commanders are held accountable for crime reduction and reassignments are made on the basis of their success.

At the federal level, the potential now exists for federal executives to be held accountable for performance via agreements that include "balanced measures." John Kamensky describes new regulations from the Office of Personnel Management mandating that members of the Senior Executive Service be evaluated and held individually accountable for how well their organizations perform on a set of agreed-upon measures. Starting this fall, individual bonus decisions will be based, in part, on how well their organizations perform.

Kamensky describes how four government organizations have already implemented balanced measures to hold their executives accountable. These "early adopters" have shown that senior executive performance can be linked to agency performance. While prior governmental reform initiatives have attempted to tie together accountability and performance, the key continues to be strong agency leadership and commitment to performance. Kamensky reports that the early adopters did so "because it improved their operations."

The challenge facing government in linking agency performance to individual performance is indeed great. The Kamensky article comes at a key time when Congress is attempting to strengthen the linkage between agency and individual performance via legislation. The Transportation Subcommittee of the House Appropriations Committee recently wrote, "… the Committee has reviewed agency performance plans and matched the results to the provisions of executive bonuses and requests for additional budgetary resources. In too many cases, the Committee has discovered little or no linkage between the achievement of goals and the provision of bonuses to executives leading those organizations. The Committee will not allow this situation to continue." The Committee is considering reducing executive bonuses and additional resources for "underperforming" organizations.

The accountability debate rages on.

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Rethinking Democratic Accountability

By Robert D. Behn

What do we mean by "accountability"? When we say that we want to "hold people accountable" what do we mean? The dictionary offers a variety of definitions using words like "answerable" and "explainable."

But anyone who has worked in government knows what accountability really means. It means that if you do a good job, nothing happens; but if you screw up, all hell can break loose. The dictionary doesn't say it. But every public official knows it. To be accountable is to be "punishable." When you hold people accountable, you punish them.

So who holds people accountable? The accountability "holders," of course. And who are they holding accountable? The accountability "holdees." It might be more appropriate, however, to call them the accountability "punishers" and the accountability "punishees." In the accountability-holding business, you need both the punishers and the punishees.

Naturally, no one says this. No one likes to confess that he or she is looking for someone to punish. That's why the phrase "hold people accountable" is so ubiquitous. We can use it in polite company. If we say that we want to punish people, we sound a little crass. Holding people accountable is much more civilized.

And thus, the phrase "hold people accountable" has become a cliché. The phrase rolls off one individual's tongue and into another's ears without registering in either's mind. Like all clichés, the hold-people-accountable phrase has become a substitute for thinking. Indeed, using the phrase suggests that no real thinking is going on. We hide our inability to create a clear understanding of accountability behind a well-known phrase that is guaranteed to start a lot of heads nodding.

And what do we want to hold people accountable for? This, too, is rarely made explicit. Nevertheless, we seek accountability for three different things: for finances, for fairness, and for performance.

Accountability for Finances

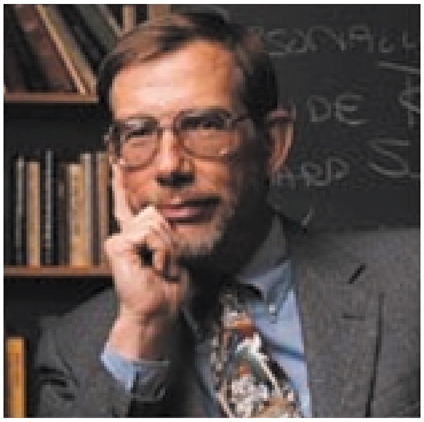
The words "accountability," "accountable," and "accounting" all have the same Latin root. Thus, it is not surprising that the most obvious form of accountability concerns financial accounting.

We want our public officials to be wise stewards of the resources with which they are entrusted. And accounting provides the mechanism to account for the money. Was it spent on the people and things for which it was supposed to be spent? If yes, everything is fine. If not, this can be very bad. Someone must be held accountable; that someone must be punished.

TO HOLD A PUBLIC AGENCY ACCOUNTABLE FOR PERFORMANCE, WE HAVE TO ESTABLISH OUR EXPECTATIONS FOR THE OUTCOMES THAT THE AGENCY WILL ACHIEVE, THE CONSEQUENCES THAT IT WILL CREATE, OR THE IMPACT THAT IT WILL HAVE.

Accountability for finances has established the framework for other holding-people-accountable systems. First, decide what values we want individuals and organizations to uphold. Next, specify what it means to uphold these values by codifying them into very specific rules and procedures: Don't do this. Do that. Then create numerous reporting mechanisms to demonstrate that these rules and procedures have been followed. Finally, give a separate organization the specific task of auditing these records to check if the rules and procedures have been followed. And, if these auditors discover any failures, lapses, or discrepancies, they identify the culprits so that we can hold them accountable—so that we can punish them.

What exactly do all of these rules and procedures accomplish? They specify our expectations for how public officials



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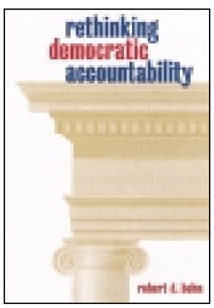

Bob is the author of *Leadership Counts: Lessons for Public Managers*. His latest book is *Rethinking Democratic Accountability* (Brookings Institution) from which this article is excerpted.

Bob is unremitting in the search to determine who should be held accountable for the failure, since 1918, of the Boston Red Sox to win the World Series.

will handle our money. You can't have accountability without expectations. If you want to hold people accountable, you have to be able to specify what you expect them to do and not do. Because we have very detailed expectations for how our public officials will handle our finances, we need a lot of rules and procedures.

All of this sounds quite straightforward. The managers and employees of any public organization have been entrusted with something quite valuable: the taxpayers' money. They have the obligation to use these funds wisely. They ought to be held accountable for doing so. When they don't, they ought to be punished.

Accountability for Fairness

We want to hold government organizations and their employees accountable for more than simply handling the finances properly. We also want to hold them accountable for a variety of other well-established norms of democratic government—specifically for fairness. We want government to be fair to its employees and to its contractors. We want government to be fair when it provides services to citizens, when it taxes citizens, when it accuses citizens of violating the law. We want government to be fair—exceptionally fair.

To ensure that government and its officials pay careful attention to these democratic values, we create rules and procedures to codify exactly what we mean, operationally, by fairness. If followed, these rules and procedures ensure that government has been equitable. Indeed, the rules embody and define what we, as a society, mean by equity and fairness. Thus, the process of creating accountability for fairness has a lot of similarities with the process of creating accountability for finances. First, decide what values for fairness and equity we want government to uphold. Next, create rules and procedures to establish what the organization should and should not do. Then, require the organization and its managers to keep a lot of records of what it did (and sometimes of what it did not do). Finally, audit these records to ensure that the organization and its managers did follow the rules and procedures. And, if we discover that they did not do so, we hold them accountable—we punish them.

To establish a basis for holding people accountable, we have to create expectations. This is what the rules and procedures do. They codify our expectations for how public officials will treat citizens. Because we have very clear expectations for how our public employees will deal with citizens, we need a lot of rules and procedures.

Again, all of this sounds quite straightforward. The managers and employees of any public organization have been entrusted with something quite valuable—with ensuring our mutual commitment to fairness. Thus, they have the responsibility to treat all citizens absolutely fairly. They ought to be held accountable for doing so. When they don't, they ought to be punished.

Accountability for Performance

Government is not only supposed to use its money prudently and to treat everyone fairly. It is also supposed to accomplish public purposes. Accountability for finances and accountability for fairness reflect concerns for *how* government does *what* it does. But we also care what government does—what it actually accomplishes. This requires a third kind of accountability—accountability for performance.

LITTLE WONDER THAT ACCOUNTABILITY HOLDERS TEND TO FOCUS ON FINANCE AND FAIRNESS. IT IS MUCH EASIER TO ESTABLISH WHO SHOULD BE ACCOUNTABLE FOR A FAILURE IN FINANCES AND FAIRNESS THAN FOR A FAILURE IN PERFORMANCE.

We care about the consequences of government action. Are the policies and programs of government producing the results that they were designed to produce? How much did the elementary students learn? How much cleaner is the river this year than it was ten years ago? How much safer is it to walk the streets? The answers provide the basis for holding government accountable for performance.

To hold a public agency accountable for performance, we have to establish our expectations for the outcomes that the agency will achieve, the consequences that it will create, or the impact that it will have. We cannot, however, do this with rules and procedures. To specify the level of performance that we expect from a public agency, we need some kind of goal or target—a clear benchmark of performance. We need a metric of performance—an explicit measure of how well the agency has done against the expectations we have set for it. For this purpose, rules and procedures are useless. Accountability for performance requires something quite different—something qualitatively different. To establish our expectations for what public officials will accomplish—and thus to create a basis for holding them accountable for performance—we citizens need to specify the results that we want them to produce.

Moreover, accountability for performance ought to mean more than providing the appropriate and required services to the agency's direct "customers." Our expectations for the performance of public agencies cover more than keeping customers happy. They include achieving performance standards that are set at a higher level than a seller-buyer, provider-customer exchange. Accountability for performance ought to cover the expectations of citizens; it ought to mean accountability to the entire citizenry.

Now, however, the accountability-holding business hits a snag. Holding people accountable for performance, while also holding them accountable for finances and fairness, creates a dilemma. For the accountability rules for finances and fairness can hinder performance. Indeed, the rules might actually thwart performance. This tradeoff between accountability for finances and fairness, and accountability for performance creates *the accountability dilemma.*

The Accountability Bias

For what should the accountability holders hold the accountability holdees accountable? Complying with the rules and procedures for finances and fairness? Or producing results through performance? If you are in the accountability holding business, it makes more sense to concentrate on process instead of performance. This is because our accountability expectations for finances and fairness are much clearer than they are for performance. Often, however, we don't agree about the results that we want a public agency to produce; thus, we are unable to make our performance expectations as clear. In contrast, the accountability standards for money and equity are much more formal, much more specific, much more objective, and much more accepted. Any umpire will generate more protests with a judgment call than with one for which the standards are clear and objective.

Accountability holders have a better chance of catching an accountability holdee when they concentrate on finances and fairness. And given that accountability holders have so many potential targets, why would they worry about subjective ones? Why not concentrate on objective targets? In checking whether all of the accountability holdees have complied with all of the objective rules and regulations, accountability holders have more than enough work.

This creates *the accountability bias*: Accountability holders concentrate on finances and fairness. They give much less attention to performance. If you are in the accountability-holding business, you need to hold someone accountable for something. And, given the very specific rules about finance and fairness, it is much easier to hold someone accountable for violating these well-established, objective standards than to hold someone accountable for not achieving your personal, subjective hopes for performance.

What should be the performance standard? Who should set the performance standard? And even if we can create a widely accepted performance standard, why did the agency fail to meet it? Was it the fault of the agency's managers or front-line workers? Was it the fault of changing conditions, such as an economic recession? Or was it the fault of the legislature or the budget office that failed to provide adequate funding or flexibility?

Little wonder that accountability holders tend to focus on finance and fairness. It is much easier to establish who should be accountable for a failure in finances and fairness than for a failure in performance.

The Deterrent Effect

Holding people accountable is designed to catch wrongdoing, to reverse wrongdoing, to punish wrongdoing, and to deter wrongdoing. By holding a specific accountability holdee accountable for a specific case of wrongdoing, accountability holders seek to convince all other public officials to live up to our expectations for finances, fairness, and performance.

But what kind of incentives do our methods of holding people accountable really create? After all, these incentive-creating mechanisms ought to be evaluated not in terms of their intentions but in terms of their consequences—in terms of the kind of behaviors that they actually provoke.

First, aggressive holding-people-accountable strategies may convince many accountability holdees to focus on money and equity and to ignore results.

Second, aggressive accountability strategies may encourage accountability holdees to be excessively cautious.

Third, aggressive holding-people-accountable strategies may damage government's operating capacity. In particular, they may deter numerous people from even considering public service.

What kinds of behavior do our accountability systems deter? Our traditional, American mechanisms of holding people accountable may deter malfeasance and misfeasance for finances and fairness. In addition, however, they may also encourage nonfeasance for performance. Our traditional mechanisms of accountability for money and equity can easily deter public managers from producing accountability for results. ■

Robert Behn on Accountability (From *Rethinking Democratic Accountability*)

What might accountability be? Is the accountability that we Americans have created through historical evolution right for today? Is the accountability that we created for limited government—with limited aspirations, limited powers, and limited reach—applicable to contemporary government for which citizens have developed hefty expectations? Is the accountability that we created for finances and fairness appropriate for performance? Is the accountability that we created for hierarchical, governmental bureaucracies suitable for collaborative arrangements among public and private organizations? Is the accountability we created for a world in which administration merely but scientifically implemented policies relevant for an era in which we seek to improve performance through empowerment and flexibility in combination with entrepreneurship and innovation?

Or do we need to rethink our theory of democratic accountability and redesign how this accountability might work? As Edward Weber of Washington State University asks, "What does an effective system of accountability look like in a world of decentralized governance, shared power, collaborative decision processes, results-oriented management, and broad civic participation?"

If organizations—even nominally hierarchical organizations—are employing 360-degree feedback to hold people accountable to a variety of stakeholders in the organizations and to help individuals improve their performance (and thus to improve the performance of their organization), might not society employ some kind of 360-degree feedback to accomplish similar purposes? After all, within an organization, 360-degree feedback creates 360-degree accountability. Now people are not just accountable to their boss. They are accountable to their subordinates, peers, team members, customers and suppliers. They are accountable to everyone in their own, personal "accountability environment." Why can't we use a similar kind of 360-degree feedback to ensure that public managers and public agencies—and everyone else engaged in the public's business—are accountable to every other individual in their accountability environment?

In the public sector, we have not really created 360-degree accountability. It is more like 360-degree harassment. All of the clients, peers, partners, collaborators, customers, and suppliers get to provide a public agency with feedback. (So do all of the "designated accountability holders." People with this privileged status—call them DAHs—are assigned the wonderful task of holding other people accountable. But who holds these auditors, inspectors general, and special prosecutors accountable?) These accountability holders do not, however, expect to receive any feedback in return. Indeed, if they received any, they would be shocked and offended, and perhaps retaliate.

Creating a System of Public Service Accountability

By Frank Straub and Paul E. O'Connell

Throughout the past decade, the quest for accountability in public service has led to the development of a variety of innovative strategies in government. This article describes one such strategy—the CompStat management model—initially developed by the New York City Police Department and subsequently employed in a variety of public sector venues. It has been reproduced in whole or in part by numerous police agencies including Baltimore, Maryland; Charlotte, North Carolina; Los Angeles County, California; New Orleans, Louisiana; New Rochelle, New York; Newark, New Jersey; and Philadelphia, Pennsylvania. The CompStat model has now transcended the field of policing, and has been successfully introduced into a variety of other New York City government agencies, such as New York City's Department of Correction (TEAMS), Department of Parks and Recreation (ParkStat), and Human Resources Administration (JobStat). The city of Baltimore is presently using CitiStat to monitor such diverse social services as drug treatment, trash collection, vacant housing, and lead paint abatement. In 1998, the U.S. Department of Justice's Office of the Inspector General applied several of CompStat's key principles to improve performance in its nationwide network of investigative field offices.

In its original form, CompStat is a sophisticated performance measurement and accountability system that was developed to track the New York City Police Department's (NYPD) day-to-day operations, as well as its overall orientation toward its core mission—crime reduction. CompStat is based on the compilation, distribution, and utilization of "real time" data that informs and supports strategic decision making and operations at all levels of the department. The collection of timely and accurate information, meaningful data analysis, and dissemination of results throughout the organization is accomplished through regularly scheduled "CompStat" meetings. These meetings bring together all levels of management and draw upon their collective expertise to develop effective tactics or strategies for achieving specific goals and objectives.

Accountability is the key component of the CompStat model. Jim Timoney, Philadelphia's police commissioner and the NYPD's former first deputy commissioner, describes CompStat as "the greatest accountability tool ever." Timoney explains, "It is an instrument for holding precinct commanders responsible for crime in their areas, rewarding them if they push crime down and removing them if they don't come up with plans to do so. It gets the whole department, top brass included, involved in thinking about how to push back crime, and it lets precinct commanders know, on a weekly basis, that their bosses support their efforts."

COMPSTAT IS BASED ON THE COMPILATION, DISTRIBUTION, AND UTILIZATION OF "REAL TIME" DATA THAT INFORMS AND SUPPORTS STRATEGIC DECISION MAKING AND OPERATIONS AT ALL LEVELS OF THE DEPARTMENT.

Prior to CompStat, the NYPD had grappled with whether to hold precinct commanders accountable for increasing crime rates. The prevailing opinion within the department, and among many scholars, was that the ebb and flow of crime rates was primarily caused by a host of socioeconomic factors over which the police had no control. While police decision making and strategies were relevant, they certainly were not believed to be dispositive of the crime issue. Department administrators believed that even their best efforts could only marginally affect crime rates. As a result, it was unfair and inappropriate to hold a precinct commander accountable for social factors beyond his or her control. Administrators moni-

Monitoring Crime in New York City: CompStat

Week of June 18, 2001 through June 24, 2001

Precinct
Precinct 5

	Week to Date		
	2001	2000	% Change
Robbery	7	3	133.3
Felony Assault	3	3	0
Burglary	3	6	-50.0

Patrol Borough
Manhattan South

	Week to Date		
	2001	2000	% Change
Robbery	59	66	-10.6
Felony Assault	37	52	-28.8
Burglary	78	83	-6.0

Citywide

	Week to Date		
	2001	2000	% Change
Robbery	504	611	-17.5
Felony Assault	549	636	-13.6
Burglary	577	746	-22.6

tored such performance measures as response times for 911 calls, but rarely if ever challenged precinct commanders concerning rising local crime rates. Commanders who experienced sharp "spikes" in precinct crime rates were considered the victims of "poor timing" or "forces beyond their control," but not poor administrators.

A fundamental philosophical shift took place in 1994, when William Bratton became the police commissioner and told police commanders that they would be held accountable for local crime-fighting efforts. In no uncertain terms, the new administration told precinct commanders that they would be closely monitored and held accountable for whether crime rates went up or down. Whether characterized as obstinate or naive, these new administration insisted that the precinct commanders and the men and women under their supervision return to the department's core mission—catching criminals and reducing crime. At CompStat meetings, precinct commanders were forced to respond to pointed questions from the upper echelon concerning their crime-fighting efforts. Those commanders who failed to reduce crime or articulate coherent strategies were reassigned, or forced to retire and replaced by "more aggressive" managers.

The New York City Department of Correction underwent a similar shift in organizational mind-set in the early 1990s, when the "TEAMS" system was designed to enhance organizational accountability. Early in the development of TEAMS (Total Efficiency Accountability Management System), clearly defined areas of accountability were assigned to all levels of management, both civilian and uniformed. Strict guidelines and procedures were put in place to ensure the collection, transmission, and analysis of timely and accurate operational statistics. "Field commanders"—wardens—were held accountable for implementing improvements in their jails, reporting on facility operations, explaining unusual incidents, and charting operational strategies. Wardens who failed to embrace the process, demonstrate results, or articulate effective action plans were replaced. According to then-Commissioner Bernard Kerik (currently the Police Commissioner), "I established a very simple rule: Produce and work, and I'll support you, you'll have your job, you'll have your career; do not produce, do not work, and you'll have to go." The core philosophy of TEAMS is the fundamental belief that managers can make a difference and that performance can always be improved upon.

CompStat's ability to enhance accountability is not limited to the paramilitary structures of police or corrections agencies. According to Thomas McLaughlin, the Department of Justice's deputy assistant inspector general for investigations: "We use the system to monitor work being performed in our many field offices. Since they are located throughout the country, it was difficult to bring all of our managers to one central location for a meeting. Rather, we circulate key performance data for all offices, and have extended, office-by-office phone conversations in order to explore the relative performance of each."

The opportunity to improve accountability via the CompStat process is similarly not limited to individual agencies, as demonstrated by New York City's interagency initiative called "HealthStat" and Baltimore's "CitiStat." In a speech delivered on June 16, 2000, New York City's Mayor Rudolph Giuliani announced his intent to have all eligible New Yorkers, particularly children, become enrolled in available state and federal health care programs. At the time it was estimated that 1.8 million New Yorkers had no health care insurance. To enroll these people as quickly and efficiently as possible the mayor announced the development of HealthStat, a citywide initiative that drew upon the resources of more than 20 city agencies in a massive community outreach effort. Representatives from the City's Department of Health, Housing Authority, Human Resources Administration, Board of Education, and Department of Correction to name just a few, meet regularly to discuss their respective efforts to identify and enroll uninsured New Yorkers. HealthStat meetings are chaired by a deputy mayor who takes the lead role in providing direction to the citywide outreach effort and holds agency representatives accountable to the mission.

Baltimore Police Commissioner Edward Norris, a former NYPD official who was chiefly responsible for coordinating the Department's CompStat meetings, brought the process to the Baltimore Police Department. Under the CompStat model, Norris significantly improved the overall performance of his new agency and reduced the city's homicide rate to a 10-year low. Mayor Martin O'Malley was so impressed with the Police Department's accomplishments that he hired Jack Maple, the former NYPD official who created CompStat, to develop a program that would function on a citywide basis. Mayor O'Malley uses CitiStat to evaluate agency performance and to coordinate efforts on a citywide basis. City supervisors appear before the mayor's cabinet every two weeks to discuss agency performance and their combined efforts to accomplish the administration's goals. According to Mayor O'Malley, CitiStat has "replac[ed] a culture of delay and avoidance with a culture of accountability and results-monitored technology."

According to Roger Connors and Tom Smith, authors of *The Oz Principle and Journey to the Emerald City*, "the most effective organizational culture can be characterized as a culture of accountability. Accountability means to proactively see the reality of a situation, personally own the circumstances, relentlessly look for ways to Solve It, and consistently follow through and Do It." (emphasis in original) The CompStat process has provided an effective platform for building "cultures of accountability" in individual public agencies, as well as in multi-agency venues. In each of the public sector venues where the CompStat model has been successfully introduced, executives have aligned authority, delegated responsibility to the lowest operational levels, and have begun to hold field managers accountable for results.

The CompStat process has created high-performance cultures focused on measurable outcomes and standards. It represents a critical element in the New York City Police Department's success in reducing crime and the Department of Correction's violence reduction and operational improvements. The CompStat model has furthered the Department of Justice Inspector General's efforts to monitor investigative activities in each of its field offices, manage caseloads, and promote operational consistency on a nationwide basis. Similarly, CompStat has brought multiple agencies together in New York and Baltimore to address important social issues—crime, education, health care, traffic, housing, etc.—as one entity focused on the articulated goals of the administration.

CompStat has proven effective because public sector leaders have challenged agency heads and their staffs to accomplish the articulated mission. The "cultures of accountability" created through the CompStat process have inspired individuals at all levels of government to meet the challenges of public service, personally own their circumstances, take risks, solve problems, and continuously endeavor to improve their environments. ■

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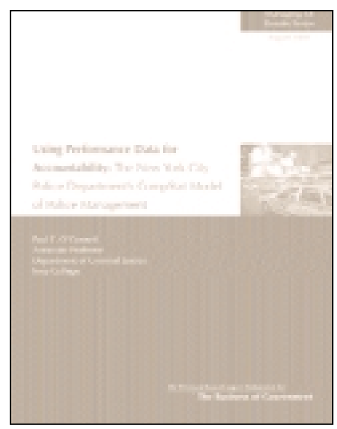
For a more detailed discussion of the New York City Police Department's CompStat program and the application of the CompStat model to other government organizations, see the new Endowment report by Paul O'Connell, *Using Performance Data for Accountability: The New York City Police Department's CompStat Model of Police Management*.



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The Quest for Accountability: Linking Senior Executive Performance to Agency Results

By John M. Kamensky

Traditional governmental accountability systems have focused on finance and fairness, as Bob Behn observes in his article on democratic accountability. Only in recent years has there been a growing public expectation of accountability for performance. This is reflected in several new laws in the past decade requiring agencies to publicly report on their performance, most notably the Government Performance and Results Act of 1993 (GPRA).

The challenge for government in the 21st century is to make good on this growing public expectation. While these new laws focus on organizational accountability, the General Accounting Office (GAO) found in October 2000 that "high-performing organizations hold executives accountable for contributing to the achievement of results-oriented goals." That same month, the Office of Personnel Management took a major step in this direction by requiring a link between executive performance and agency results by way of a "balanced set of measures."

Over the past decade, high-performing organizations in both the public and private sectors found the best way to improve performance and results is to use a range of measures that assess both agencies and their managers from different perspectives. These include the perspective of the business (or the mission), the customer (or the citizen), the stakeholders, and the employees who work there. In the past four or five years, a number of federal agencies have adopted this approach and, as a result, have made progress in better focusing on results. For example, the Department of Veterans Affairs (VA) is emphasizing the importance of mission results, customer satisfaction, stakeholder feedback, and teamwork. As a result, it is a recognized leader in health care. Veterans now rate VA hospitals higher than their private sector counterparts. And employees say they are much clearer about what "good performance" means, with customer satisfaction increasing more than 11 percent between 1999 and 2000. The Internal Revenue Service (IRS) and the United States Postal Service (USPS) took similar approaches and experienced similar improvements.

This shift in approach is still relatively uncommon across the government, but the President's Management Council (PMC) in late 1999 commissioned an interagency task force to examine ways of improving performance management in the government. The task force recommended: "Feedback from customers and employees, along with operational results, will be the basis for credible and useful performance evaluations." The PMC agreed, and concluded that the best way to begin this enormous change would be to start at the top. To be credible, it believed, executives had to reflect the performance expected of employees. So, in March 2000 it said agencies should begin by "drafting performance agreements with the executive leadership team of each department by the start of the next appraisal cycle. The agreements will include three measures—GPRA goal attainment, customer satisfaction, and employee feedback."

To reinforce this, the Office of Personnel Management (OPM) changed the performance management system in October 2000 for the Senior Executive Service (SES) to create a framework that links the individual accountability of executives for

> "The Office of Personnel Management recently amended its regulations for members of the Senior Executive Service requiring agencies to appraise senior executive performance using measures that balance organizational results with customer, employee, and other perspectives in their next appraisal cycles.... We are planning to review agencies' implementation of the amended regulations."
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> J. Christopher Mihm, Director, Strategic Issues, U.S. General Accounting Office, in congressional testimony on June 19, 2001

organizational performance more directly to the awards system. OPM now requires that SES performance be assessed on a "balanced set of measures" that include mission results, customer satisfaction, and employee feedback. This new regulation takes effect in the coming performance cycle, which is October 2001 for many federal executives. In addition, OPM amended the Presidential Rank Award criteria to include these same dimensions.

But what's new about this? The 1978 Civil Service Reform Act promised increased executive accountability in exchange for better pay and bonuses. But it didn't happen. So how is this latest effort any different? Based on the experience of "early adopters," does this new emphasis on balanced measures create greater results-oriented accountability among executives? If so, what more could be done to accelerate this transformation?

This new effort differs because performance accountability tools are now available that didn't exist in 1978—not only GPRA, but also the Chief Financial Officers Act, the Clinger-Cohen Act, and customer service standards. While these new tools focus on organizations, not individuals, they can be effective only when tied to the performance of individuals.

The October 2000 GAO study found some agencies that are among the early adopters of this approach, such as the Department of Transportation, "used results-oriented performance agreements for their senior political and career executives to define accountability for specific goals, monitor progress during the year, and then contribute to performance evaluations." GAO found that this strengthened alignment of results-oriented goals with daily operations, created greater collaboration across organizational boundaries, enhanced opportunities to discuss and routinely use performance information to make program improvements, and formed a results-oriented basis for assessing individual accountability.

While these approaches make a difference in some agencies, they are not commonplace. A May 2001 GAO study finds that only half of managers in 22 of the major federal agencies report they are held accountable for the results of their programs. A 1999 OPM survey of senior executives reinforces the perception that there is a disconnect between pay and performance. It found that only 28 percent of the SES feel their pay is linked to their organization's performance (however, 38 percent feel their bonuses are linked).

Excerpt from OPM's October 2000 Regulation on SES Performance Management

"The amended regulations give agencies more flexibility to reinvigorate their SES performance management systems—to focus on results over process."

"By overhauling these regulations, we hope to promote a culture change—a culture change that views SES performance management as a tool for driving results, instead of an irritating, annual chore."

"By institutionalizing the use of balanced measures, the government acknowledges what its best executives have always known: leading people and building customer coalitions are the foundation of organizational success."

" ... an approach to performance planning, management, and measurement that balanced the needs and perspectives of customers, stakeholders, and employees with the achievement of the organization's business or operational results is critical to successful improvement efforts."

Federal Register, Vol. 65, No. 199, Oct. 13, 2000, pp. 60837-38.

Experiences of Early Adopters of New Accountability for Performance Systems

The experience of early adopters shows that linking individual performance management to agency results has led to improved organizational performance. Many of the early adopters were inspired by the 1992 Norton-Kaplan "Balanced Scorecard" approach, which they adapted for their use. A 1999 assessment of best practices in using balanced measures in the public sector showed real promise in using variations of the Norton-Kaplan approach. In these cases, the initiative was driven by top agency leaders wanting to use this approach as a tool to focus collective agency executive attention on achieving results.

In the past few years, the number of agencies piloting and adopting the use of some form of balanced measures, and linking them to individual performance accountability, is growing. For example:

U.S. Postal Service. The Postal Service started its new executive performance system in 1995. Its employees are exempt from the civil service system, which made it easier for them to be pioneers. It set improvement targets for the "voice of the business," the "voice of the customer," and the "voice of the employee." Using a variable pay system, bonuses jumped from an average of 5 percent to 18 percent of salary—and performance jumped accordingly. By creating a scorecard around these three goals, overnight mail delivery increased from 82 percent in 1994 to 92 percent by 1997. Employee injuries dropped from 3 percent to 2 percent in the same period, and customer satisfaction increased sharply. Even the *Wall Street Journal* expressed surprise at the quick turnaround, calling it one of the biggest organizational turnarounds in business history.

"The Balanced Scorecard—Measures That Drive Performance"
Harvard Business Review, January-February 1992,
Robert Kaplan and David Norton

"... we have found that senior executives do not rely on one set of measures to the exclusion of the other. They realize that no single measure can provide a clear performance target or focus attention on the critical areas of business. Managers want a balanced presentation of both financial and operational measures."

- Financial perspective
- Customer perspective
- Internal business perspective
- Innovation and learning perspective

Office of Student Financial Assistance (OSFA). Most OSFA executives (but not the rest of the employees) are, like the Postal Service, exempt from the traditional civil service SES system. When Chief Operating Officer Greg Woods arrived in late 1999, he found the agency was chasing too many measures and too many goals. He discarded the existing strategic plan and said the agency would achieve three goals in three years, beginning in 2000: increase customer satisfaction to a level greater than private financial institutions, reduce the overall cost of delivering student aid by 19 percent, and increase employee satisfaction to be in the top five agencies governmentwide.

OSFA pegs half the bonuses of its top executives to interim targets for each of these organization-wide scorecard metrics, and the other half to individual performance targets. In addition, beginning in 2000, all employees received a two-week pay bonus if the agency meet its annual performance goals. Last year, it did. And OSFA set higher standards for this year and expects to meet them, too.

Veterans Benefits Administration (VBA). While its executives and staff fall under the traditional civil service system, VBA also uses a scorecard approach. It started using balanced measures in 1998 to measure organizational progress. Beginning in 1999, Under Secretary Joe Thompson piloted a system with VBA executives and set goals for his regional office directors in each of the three areas (business, customer, employee) but at the national, service delivery networks, and regional levels. Since the under secretary wanted to increase collaboration among regional offices through the service delivery networks, he weighted the goals differently—15 percent for meeting all VBA-wide targets, 50 percent for meeting network-wide targets, and 35 percent for meeting targets in the regional director's own region. He began attaching pay to these targets beginning in Fiscal Year 2001. Regional directors say this has dramatically clarified their priorities.

An article about the VBA system in the Fall 1999 issue of *The Business of Government* concluded, "The Balanced Scorecard has allowed everyone to look at the same information at the same time, in the same format, and have all the background that goes into it. It puts everybody on a level playing field as far as evaluating where they stand in comparison to another regional office."

Bureau of Land Management (BLM). BLM also falls under the traditional civil service system. Deputy Director Nina Hatfield was intrigued with the potential value of the Norton-Kaplan Balanced Scorecard approach several years ago, but could not engender interest among her colleagues. However, in 1998, after BLM created its first strategic plan and annual performance plan under GPRA, she began making sure appropriate metrics were created and reported in the Director's Tracking System. She did not formally create a Balanced Scorecard, but began asking the state directors about their progress toward the goals laid out in the annual plan. Last year, she grouped the various measures into four areas and made her inquiries a bit more formal. These included: financial (e.g., deferred maintenance, Prompt Pay), business (raparian management, wild burro adoption), customers (comment cards, employee surveys), and investments (workforce and succession planning).

The Tracking System, which contains "live" data from the field offices, is on the BLM intranet and anyone can access it. Hatfield says one of the most powerful parts is that it is comprised of data created by those being assessed so they cannot complain about the accuracy or timeliness of the data. While she had been using the metrics as a way of judging performance, and the field directors knew that, she also used it to determine the allocation of bonuses, but in a less quantitative way than some other agencies that have adopted the Balanced Scorecard approach.

What Will It Take to "Get It to Take"?

A quick review of departmental and bureau human resource offices during spring 2001 finds that many are waiting for more guidance, and that they do not believe they have the authority to require links between organizational goals and individual performance expectations. The implementation of the OPM requirement to link individual SES performance to agency results by way of a set of balanced measures seems to be languishing.

Resources

GAO, "Managing for Results: Emerging Benefits from Selected Agencies' Use of Performance Agreements," GAO-01-115, October 2000.

GAO, "Managing for Results: Federal Managers' Views on Key Management Issues Vary Widely Across Agencies," GAO-01-592, May 2001.

Interagency Working Group on Performance Management, "Report to the President's Management Council on Managing Performance in the Government," February 2000. (available via Internet at: http://www.opm.gov/perform/articles/2000/pmcrpt.htm).

Robert Kaplan and David Norton, *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment*, Harvard Business School Press, 2001.

Kathleen Monahan, *Balanced Measures for Strategic Planning: A Public Sector Handbook*, Management Concepts, Vienna, Va., 2001.

National Partnership for Reinventing Government, "Balancing Measures: Best Practices in Performance Management," August 1999 (available via Internet at: http://govinfo.library.unt.edu/npr/library/papers/bkgrd/balmeasure.html)

Office of Personnel Management, "Presentations from OPM Conference on Managing SES Performance," November 2000. (available via Internet at: http://www.opm.gov/ses/11-14presentations.html).

Clifton Williams and Anthony Wall, "Creating a Balanced Scorecard at the Veterans Benefits Administration," *The Business of Government*, Fall 1999, The Pricewaterhouse-Coopers Endowment for The Business of Government, pp. 2-5.

The desire for more guidance is understandable. There are still some important implementation issues that need to be addressed. For example: "How do you get employee feedback without it seeming to be a popularity contest?" "What happens when you serve multiple customer groups with conflicting expectations?" "What kind of investment is needed in measurement systems?"

These same issues confronted the early adopters. However, their successful adoption of balanced measures is linked to the fact that these measures are used by the top leadership of an organization to lead. It is impossible to get that kind of commitment with an OPM regulation. The early adopters did what they did before the regulation. They did it because it improved their operations. They are among a growing rank of entrepreneurial leaders in both the political and career service. For them, the OPM regulation can be a lever for quicker action. But the experiences of the early adopters are also instructive. Many found the following three actions can help ease the transition for entrepreneurs following their lead:

Define what measures mean the most to customers, stakeholders, and employees. Commit to initial change by making the system nonpunitive and involving everyone. Connect the dots by making sure your performance management, business plan, and budget are integrated. Also, recognize that the focus is performance improvement, not mindless measuring.

Share the leadership role for performance management throughout the organization. It is important to share ownership, depth, and sustainability of the performance measures and their use. Cascade accountability; share it with the employee by sharing sponsorship of measures at all levels in the organization. Keep the employee and customer informed. Make accountability work by rewarding employees for success and base rewards on a team approach.

Collect, use, and analyze data. Collect feedback data from customers by making access easy. Collect performance data and ensure that it means something to those who use it and that collection is done at the highest level possible in the organization. Analyze data to determine the root causes of problems and so that everyone sees the results of the analyses.

Ironically, the single most effective way of increasing accountability for results is for the executives themselves to want to be held to a standard. That's the essence of public service—and public accountability. ■

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A Conversation with Mitchell E. Daniels, Jr. Director, Office of Management and Budget

(In July 2001, The PricewaterhouseCoopers Endowment for The Business of Government hosted a seminar with Mitchell Daniels to discuss the Bush administration's Management and Performance Agenda. Mark Abramson, executive director of the Endowment, and Tom Stanton, chair of the National Academy of Public Administration's Standing Panel on Executive Organization and Management, moderated the discussion. Excerpts from the conversation are presented below. The full transcript is available on the Endowment's website: endowment.pwcglobal.com.)

On Changes in the Washington Political Culture

I'm a little discouraged by the near evaporation of the presumption … of goodwill and good intentions. People, at least as I recall it … people could disagree very strenuously about what was good public policy and what was the right answer, but they could credit each other's sincerity and good intentions and character. And all too often, it seems now, people—on both sides of the argument—leap from the fact of a disagreement on substance to a conclusion that these are bad people they're dealing with…. I hope we'll work our way out of this at some point.

On Working in the Private Sector

I think I … developed applicable skills in those years…. I would single out two…. Sharpening financial skills: the ability… to see through numbers and try to find patterns … problems, and … solutions. That's the day-to-day challenge in business….

Maybe more important is the understanding that … it is people and their motivation, their skill level, their sense of continuous improvement … that define who wins and who loses. And this is true in government … this administration will try to make sure that the human side of government is functioning at the level we need.

On Incentives

... most modern enterprises, public or private, depend fundamentally on the performance of people … in the federal structure and in governmental structures, all too often the incentives are either missing or even perverse, backwards. And you don't have, in most cases, a visible bottom line to meet, a stock price to increase…. Finding ways to align incentives with, in this case, the taxpayers' objectives is going to be at the heart of things we try to do.

On the human capital side—in too many places in government—people who perform very, very well are not rewarded for it [and] people who perform poorly suffer no penalty, and that needs fixing.

Where we achieve savings in departments … we need to reward at least the department with a share of those savings, and, for my money, individuals who spearhead such reforms ought to be individually rewarded….

On the President's Management Council

The council is an invention, or at least an evolution, from the last administration.…We did reconstitute it … I think that was the only sensible thing to do. And we … intend to use it … to make things happen.

I look at [the PMC] … as sort of our implementation center. There won't be anything very glamorous…. We're going to bug these people to death till they get something done at every level we can.

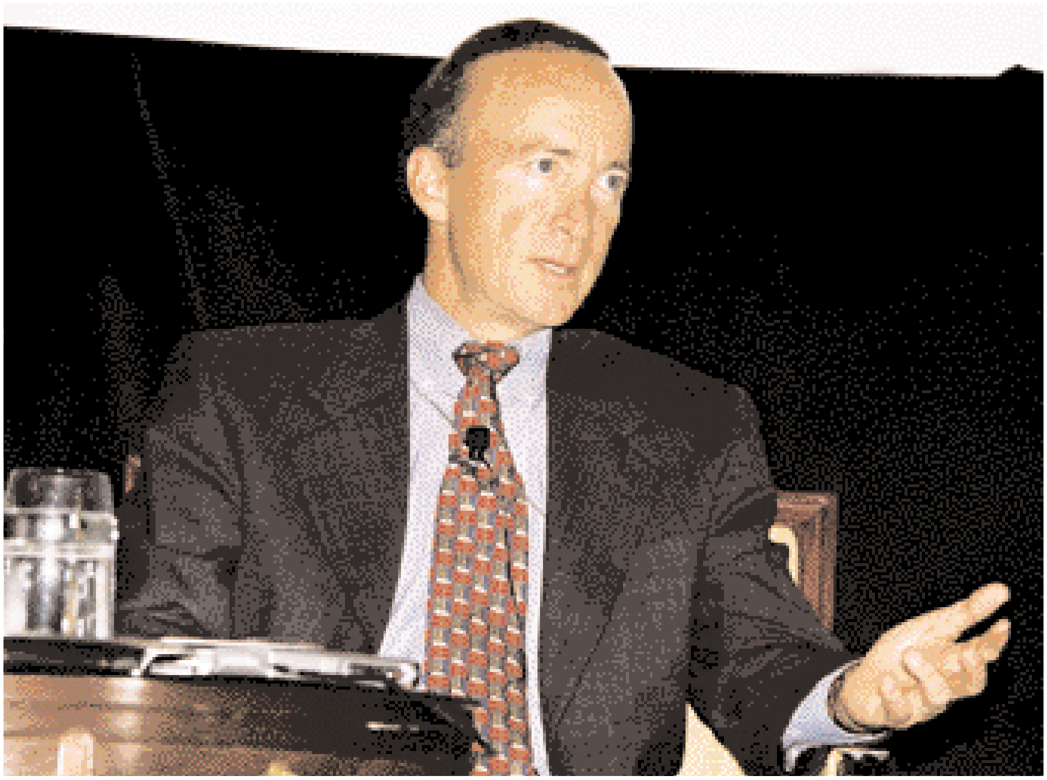
On President Bush's Interest in Management

It started with commitments he made in his campaign. He spoke probably more about this than any previous candidate. And so we had a lot of guidance to go on. Some of the commitments were explicit and others [we]were able to translate into… second- and third-order goals….

And he's going to meet with the Management Council. It has been a subject—in one way or another—at each cabinet meeting so far. I think the president also sees the necessity for … relentless follow-up….

On Integrating Management and Budget

… this will be a long-term project, obviously. And here,



there's probably no more graphic difference or chasm between public and private decision making.… I often remark that in every other endeavor, it's absolutely assumed that budgets and performance will be tightly linked together—whether it's your family budget, any for-profit enterprise, and most nonprofit enterprises.…

When I was accountable for two-thirds of the business at Eli Lilly and Company, there was no doubt at budget time where the burden of proof lay.… The burden of proof was on me as the person responsible to document that every dollar we proposed to spend [had] performance attached to it.… People wanted to know how well did you do with the money we allotted you last year.

… in certain quarters of government, it works the other way around, where the burden of proof is on the person who would challenge every penny of what's there now. And that is what many scholars and practitioners have sought to change.… [There are] all kinds of reasons that this will always be a difficult thing.

… the attempt must be made. And even small progress would be important. We have to begin insisting—wherever possible—[that] metrics and measurement occur … and that we become comfortable and skilled at redeploying funds from programs that don't work ... to those that do.

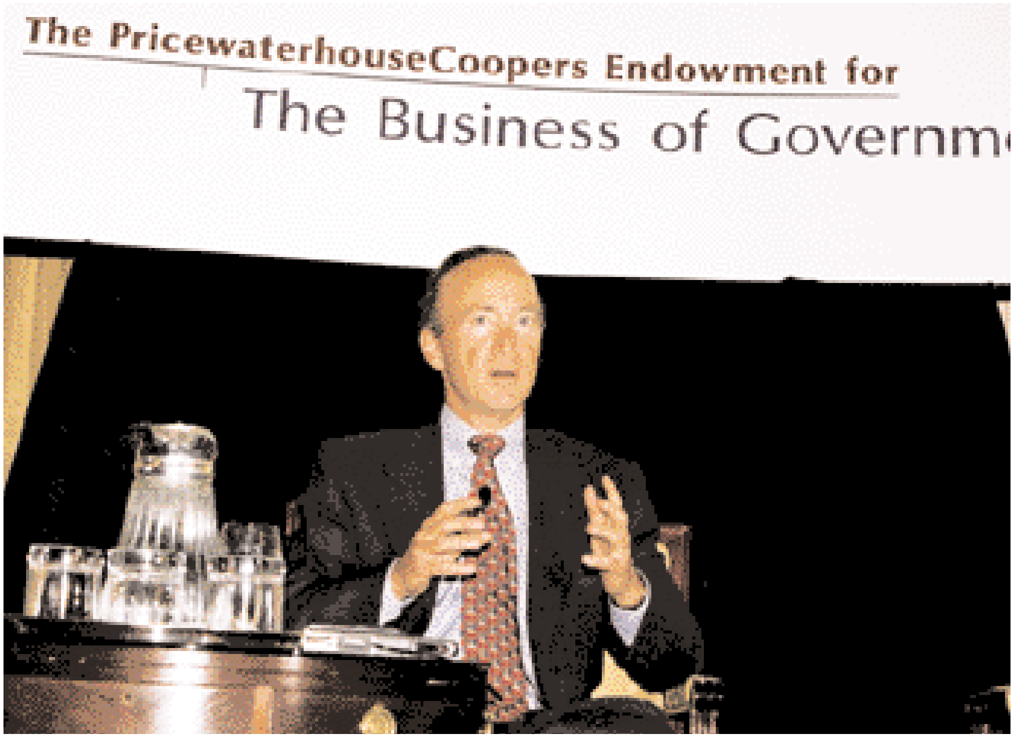
On Human Capital

… what we're looking at most intensively, at least in these early days, is the match or gap between work ... and the needs of the era right in front of us.

And it seems apparent to almost everybody who's looked at this … that we may have far too many people in some places [and] we may have too few in others. Many people who have been in the same jobs for decades … may not have evolved to meet the new needs.

… it turned out there hadn't really been an inventory … we did ask each of the departments … to count heads, to find the skills they need [and] try to make some rough measurement of whether they had the right kind of people in the right number.… We're in the process right now of plowing through all that.

We hope to ... enrich the public debate a little bit by just bringing this information forward. We can all chew on what it



means and what it tells us … We did not start with any predisposition [or] a fixed idea that X-thousand middle managers must come out…. We're going to try to do this in a smart way.

… I think what data we have—aggregate data—does suggest very strongly that the ultimate net effect on it is probably going to be … a reduction…. Precisely the wrong way to go about it would be to make some rough calculation … and tell every agency to take the same haircut; this is always bad practice, I think. And so the idea we have has been to, first, validate the hypothesis … and secondly, to see much more surgically and thoughtfully where shrinkage is in order. And I don't doubt there will be places where the government needs more people on task and certainly places where we need different people on task.

I think that we … are going to have to get serious about a whole new regime—new set of employment practices that brings the federal government closer to the rest of the world…. We're dealing … with the remains … of a system that was designed for an industrial age, and we're two ages beyond that now.

On Competitive Sourcing

… the essence of this initiative is simply to secure better quality at a better price for the taxpayer. And done right, done the way the president wants it done, it is completely indifferent as to whether the service is ultimately … won by incumbent government employees or some outside competitor.

… competitive sourcing means that we want to ramp up dramatically, catch up to the rest of the world [and] state and local governments….

… this is the one [issue] that I expect to spend the most of my time nagging people, or following up on, because I think [it has] the most material upside near-term opportunity.

On OMB Circular A-76

A-76 is—by all accounts—far too bulky and not adequate to the task…. The first assignment we asked the new head of the Office of Procurement Policy to undertake was a review of A-76: to streamline it in any way possible, to enable fairer, quicker competitions to occur…. This process has got to be a lot more nimble than it is today…. I have no idea what that'll translate into in terms of rewriting A-76…. But I do believe from what I know and what I've been advised about that some modernization of the circular has got to be a part of [competive sourcing].

On Financial Information

I think everyone agrees that the public, our congressional overseers, the people in government today are not well-served by the quality of financial information that we have. There are some pockets of excellence, but there are far too many places where, as the world knows, we can't even get a clean snapshot, let alone useful, over time information.

… I will be pleased but not particularly satisfied on the day when we get the number of clean audits up, which we're determined to do … but you know, I don't think champagne ought to be opened when that happens.

For one thing we know that the … single-minded pursuit of clean audits has led to some audits that were only clean for about a two-hour period.… People knocked themselves out in order to achieve that merit badge and that's ... probably progress, but it didn't lead to better decision making … that's not victory.…Victory is the amount of lost money [that] goes down … the percentage of erroneous payments [that] comes down.

On E-Government

[The money spent on information technology] is not—let me be polite about this—not well integrated … My mortal fear is that … we [are] not organizing that vast amount of investment in a way that drives toward a better interconnected, more effective, unified federal government management system.

… I have been party to what I believe to be typical mistakes … mistakes tended to do with overcomplexity, failure to rigorously search for simplicity, standardization, even at the expense of bells and whistles. And I've sometimes said that, in most areas of life, I probably am a libertarian. When it comes to IT, I favor dictatorship.

We have brought in from the private sector a very skilled professional who's going to work all day, every day, on these problems. It will be—when that person is finally selected and confirmed—very much the role of the new deputy director for management to be the federal chief information officer.

On Management at the Office of the Management and Budget

Well, obviously, it's a lot weaker at the top than it used to be. We don't have the … resources we're going to want.

Two things to say: One is that I was certainly advised this by … the first 109 people I met after I got this assignment, "Don't worry too much about this management stuff—you know the budget eats the whole calendar, it eats all your

Tom Stanton, National Academey of Public Administration's Standing Panel on Executive Organization and Management (left) and Mitchell E. Daniels, Director, OMB (right).

time, it's all you're going to do. You might have a little time to review some regulations over here, but this management stuff is all fluff."… Clearly, that is not what our first MBA president has in mind.

And the second thing is … [that] I do think OMB is well positioned to do much better. I would, again, commend my predecessors from the last administration, who decided on a restructure [plan] within OMB that merged what had been two separate organizations, budget and management. [They were] merged together on the theory that because our interactions with departments and agencies are about budgets, we do tend to have their attention when we talk about that. [We can now] use those conversations and those intersections to drive management improvement.

So, we looked at that change.… I heard arguments [on both sides] … I thought it made a lot of sense. Now we have to actually make it work and we're out to do that and if that takes more or a different mix of people and resources, then we'll have to do that, too. But I think they left us a mechanism to do a little better and we just have to be up to the task of using it well. ■

A Conversation with Daniel S. Goldin, Administrator National Aeronautics and Space Administration

(In May 2001, The PricewaterhouseCoopers Endowment for The Business of Government hosted a seminar with Daniel Goldin to discuss the Endowment report "Transforming Government: Dan Goldin and the Remaking of NASA." Mark Abramson, executive director of the Endowment, and W. Henry Lambright, author of the report and professor of political science and public administration at Syracuse University, moderated the discussion. Excerpts from the conversation are presented below. The full transcript and report are available on the Endowment's website: endowment.pwcglobal.com.)

On His Major Accomplishment at NASA

Freeing up the NASA people to dream, telling them that failure is okay in spite of the constant hammering they take. I remember early in my tenure, I was going home at about 9:00 o'clock, 9:30 at night. There were still offices lit at NASA headquarters and, contrary to popular belief, federal employees are terrific. They work long, hard hours, and it's very easy to take shots at them, and with NASA, it's an even bigger bull's-eye.

One of NASA's employees said to me, "I'm so depressed. The harder I work, the more we get criticized." And I said to him, "There is a new kid in town. You'll work hard, you'll get criticized, but you'll have fun because failure will be acceptable and you can dream again."

And I feel, based upon what NASA has done, the employees are really dreaming. That in my mind is more important than anything else. There were good people at NASA before I came, there are good people there now, and there will be outstanding people when I leave.

All that a leader can do is create an environment, pick good people, nurture and train those people, and support the hell out of those people and take personal responsibility for the problems so those people aren't afraid to fail. That in my mind is the most enjoyable thing that I had at NASA.

On NASA in 1992

I felt that NASA, in a very honest attempt to deal with their environment, had gone into a survival mode. What was important then was how many jobs did people win in what part of the country—rather than what those jobs were about—and that more and more their budget was going into operations in near-term things because of the criticism over the *Challenger*, the *Hubble* being blind, *Galileo* being deaf, and I could go on and on.

People lost their confidence and were doing more and more mundane things. The Space Station was dead man walking. They spent $8 billion or $10 billion in eight years. There wasn't a piece of hardware, but the contractors were having a good time. I could cry.

So I resolved that I would free up NASA employees from these burdens and try and get a process in place that would focus on performance, not style, that would focus on what needs to be done to fix things instead of putting our heads in the sand and transitioning NASA from near-term safe things into long-term high-risk things.

On Risk-Taking at NASA

… the most important message I wanted to get … failure is good. Failure is really the process that you learn.

…10 out of 10 failures is bad. On the other hand, zero out of 10 failures is worse, zero failures out of 10 attempts, because if you tried 10 things and had zero failures you set such mediocre goals you don't deserve being part of the space program. Getting that message across was the fundamental essence of what faster, better, cheaper was, and I came with this passion to do it.

If you have a few big things managed by a few powerful individuals, you suppress the creative process. Second, if you have a few big things managed by a few powerful individuals, you are terrified of failure because you risk the whole program.

So the concept of faster, better, cheaper that's not well understood is to get a large number, a diversity in number and function, so no one failure takes you down, and then to empower a broad range of people and develop the next generation and create competition of ideas, not emotions, within the organization.

On Positioning NASA for the Future

Every new day is jeopardy. You can never position yourself. Look at what happened to Nortel. Look at what happened to Lucent. Look at what happened to some of the dot-coms. We live in a world of change, and people like to think of government as this slow, lumbering, momentum model where you set things up right and you can coast for 10 years. That's not what it's about.

When you get out there on that ledge, you've got to be ready to jump off, and the change is going to happen and you cannot control the environment. Now, if you take a get-safe policy and you set mediocre goals and you say, "Boy, I'm setting these." It's like Babe Ruth, instead of pointing to the stands for a grand slam, he says, "I'll try for a bunt."

I mean, if you try for half a dozen bunts in the game, you could probably get away for five or 10 years, but there is no way young people are going to want to come to work for the agency. You've got to be out there. You've got to take risk.

On Getting Started at NASA

I'm a right side of the brain person. I'm intuitive. In fact I just heard a talk by Meg Whitman, who is the chairman, CEO, and president of eBay, and she talked about the fact that she was proud … she said she was proud that she had a mid-40s management team because they were intuitive, because they could have an intuition based on their experience, and she said that a lot of the dot-com companies got started by kids in their early 20s who are brilliant but didn't have this intuition. … what I am saying is I had been in the business. I was 51 years old. I was no spring chicken. I understand the aerospace business. I know how to pick up a phone, and I decided I would call the brightest, most informed people in the country.

And I called everyone from senators to congressmen to Nobel laureates. I talked to people in industry, executives. I called executives that had nothing to do with the aerospace business and I got a very clear picture.

I said there is a new way of doing it. I'm a new kid in town. I have been empowered by the president of the United States. I know exactly what his policy is. I know exactly what he wants to get done and I will go do the homework myself, and then after I do the homework, I'll then throw it open.

On Striving for Consensus

… I tried an experiment that failed. I wanted to have consensus management. I wanted to try it. I knew what I wanted. You can't do consensus management unless you know what you want to do first, and then you just make a note to yourself and say these are the things I want. Let me now throw it open and see how I can enrich what I have.

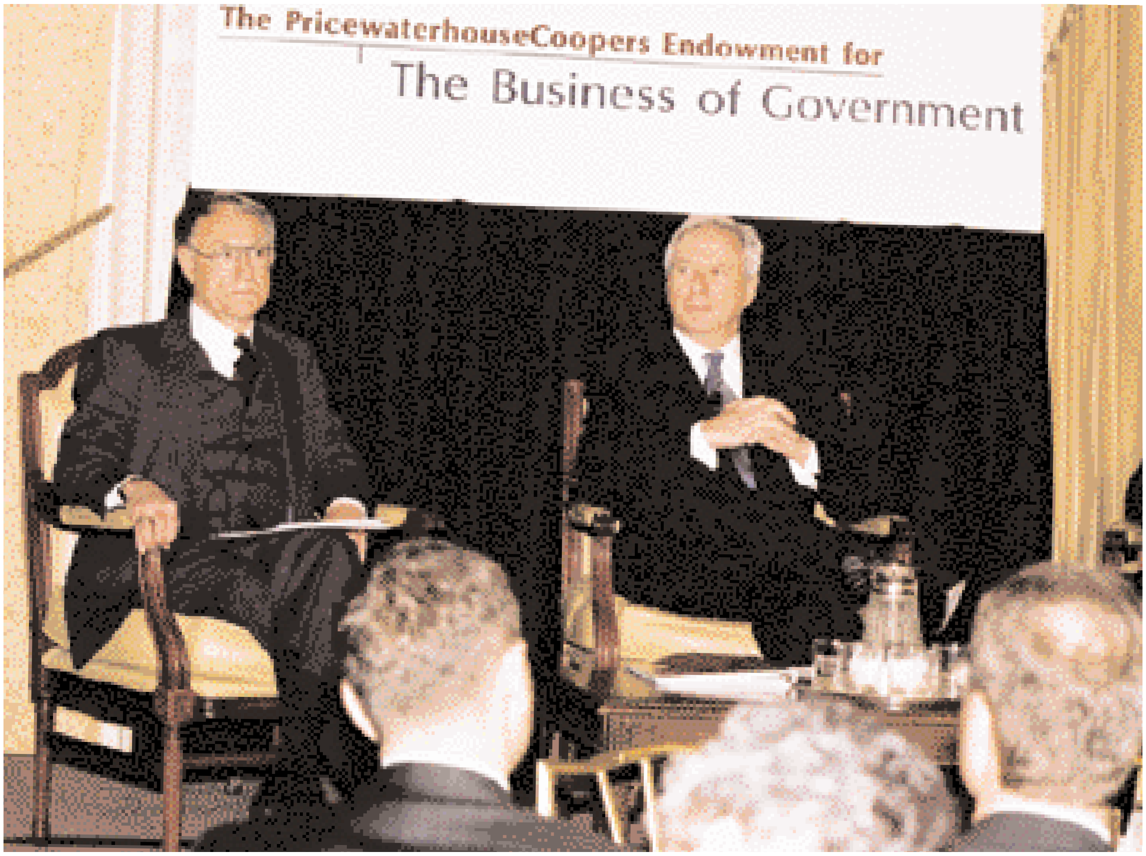
So I asked the people in the agency. First of all, I came to the agency by myself. I didn't so much as bring a secretary with me because I wanted to send a signal to the NASA employees that I trusted them. There are a whole bunch of people who wanted to come with me. I didn't want that.

And the second signal I wanted to give them was I wanted them to meet what I had signed up to do. That was to transform the agency. So rather than telling them what to do, I said why don't you form these red teams and blue teams and go take a look at all of these different areas.

And I said I want you to find 30 percent cut in the budget—not to give back anywhere but to reprogram so we could start a lot of new exciting things, and they didn't meet the mark. And many of the discussions we had were more of resistance, what do you know, rather than what could be done.

But in the process of doing the red teams and the blue teams, I saw who the real leadership at NASA was. It was not necessarily the people who have the appointed leadership positions, but they were people two and three and four levels down. It is amazing. When you give people a chance to shine they glow in the dark. And from the red team and blue team exercises, even though it didn't achieve the goal, I found out who the movers and shakers in NASA were.

And the other message is I brought in very few people from the outside. Relative to the total number of Senior Executive



Dan Goldin, Administrator, NASA (right) and W. Henry Lambright, Syracuse Universtiy (left).

Service (SES) promotions that we have had at NASA, I'll bet 90 percent of them are from within the organization. And it really came as a result of these red team and blue team activities, so that was the process that I used.

On Accountability

Hyman Rickover was criticized for his success, but he had as a statement ... that fundamentally you don't know who is responsible unless you can take your finger and point at that person and that person says "I'm responsible."

And one of the problems I had when I arrived at NASA, I tried to find out who was responsible for anything. People do a wonderful job and, again, these are good people. These are not bad people. But people were so afraid of failure no one wanted to say I'm responsible when something occurred.

So I decided I would tell them hey, look, when there is a major problem don't worry. The administrator will say he's responsible. I have a letter of resignation in my desk and the very minute it's necessary because I serve the American people I'm ready to go. I won't fight to stay. You've got to have the ability to do that, and once you do that everything is okay.

On Working with Congress

… the big lesson that I learned out of this job is we have a wonderful democracy. From the outside looking in, you don't see how well it works. And a democracy doesn't need everyone supporting you, and you don't need cheerleaders to make a democracy work. In fact, you need skeptics.

So if you go to the hearings—I go up on the Hill—we don't have cheerleaders. I could assure you that, but that's good. That's not bad. And in fact there is a story that I recollect. We faced the senator from Arkansas, Dale Bumpers. I mean, he got pretty graphic on the floor of the Senate about how upset he was with the Space Station.

And after the next to the last vote before he left the Congress I had been looming outside the Senate chambers watching the vote. And I walked up to him and I said, "How are you doing, Senator Bumpers?" He said, "Dan, you're talking to me?" I said, "Yes." He said, "I always go after the Space Station." I said, "Senator Bumpers, do you know what you don't realize? More than anyone else, with your criticism of the Space Station you have made us more determined to do a better job."

And people always think of the debate up on Capitol Hill as being bad. It's good. Go to some other countries and see where everyone talks together and votes together, and you lose the ability for a democracy.

Having the open press, having the press criticize us, it gets depressing for the employees, but I keep telling them this is good; this is not bad. Because if you believe in what you're doing, deeply believe in what you're doing, you have a passion for what you're doing. You're not doing this to get promoted. You're not doing this to get a job after you leave the government. You're doing this for the benefit of the American people. You could stand up to the criticism, and the criticism makes you better.

Now, that takes an enormous amount of time, but that's called listening to your customer, and it is the job of the NASA administrator to understand what the customer wants. Now, the customer is the American people. I can't talk to each American person, but by talking to all of their representatives in the Congress and going to the districts and meeting with people, I got a sense of what the American people wanted and expected from NASA.

On Working in a Public Environment

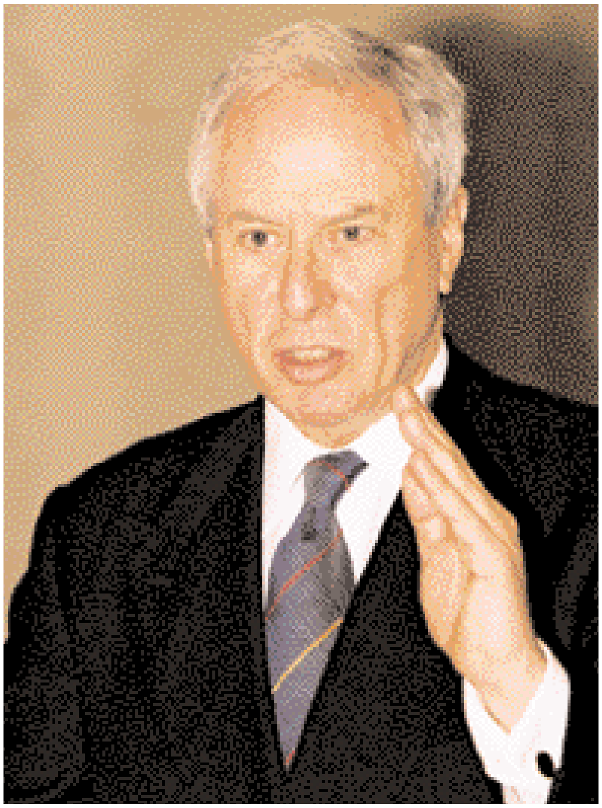
It's more difficult than running a corporation without that glare, but there is another story that comes to mind. I did a lot of work in the highly classified area of our government while I was at TRW, and I used to read articles about NASA in the paper. And you would see about all of the warts and blemishes. I mean, right out there every day.

"God," I'd say, "how incompetent those people look. Why can't they be perfect like us, where we get no criticism?" You begin to drink your own bath water. You feel omnipotent and then I got a chance to come to this great agency.

I don't think there is any other place that has the kind of scrutiny that NASA does. Everyone is a rocket scientist. Everybody loves the space program. And even your friends start criticizing you because they know how to do it better.

I submit, and then now being at NASA, I would stack our employees against any corporation, any of the highly classified units of the Department of Defense, against any corporation in the world, because they have a thick skin because of the public scrutiny.

So my point is this is a system full of checks and balances and don't fight the checks and balances. Don't search for the



guilty. Don't see who talked to members of Congress. If you're coming in as a presidential appointee, look upon this great democracy as helping you. It's important. Once you recognize that, you can be at peace with yourself.

On Rewards in Government

Let me explain to you what are rewards. Reward is when the NASA team celebrated fixing the *Hubble* space telescope. The reward was hugging Yuri Kopchev, head of the Russian space program, on the plains of Kazakhstan when we launched the service module.

Reward—seeing Bill Sheppard, who personally helped me redesign the Space Station, as the commander of *Expedition I* holding hands with two Russians in space, Russians who worked in places that I targeted with ballistic missiles. When you come to NASA, rewards are landing on Mars when at NASA many people in the NASA alumni league said, "Goldin, you're crazy, you'll never do it." Reward—Jim Martin, our biggest critic, who did the *Viking* mission, walked up to me at mission control at the Jet Propulsion Laboratory, and said, "Dan, you were right. I was wrong." That is reward.

On Budgets in Government

… let's analyze how democracy works and let's analyze how government works—because there is no return on assets employed, because there is no return on sales, because there is no bottom line measurement like you have in capitalism. The only measure for reward in the federal government was how big does your budget go up.

That's sinful. That's sinful. It's wrong. What you want to say is, "What have I done for the American people and how have I gotten efficient?" NASA turned back $40 billion from 1993 to 2000 in the projected budget runout that we had in the '93 budget.

That's a reward because now that money is going into curing cancer. That money is going into educating children. The reward for working for the federal government is not the increase in the budget of money you don't own.

Now, should NASA have more money? It would be nice, but that's not the important issue. The important issue is what are you accomplishing and what are you doing for the American people. Are your employees engaged in exciting things? I am proud, although we would have liked to have had more money, and we get beat up all of the time. We were asked, "Why are you overrunning, why are you incompetent?" You show me one agency that does that [turns back $40 billion over seven years].

On "Pushing" Too Hard

If I were God, I'd know how not to push too hard at times, but I'm not. I'm a human being and I have to make my best judgment. It's more of a sin to push too little, because you don't know where you'll get to. Now, keep in mind the concept of faster, better, cheaper. Increase wherever possible the number and diversity of the projects you have to allow failure.

You sometimes spend too much money being cautious by not pushing hard enough and when failure occurs, you've got to be prepared to say, "I pushed my team too hard." We're bright. We'll come back and we'll figure out how to fix it. You could never push too hard.

On His Weaknesses as a Leader

I care too much and sometimes I get my emotions involved in what I do and it scares people. That's my biggest failure. And it's not that I don't care. When I care too much, you feel some of my intensity. This is me. It's not play acting. This is the most important thing I have ever done in my life.

I view the space program as one of the most important things that this nation does in the broader sense. And in the last nine years, living through all the potential to lose the program scares me, and it causes me to operate with an even greater intensity and I have done a better job.

Sometimes there is a kinder, gentler me, but every once in a while my intensity pops out, and it scares some of my subordinates, scares the hell out of some of our executives in the corporations that work with us, but I need to control that more. That's a concern about myself.

On the Space Station

You have to be able to work with all these different countries and all of their different cultures and it's very hard but it's wonderful…. That's a reward.

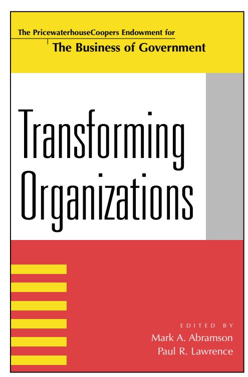
Getting together with the heads of international agencies, I walk into a room with people who we duke it out every day, but there is such a level of respect. And when I first started, I thought in America we did everything. We had infinite knowledge. The Russians taught us humility. The Russian space program, contrary to what the perception is in America, is unbelievable. Yuri Kopchev has to run that program, I think, on about 140 million American dollars each year, if you want to talk about a budget problem for us. Think about what those poor Russians have to go through to make their program work. So you learn about culture, you learn that there are other ways of doing things, and you get a sense of humility.

There are a few Russians I don't like, and there are a few Russians who don't like me. But the fact of the matter is I think the world is less prone, although it's still there, to go to war when people break bread, work together towards a common goal.

And with the Space Station we're building something where technology is being used to better the position of the human species on this planet, and that's a goal that you could wrap your arms around.

And the Space Station—God, it's hard—but the Space Station just because it was built. I want it to do research—the researchers, don't get me wrong. But [it has value] even if we just build it and sit on the ground and look at it and say, "We did it together, we made this place a better planet." ■

Learning about Transforming Organizations



If you would like to learn more about how leaders transform organizations, Dan Goldin is one of seven outstanding leaders profiled in *Transforming Organizations*, edited by Mark A. Abramson and Paul R. Lawrence

In addition to a case study of Dan Goldin, the book also includes chapters on Dr. Ken Kizer of the Veterans Health Administration, James Lee Witt of the Federal Emergency Management Agency, and four high-ranking government officials who changed procurement in the Department of Defense.

A Conversation with Rudolph W. Giuliani Mayor, New York City

(In June 2001, The PricewaterhouseCoopers Endowment for The Business of Government was a sponsor of a conference on "Seizing the Opportunity of E-Government" presented by Temple University's Center for Competitive Government, the City of New York, and the New York Stock Exchange. Mayor Giuliani presented the keynote address, which is excerpted below.)

On E-Government as a Means to Reinvent Government

I remember reading David Osborne and Ted Gaebler's book *Reinventing Government* in 1991, before I was elected mayor. One of the ideas that was most impressive to me was that government should be run more like a business. Business has an advantage over government in that it has a singular focus around which you can determine if everyone is doing their job effectively—the bottom line of whether the company is making a profit. In order to figure out the proper measure of accountability in government you have to think a lot harder. It requires a process of asking yourself not only why government exists, but in the case of city government, why certain agencies exist. What is their raison d'etre, what's their purpose, and what is the reason the public wants those agencies? And then you have to go through a very difficult and intellectually honest exercise of trying to figure out how to quantify that. There is no question that government was in need of that kind of analysis, because we had almost fallen into a mentality of government for government's sake. E-government is giving us the tools, to a greater extent than ever before, to constantly measure performance and achieve accountability. It is an essential development in the process of bringing a more entrepreneurial culture to city government.

On Private Sector Parallels to the Opportunity of E-Government

What we're trying to accomplish is in many ways no different than the transformation the banking industry went through. Fifteen years ago, we didn't have widely disseminated ATM cards. To get access to their money, people would have to walk into a bank and wait on line. If they happened to do it at noontime or on a Friday when people were cashing checks for the weekend, it would take a very long time to finish their transaction. When I think of government I think of the Motor Vehicles Bureau, with long lines full of people waiting forever to get service. Using new technology, banks addressed this problem and today most people can complete their transactions within a few seconds or even from their own home. Our goal is for government to accomplish the same thing.

On the First Steps Toward E-Government in New York City

In retrospect, New York City's first step toward e-government was the development of CompStat in the Police Department. It began in 1994, and we have had a tremendous amount of success measuring crime statistics every day and pin-mapping them on a computerized map of every precinct and street corner in the City of New York. As a result, we were able to analyze crime trends more proactively than ever before and make our crime-reduction efforts much more effective. For example, CompStat gave us the tools to figure out the time of day that different types of crimes take place in a particular precinct, which means that we can put the right officers in the right place at the right time. As a result, auto theft is down over 70 percent since 1993. Shooting incidents are down 75 percent. And murder has been reduced 65 percent. CompStat provided the analytic tool to reduce crime to this degree. It would not have been possible 10 years earlier than 1994, because the technology would not have existed to accomplish it.

On the Extension of the CompStat Model and Transparent Government

CompStat proved so successful that we have expanded it to other areas of city government such as aiding our efforts to move hundreds of thousands of people from welfare to work. We've reorganized the Corrections Department through an initiative based on CompStat known as the Total Efficiency and Accountability Management System, or TEAMS. As a result, we've been able to reduce inmate-on-inmate violence by 93 percent in our jails while improving correction officer morale and decreasing overtime. An initiative known as

Mayor Giuliani presenting his remarks to fellow mayors at the New York Stock Exchange.

HealthStat has enabled us to register in one year, more than 120,000 children in New York City, who were eligible but didn't have insurance coverage, with existing health-care plans. We've also used it in our Administration for Children's Services to determine which caseworkers are doing the best job of handling cases, of spotting abuse, and moving children toward adoption faster than other employees. The results speak for themselves: In 1996, there were 31,564 child abuse or neglect investigations that were overdue; today there are under 350. Likewise, there have been a record 20,000 adoptions since 1996, up 65 percent from the previous six-year period. This type of computerized system has led to better organization and accountability. It allows us to set up objective measures of success that creates performance-based government, as opposed to the unaccountable bureaucracies of the past. And that gives an indication of the overall promise of e-government. When you post these performance indicators on the City website, NYC.gov—as we're doing with crime statistics right now—it gives the public access to the same information that government officials have. This new transparency will make it difficult for future administrations to obscure rising crime rates or welfare rolls, and it will ultimately give people the information they need to hold elected officials accountable for their performance in office.

On E-Government as a Way to Improve the Quality of Life

The technology that makes e-government possible may be complex, but it is easy to understand the benefits that e-government provides. E-government is a practical tool that will improve people's quality of life by giving them 24-hour access to information they want or need. People naturally gravitate toward greater convenience. For example, the very first day that we made restaurant inspections available on the City website we received 45,000 inquiries in the first hour alone. That's more inquiries than the Department of Health had received in the entire previous year. It gives just some indication of the interest that exists for that sort of practical information. I can relate to this because I do a radio show once a week. These are the kinds of questions that I am asked on the radio. No matter what's going on in the world or the country, whether it's possible military action or the impeachment of a president, people call me up to get their trees removed, their potholes filled, their vacant lots cleaned up. They need help. They need information. E-government allows people to get the services that they want from government and the information that will help them accomplish things. On our website, NYC.gov, people can see the traffic conditions that might affect their commute through the real-time traffic cameras. People can find out their garbagecollection schedule, pay property taxes or parking tickets, reserve a baseball field for a Little League game, or receive assistance in opening a new business. E-government will make people's lives easier, and as a result it will ultimately be seen as an important extension of the quality of life that a municipality offers.

On E-Government as a Means to Break Down Bureaucratic Barriers

One of the basic appeals of e-government is that it is practical—it allows people to bypass bureaucracy and get the information they need quickly and efficiently. In the past, the process of applying for permits in New York City had been such a daunting task that it was common practice to hire professional private sector "expeditors" to help cut through the red tape. E-government will make the process of filling out overlapping forms in triplicate a thing of the past. For example, a small restaurateur just starting out can apply for all the necessary permits from different agencies at once online. With one application, a credit card, and an electronic signature, all corresponding city, state and federal forms will be automatically filled out. Appropriate personnel will review the applications simultaneously on their computers, instead of sequentially on paper. As a result, a process that used to take weeks will only take days, or even hours, and companies will be able to check on the status of their application on line at their own convenience. Already, more than 50 percent of new permit applications to the Department of Buildings are filed by computer, up from 3 percent just three years ago. For businesses as well as private citizens, e-government promises to break down bureaucratic barriers as it makes more information available to the public. We view this as an issue of competitiveness in the new economy: as businesses become increasingly mobile they will bring their jobs to cities that make it easier to do business. The year 2000 was a record year for job creation in New York City, and a total of more than 480,000 new jobs have been created since 1993. We want to keep producing jobs at a higher level than the rest of the nation.

On Bridging the Digital Divide

It's very important that the benefits of e-government are available to everyone. We estimate that 50 percent of New Yorkers currently have access to the Internet. But that means that there are still 4 million people in our city who don't. It stands to reason that some of those people who don't have a

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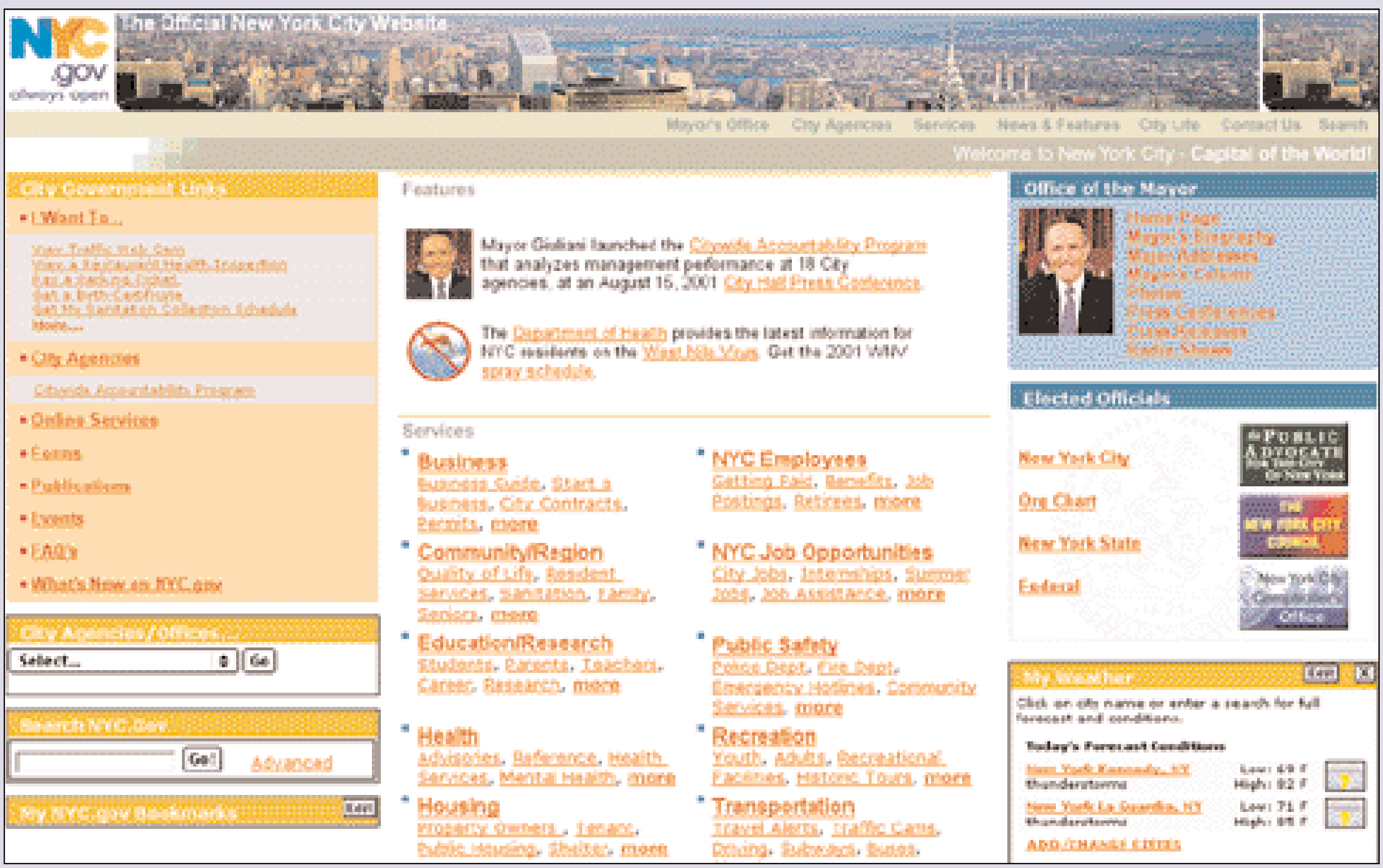


computer at home might actually have the greatest need for government services. That's why we've taken aggressive steps to improve public access to on line government services in places outside the home—we don't want anyone left behind. We're deploying Information kiosks—interactive, multimedia information booths—in prominent neighborhood locations such as shopping malls, government buildings, transportation hubs, and hospitals throughout the five boroughs. Through these kiosks, every e-government function that is available on line will be accessible to people who don't have a computer at home. Likewise, the city is encouraging the placement of pay telephones that offer access to the Internet throughout New York City. Our long-term goal is to do everything we can to encourage the development of a computer-literate citizenry that can take full advantage of the promise of e-government and the new economy. Through an initiative called Project Smart Schools, we have given every middle-school classroom in the city's public school system access to computers and training. In addition, we're working with AOL Time Warner and Cablevision to provide high-speed Internet access to public schools. Buildings in the New York City Housing Authority also offer computer access and classes to young residents, while many park recreation centers do the same. So the idea is to try to make city government more accessible and accountable to everyone in New York.

On E-Government as a Way to Decrease Cynicism about Government

One of the things that I believe e-government will ultimately accomplish is to break down some of the cynicism about government. When I started running for mayor it was commonly assumed that New York City had become ungovernable and unmanageable. People would observe the deterioration of our city and say, "Well, you can't do anything about that. New York City is ungovernable. We simply have to accept 2,000 murders each year, over a million people on welfare, and a steady loss of private sector jobs." I think technology has given us the tools to change this, to implement a new culture of accountability that adjusts people's expectations upward. We can now measure performance and modify strategies to be more effective. That's how we've cut crime and welfare rolls in half and encouraged the creation of a record number of new jobs. And when we make government more efficient and more responsive, we decrease public frustration and cynicism. I think people now feel that New York City is manageable and governable. Governing a large, complex city is never going to be easy, and there will always be problems, but our challenges are not insurmountable. Human beings can tackle difficult situations and improve them. E-government will allow us to measure our successes, address our failures, and improve the quality of life by providing better service to all New Yorkers. ■

A Conversation with Tommy Thompson, Secretary Department of Health and Human Services

(In June 2001, The PricewaterhouseCoopers Endowment for The Business of Government hosted a seminar with Tommy Thompson to discuss his experiences as governor of Wisconsin and secretary of the U.S. Department of Health and Human Services. Mark Abramson, executive director of the Endowment, and Donald Kettl, professor of public affairs and political science at the The Robert M. La Follette School of Public Affairs, University of Wisconsin-Madison, moderated the discussion. Excerpts from the conversation are presented below. The full transcript is available on the Endowment's website: endowment.pwcglobal.com.)

On the Presidential Appointments Process

… for all intents and purposes, [it's] the worst experience anybody can go through.

First, I get this call. And the President says "… you're being considered for three Cabinet officers. You're considered for Education because of your work on vouchers. You're being considered for Transportation," because at that time I was chairman of Amtrak… "And then we're also thinking of you for Health and Human Services because of your work on health issues and welfare issues."

And so I said, "Fine." And [he said], "Are you interested?" I said, "Yeah, sure, of course." Who wouldn't be interested? I wasn't looking for a job. I … loved being governor….

And then after that I got a call a little bit later and they said, "Well, it's down to Transportation and Health and Human Services." And I said, "What happened to Education?" And they said, "Well, you speak too much like the President. You know, we can do much better."

And they finally got down to Health and Human Services. "What happened to Transportation?" They said, "We need somebody like you to go run Health and Human Services." … I thought about it and I agreed to do it. And then the fun begins.

This process of being selected as a Cabinet officer is really something. First, you have to fill out a bunch of forms. You have to go back to where you grew up and all the places you lived, all the jobs you've had, all the people you've met and talked to and … all the problems you've gotten into, and so on and so forth. [For] a lowly governor, it took us 10 days to fill out the forms and get them sent in to the White House.

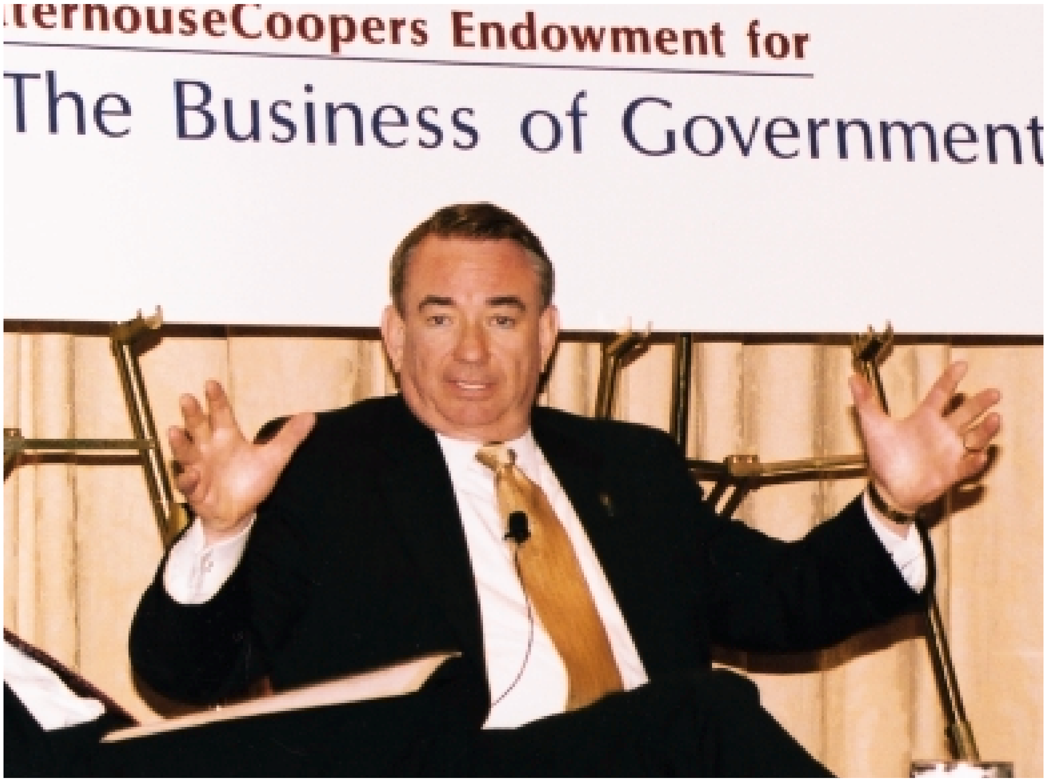
I figured ... that was the worst—10 days of going through everything and trying to remember how many places you moved in and out. They want to know everything. And all the neighbors … all the people you dated. … And their addresses, that was difficult, too.

… then they said, "Well, now the FBI [Federal Bureau of Investigation] comes in. Because Health and Human Services is so large and impacts so much, we're going to have 10 full-time FBI agents go over your career and check out all of the forms that you filled out to make sure you filled the forms out correctly."

Well, I happen to have been very poor growing up, so I had to work my way through college and I—for some of those years, I was a bouncer and a bartender in a lot of college bars. I admit I led a full life.

They went back to my small, poor rural town of Elroy, which has a population of 1,600. It's so small, you can call somebody, get a wrong number, and still talk for a half an hour. And they found this kid that I got in a fistfight [with] when I was 16. And he said nice things about me, didn't know who started the fight or what it was all about, but he said nice things about me, which led me to believe that I lost the fight.

And then after you get through with that, if you're able to get through it, then you would think by that time that the worst is over. No, now–because Health and Human Services is so large—you get the privilege of going in front of two Senate committees, not one. And one Senate committee wanted—I was in the legislature for 20 years and



governor for 14-plus years—all the bills that I've introduced and all the budgets I introduced and all the vetoes. Now I held a record number of vetoes in America, still do, and they wanted all of them.

And then the other committee, the Health Committee, wanted all my speeches. I've given a lot of speeches in 35 years. Can you imagine the poor clerk that would have to plow through 35 years of dry speeches of Tommy Thompson? And I don't know what they ever found in them, but then they go through two days of hearings, one in front of each committee. Finally got through that.

Now it's got to be over. No. Now you get a chance to go in front of the Office of Government Ethics. I don't have much, but there are a few stocks I had. I sort of liked them. "Because Health and Human Services is so large, and there's a potential conflict with every company in America, Mr. Secretary Designee, you get the opportunity to sell all of your stock."

I don't know if you know what happened in the stock market in January and February this year. Just a wonderful time to sell stock, I'll tell you. And so, after you do that, then you're done.… That has been my experience.

I'm being very serious—all this is true that happened. Can you imagine the process? And something needs to be done. And I'm not being partisan. It's not a Democrat thing ... or Republican thing. It's the whole process. And President Bush is not going to have his own team in place until a year has gone by. My department will not be fully staffed with the appointees until sometime in January, February, or March of next year, if they ever are full. And that just is not a correct way to do it.

On the Differences between Being Governor and Secretary of Health and Human Services

It is so different.… As governor, I was well liked. After 14 years in a Democrat state and being a conservative Republican, I still had a 75 percent approval rating. That's quite something to behold. But you wake up in the morning as governor and you come up with a good idea, people could actually be working on it by the afternoon.…

In Washington, it is interminably slow. You come up with an idea, then it has to be vetted by all the operational divisions. Then it's got to be vetted by all the various people in the office. Then after it's been vetted, before it goes anyplace ... I found out that there's a "Super God" in America. And that "Super God" is OMB [the Office of Management and

Budget] ... they control your life. And the OMB tells you whether or not … the idea that you had six months ago was a good idea. And then, of course, you have the White House. And I'm one … that likes to make decisions and get things done, but it goes through all this. And then after you get that all done, then you have to deal with Congress….

It's just so much slower. The issues are so much larger.

On Coming to the Department of Health and Human Services

… the dedication of the federal employees is really very, very good. I am blessed as secretary of being in a department with such outstanding people.… I have been more impressed by the caliber and the expertise of the federal employees than I ever thought possible.

When I was governor, I used to call this place "Disneyland East." And I don't say that anymore at all. I have the greatest respect for the employees, especially for our doctors and researchers and scientists. We have, by far, the best doctors and researchers and scientists in the world working for the Department of Health and Human Services and working for America. And we're very fortunate in this country to have such outstanding public servants.

To energize them takes a lot. They got to know that you're serious. They also got to know that you have got a plan and that you want to lead. And they also got to know that you have their best interests at heart and that where you're leading them is going to actually prove beneficial, not only for them personally, but also for the government.

… so far, I've been very well received and I think it's been an excellent arrangement … but it's much more difficult because in state government, you're able to see ... the results. If they've got a program on welfare reform, they can actually see the person coming off of welfare and getting a job and working. They can look at that. And in the federal bureaucracy, it's more giving out the dollars to states and local units of government, doing the research…. And it's not as easy to quantify how effective these programs are

Tommy Thompson, Secretary, Department of HHS (right) and Donald Kettl, University of Wisconsin-Madison (left).

… it's a big change, but it's also extremely rewarding and very interesting.

On the Role of States

I've always been probably the strongest voice in America as a governor. I led the governors in regard to states' rights and I still passionately believe in it. I believe that you need to give states the flexibility because they're truly the laboratories in which … good things can happen and you've got to continue to do that. And I … always fought very hard against the amount of rules and restrictions on states' programs to give us more flexibility at the state level.

And I still believe that passionately, but I have found that coming to Washington, my perspective has been that the federal government is much more cooperative, much more willing to be of assistance than I thought possible as a governor. Maybe because I was asking or maybe I was pushing the envelope so much that they were pushing back against me. But I have found that in my department—and I can only speak for my department—it has been very cooperative, that the agencies that are involved with state government try to make the things work.

... my perspective has changed … my good friend, the governor of Michigan, came in just before I came over here and he was asking for some things that just benefited Michigan, and rightly so. And I now have to think broader—how does this impact Wisconsin, not only Michigan? I now have to think [even] broader, so I include the other Midwestern states….

On Advice to Other Governors

My perspective would be very simple: Put down and make sure that you tell what you want to do, how you expect to do it, what sort of terms you can deal with … also give us the negatives, why it might not work, so we can truly evaluate it and make the correct answer instead of just trying to snow us with a bunch of figures and trying to push something over on us.

We can do a much better job if we have all of the facts instead of having to go and discover them. It's so much better to be prepared and bring us your grants, your applications, and your requests with all of the pros and the cons. [Tell us] how you're going to be able to overcome the cons and make it a workable program. Then we've got the basis for a good dialogue and how we might be able to reach an agreement that would be good for the federal government, but even better for the state government. And they don't do that.

The Future of Federalism

… I think we need to go a lot further and that's why [we have] the waiver program. I have granted more waivers in four months than the previous administration did in over four years. And I'm just not willy-nilly giving out the waivers…. I'm doing it in a systematic way in which we have time limits.

I don't think the waiver process is a good one. I've asked that we come up with a master waiver instead of trying to come up with different waivers for each program—to come up with a master waiver so that we would be able to have a waiver that would fit all of the various programs … it would be similar so that you wouldn't have to reinvent the application. You could expedite it and you could do it with fewer rules and regulations and less paperwork, and that's what everybody likes. And we're going to have that … we're going to roll that out sometime the latter part of this summer.

Federalism still needs a way to go. Washington, the people on Capitol Hill … are so reluctant. And they look at this as why do we want to give states more responsibility.… I understand that if it's a good idea, they want to take credit for it. And so why would they want to raise the money at the federal level, send it back to a state, and let that governor and state legislature set up a program? And it's just a matter of the different institutions. And so it's got a long way to go, but I'm trying to expedite it by using the waiver process to give states more flexibility, but at the same time setting rules, guidelines, which they have to follow, to adhere to.

On the Capability of State Governments

… the mantra is that we can't trust the states because back in the 1950s, there was segregation, there was discrimination, and that the states didn't do what was proper. And my rejoinder has always been, as a governor and now as a secretary, you got to trust the states … you can't compare what's happening in 2000 to what the states were like in the 1940s, the 1950s, and the 1960s. They've completely changed.

The press would not allow that. I mean, the press would not allow a state to discriminate anymore. The press does not allow a state not to do something. We get this instantaneous communication system….

But states right now compete. [If] states and governors try to get by on the cheap and not do what is in the best interest of the population, you're going to be a one-term governor or a one-term legislator. The press will not let them get by. The people won't let them get by. And instead of the run to the bottom, which is what the Congress is always saying, that

the states will—if they get this money and this flexibility, they'll take the money and do something else and everybody will ratchet down to the lowest common denominator. That's just not true. What happens now is that governors are so competitive that if I'm doing something, I'm going to make darn sure that I'm doing the best of it. And if John Engler, governor of Michigan, is doing something and I think it's a good idea, I will copy him and change it.

And that is what's taking place across America.… Our states have become competitive, that we want to be the best. We want the best for child care. We want the best for education because that attracts businesses, it attracts people to come into the state. So you don't have the 1950s and 1960s mentality. You got the 1990s and 2000 mentality where states are competing to do the best so they can attract more people to their state and better companies and more companies and better employment and better jobs. And in order to do that, you have to have a quality of life and you have to have the best services.

You're [always] going to find an example where one state or one community has not done as well, but overall states will do what is right because they know it pays off in the end, either at the election booth or improving the quality of life for all their citizens.

On Being Secretary of Health and Human Services

I hope to be a problem solver because that's why I took the job. I want to change the culture in Washington. I want to change the impact the department's having. And I want to be more responsive.

Let me give you some idea of the complexity of the job I have. My department's the largest department in the federal government—it's $436 billion. And it's going to go to $469 billion, at least, next year.…We are the sixth-largest economic power in the world. Only the United States, Japan, Germany, England, and Italy have larger budgets than the Department of Health and Human Services. And if Italy doesn't watch out, we'll take over number five. People think that the Pentagon [is the largest]; they spend about 16 percent of the federal dollars, but we spend 23 percent.

We interact with every man, woman, and child on a daily basis, from the food and the soda and the tea that you drink to the research on new drugs at the National Institutes of Health, through all health care issues, we are involved in it. We're running Medicare—the largest health insurance company in the world, 40 million subscribers, over a billion transactions.

We spend over a billion dollars each and every day. Rain or shine or snow, we're spending over a billion dollars each and every day. We take care of all the elderly programs, all of the children's programs such as Head Start.… And on top of that, I found out when I came out here that we are involved with bioterrorism. And now the President of the United States has asked Secretary of State Colin Powell and myself to be in charge of the International AIDS Program. We have programs going on in just about all the countries of the world, and this is just the Department of Health and Human Services. And on top of that, 63,000 employees.

I'm trying to integrate the department and make it one department, and that's a big cultural change. We have over 3,200 servers. We have 2,900 IT [information technology] people to manage those 3,200 servers, and you tell me if that is correct. I don't think so. We have 85,000 workstations with only 63,000 people. We have over 200 different computer systems ... and several different computer systems in the headquarters building. And it's easier to walk up the one flight of stairs to deliver a message than to use e-mail to go from the fifth to the sixth floor in the system. And that's what it's been.

Now I'm trying to change it. I'm going to try and put in a completely new computer system that everybody is hooked onto, trying to get a system set up so that we're integrated and that we're operating as one department…. So it's a huge job … I'm trying to make it very efficient and one that has a direct path and that we're all semi-walking in the same direction.

On the Health Care Financing Administration (HCFA)

I did something that nobody had ever done. The department is spread out all over. Our Medicare and Medicaid system is in Baltimore and the headquarters of the department is in Washington. The National Institutes of Health are up in Bethesda, the Centers for Disease Control are in Atlanta, and we have several other divisions in Rockville, Maryland. So it's hard to run a department when they're all over the country … what I decided to do is to move out of my office in Washington, D.C., and move to one of these divisions once a month for a week. I will operate that division for a week to see how it operates and make the decisions out there, so I really get a feel for the programs. We have over 308 programs that we administer through the department….

In May, I went out to run HCFA. Now you've all heard of HCFA, the Health Care Financing Administration. And first off, everybody hates HCFA—Democrats, Republicans, Independents, Catholics, Protestants, and Jews … I haven't found anybody in the country that likes HCFA. And why? It's because it has a lot of the money and it has to say no.

So I went out there and I talked to the employees. And I got up in front of them and I say, "You know something? Everybody likes Medicare and Medicaid, but everybody hates HCFA. You know something else? I have a tough time liking HCFA." How can anybody really feel warm and cuddly about HCFA? So I said the first thing we're going to do is we're going to change the name. We're going to change it to the Medicare and Medicaid Association. The acronym will be MAMA. Now, you can't be mad at MAMA?

I don't know if that's going to be the final name, but we are changing the name because it's going to reflect what we're doing out there … it's going to have a different name and a different direction.*

I also told them, "Everybody out there doesn't like you … because you've said no to them and because you're intransigent. You're not very flexible, so we're going to try to find a way to say yes. We're going to have to say no [sometimes], but at the same time, if we're going to say no, we need to say, 'Here are the things that you're doing wrong. If you do them right, if you follow this, you're going to get approved.'" We're also going to put out a much more educational program so that the providers—the nursing homes, the doctors, and the clinics and the hospitals—will have a much better understanding of how we do things out there and how we pay claims and so on.

And we have software paying claims, billions of claims each year, with 30-year-old software. Now, you tell me anybody in this room that has software 30 years old. You tell me. Anybody here, raise your hand. Now we run the largest health insurance company and we've got software that's 30 years old.

When was the last time that you have ever [seen] a business that still has single-entry bookkeeping? HCFA does—$375 billion and we have a single-entry bookkeeping system at HCFA. We have no way of taking money back in. None. They made $11.8 billion—not million, billion—in mistakes last year. And I invited them in and I say, "I have a problem here. How could you make $11.8 billion worth of mistakes?" They said, "Well, Mr. Secretary, five years ago it was $22 billion." I said, "That's not good enough. We're going to get it down to something manageable." Then they told me about the single-entry bookkeeping system.

By going out there, I found out all of these things and I'm now able to put in place a plan that's going to be able to make the necessary changes. I also told them regarding all the rules they send me to sign, "If you want me to sign the rule, make sure that I can read it. I'm a lawyer. I'm a country lawyer, so I'm not dumb, but if I don't understand it, I'm rejecting it, so you got to make sure that the rule could be understood by a country lawyer from Elroy." So I have rejected several rules ... I said, "Simplify it, make it readable and understandable, and then I will sign it." And that's how I'm changing the operation at HCFA.

On His Legacy at the Department of Health and Human Services

"That he cared passionately. That he made a difference. That he changed the operation of the department for the better. And that the department now is a single functioning department that is handing out services and doing it in collaboration, in partnership with the states and the federal government, and that the quality of the programs has been improved." ■

* On June 14, 2001, Secretary Thompson changed the name of HCFA to The Centers for Medicare and Medicaid Services (CMS).

Dana A. Brown

Assistant Director of Administration, U.S. Secret Service

Stephen T. Colo

Chief Information Officer, U.S. Secret Service

"Probably the least known aspect of the Secret Service is investigative responsibilities. People might know about the counterfeiting and credit card fraud, but we also have other areas of expertise as well that go beyond just the simple, straightforward processes of counterfeiting and credit card fraud. We are involved in many other aspects. And, increasingly, we're involved in the globalization of crime, as opposed to what might have previously been indicated as domestic issues," explains Dana Brown, assistant director of administration for the U.S. Secret Service. In addition, the Secret Service guards the president and his family, former presidents and their families, and presidential candidates during the election. But the agency has developed new and strengthened existing partnerships with local, state, and federal law enforcement and other agencies and private firms as the reach and expertise of the Secret Service has increased.

Brown functions as a chief financial officer at the Secret Service and works closely with Stephen Colo, the chief information officer. "Dana and I, our careers are very parallel. We both came on literally within weeks of one another and we both were local police officers before we came into the Secret Service. Dana was a Fairfax County police officer, and I was a Metropolitan [D.C.] police officer." Both Brown and Colo have held protective and investigative positions within the Secret Service, including presidential protection. "My job as chief information officer is unique within the Secret Service, especially being an agent…. During the last campaign, I was very interested in finding ways to be more efficient and effective with how the Secret Service moves people from location to location during a presidential campaign. So I helped create a logistical system that tracked their movements and was interested in storing information on CD-ROM, which hadn't been done before. When I got done with that assignment, they looked at me and said, 'We have an assignment for you'," explains Colo.

If the management of the logistics, risks, and complexity of a presidential election sounds daunting, Brown and Colo agree. Colo explains: "The logistics are formidable. Think about a presidential campaign, where the polls dictate where a candidate will be going from day to day. And the Secret Service is mandated to get to that site ahead of time, doing site surveys and putting up an infrastructure so that these people can be relatively safe, and yet we can't be intrusive…. The difference between the amount of sites and stops that we did in the year 2000, as opposed to 1999, was almost a 30 percent increase in activity. So you can imagine when you have a static pool of people and you need to increase your travel by 30 percent, it is not only a logistical nightmare but a budget nightmare." Brown agrees: "The most difficult thing for us is that we can't predict travel. So much of that is depending upon the individual protectees and what their responsibilities will be or what their interests are, where they are going to travel and world events—and world events influence a lot of travel."

The Secret Service has increased efforts to fight electronic crime and has developed innovative partnerships to be in more places at once. Colo describes these efforts: "The New York Electronic Crime Task Force … is probably one of the most unique partnerships in this country in law enforcement. It is approximately 45 law enforcement agencies, including agencies like the Federal Trade Commission [FTC]…. You have the FTC, Customs, and the Postal Inspectors. But more important are the business partners that we have—75 different corporations -— which include Intel, the Bank of New York, Lucent Technologies…. They have gotten together to assist in how we approach [electronic crime], because a lot of companies don't feel comfortable passing that information to federal agencies, even local agencies. This partnership really works both ways, and it has solved some tremendously important cases."

Brown and Colo also believe their internal partnership has contributed to improved management of the Secret Service. Brown describes the impact of this teamwork on the overall management of the Secret Service: "We looked to try to change our financial management processes … from being a bookkeeping situation to being more of a management consultant situation. Steve and his colleagues had an excellent idea of setting up a council to review what they wanted to do in terms of IT [information technology]. We saw some opportunities for us in the financial management area to cooperate with them and change the tenor of the council into an investment management council…. We have adopted a business case perspective for everything. Working with Steve and his people has been outstanding." ■

Dana A. Brown (left) and Stephen T. Colo (right).

"TECHNOLOGY HAS CHANGED—FOR ALL LAW ENFORCEMENT—HOW WE DO BUSINESS."

— DANA A. BROWN

Radio Interview Excerpts

Dana A. Brown (left)
Assistant Director of Administration, U.S. Secret Service
Stephen T. Colo (right)
Chief Information Officer, U.S. Secret Service

LEADERSHIP

On leadership qualities

Mr. Brown: I would say that [the most important are] being responsible, being reasonable, and being affable in many respects. By being responsible, I would say the ability to act responsibly, but also to accept responsibility for your actions; in terms of being reasonable, to be fair and equitable across the board as much as you can; and the affability issue really is that you can do so with an even temperament so that you can bring logic to bear, as opposed to some less exact science at how you arrive at a decision, particularly when the issues are contentious.

Mr. Colo: I think that a strong work ethic is very important, especially in the jobs that we are in, because you really have to put in long hours. Certainly you have to be a motivator of people. I think it was Harry Truman who said something to the effect that a good leader is a person who can persuade other people to do what they don't normally want to do and like it. So I think that being able to motivate other people to move forward in the direction that the leadership feels is appropriate is important. I also think that you have to be approachable, and I think that you have to be a good teacher to bring other people along. I think that's very important.

On the impact of technology on leaders

Mr. Colo: Well, being one that is involved in the technology field, I think that definitely knowledge and technology is going to be something that people of our generation might be able to get by right now, because there truly is a transitional phase. I think leadership is leadership, but I think the ability to be able to grasp the vision of where technology takes you is very important for the leaders of the future.

TECHNOLOGY

On the impact for law enforcement

Mr. Brown: Technology has changed—for all law enforcement—how we do business. I think the computer in particular has now become the repository of criminal information, the means to facilitate a crime or strictly the instrument to commit the crime itself. So in many respects, computerization of criminal endeavor has made identifying the criminal and locating him or her again—from the global perspective—much more difficult than it might have been in the past.

On the Computer Crime Center

Mr. Colo: We just recently announced a partnership with the FBI in South Carolina in what they call the State Law Enforcement Division, or SLED, to put a center in South Carolina. It will be manned by the three different law enforcement entities. There's going to be a $2.5 million forensic lab in South Carolina. I think what this partnership does, especially for local police, [is] it assists because many local police departments don't get a lot of intrusion cases, computer cases, so they might not have the expertise. So this allows us to assist them and improve the training and the forensics that they do in these cases. So we believe this is going to be very successful, and we have been doing similar types of partnerships throughout the United States, to really rave reviews.

On electronic crime

Mr. Brown: Electronic [crime] is an evolving crime. What we have in place, the Electronic Crime Special Agent Program, is well over 100 agents now that have been well-trained in computer forensics. They have the ability to access computers, identify information in the computers that could be used to identify individuals who took part in the crime.

Also, we have taken a global approach to this matter. These issues having to do with computer crimes and electronic crimes [are new]. The individual that is accessing your computer could be anywhere in the world. So it has changed the whole perspective on how we do business, and the effort now is to attack the problem globally as opposed to parochially.

"WE'RE GOING TO BE FORCED THROUGHOUT THE GOVERNMENT TO PARTNER MORE AND MORE AS TIME GOES ON.... OUR MISSION IS INDEED UNIQUE, BUT OUR BUSINESS PROCESS IS NOT." — STEPHEN T. COLO

SO IN MANY RESPECTS, COMPUTERIZATION OF CRIMINAL ENDEAVOR HAS MADE IDENTIFYING THE CRIMINAL AND LOCATING HIM OR HER AGAIN—FROM THE GLOBAL PERSPECTIVE—MUCH MORE DIFFICULT THAN IT MIGHT HAVE BEEN IN THE PAST.

— DANA A. BROWN

On interagency partnerships

Mr. Colo: We're going to be forced throughout the government to partner more and more as time goes on. I'll use the area of information technology. Our mission is indeed unique, but our business process is not. What we do when it comes to financial management, when it comes to procurement, when it comes to the administrative process is the same thing that other government agencies do. And in the past, we in government agencies have looked very myopically at what we do, and we have built these stovepipe systems. And to save money, we are going to now have to go and partner with other agencies and say, "Okay, we're not going to build this system, and you build this system. We're going to build one system, and it is going to be enterprise-wide. And, in fact, you build the system, we'll fund money to you, and we'll give the input as to how it best works."

HUMAN CAPITAL

On agent training

Mr. Brown: New agents come on board through the Federal Law Enforcement Training Center. [They receive] a general criminal investigation background. They come up to the Riley Training Center, which is our facility at Beltsville, for their specific Secret Service training.... It is 16 to 18 weeks now; it's very intensive. We think it is probably some of the best training in the world, certainly specific to what we do as an organization.

On career paths

Mr. Brown: From [training], agents are dispatched to various field offices throughout the country. Generally speaking, they can expect to spend three to five years in a field office before going to a second assignment. That second assignment will be a protective assignment of some nature.... From there, they'll generally transition to a headquarters assignment somewhere in Washington, D.C., or back to the field. The demographics have changed a lot over the recent past. This will probably afford us the opportunity to provide greater latitude than those of us that are more senior may have had in the past.... Those that want to have an investigative career track, once you have done some protection, you can go back in the field and actually maintain a supervisory position back there. Then you have the standard management track, where you would migrate through all of the various aspects of the Secret Service: investigative, protective, as well as administrative, going back once more to this well-rounded perspective, which we have somewhat prided ourselves on over the years.

On recruiting and retaining the best

Mr. Colo: That's a major issue in the government in general, because you are competing for very technical skills against a private sector that has the capability of paying more.... The government is also more willing to give out retention bonuses. The Secret Service has done that on a number of occasions to keep those people that have the skills we need when it appears that they are leaving or maybe have had job offers. There are some other types of pilots we have been using: telecommuting, flexi-work schedules.... Even on the agent population, especially when it comes to technical skills, it is very competitive out there. We are, as you have heard, very interested in computer crimes, and to get those people coming out of college with those types of skills, the best thing I can say is that fortunately we have a very unique mission and that draws a lot of people. So we're fortunate.

The Business of Government Hour's interview with Dana A. Brown and Stephen T. Colo is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

To read the full transcript of *The Business of Government Hour's* interview with Dana Brown and Stephen Colo, visit the Endowment's website at endowment.pwcglobal.com.

William R. Ferris

Chairman
National Endowment for the Humanities

"The National Endowment is the nation's largest supporter of the humanities and in so doing, we support public television, radio series…. We support programs in local libraries and museums. We support classroom teaching, websites that help teachers, and summer institutes for teachers. We also support research—scholars, the presidential papers. We increasingly are reaching out to all American people to try to make the humanities a household word," explains William Ferris. Ferris, former director of the Center for the Study of Southern Culture at the University of Mississippi, is the current chairman of the National Endowment for the Humanities (NEH). Ferris explains that NEH is "small by Washington standards. We have 170 staff, an annual budget of $120 million."

Ferris is credited with removing the aura of controversy from the NEH: "I think of the humanities as the human story, and I think of an African proverb … that says that when an old man or woman dies, a library burns to the ground. I view the humanities as a work of urgency, that we need to be preserving those stories, not only of our family, but understanding more deeply the stories of our nation's history, our literature, our philosophy, our folklore. These are all fields that we study from kindergarten on; they are the humanities, and there is nothing controversial about this…. Our founding legislation draws on the language of Thomas Jefferson, which says that a democracy must depend on an educated citizenry, and we in our democracy have to protect and nurture our education for all ages … and that's what the humanities is all about—there's nothing controversial about the work that we do."

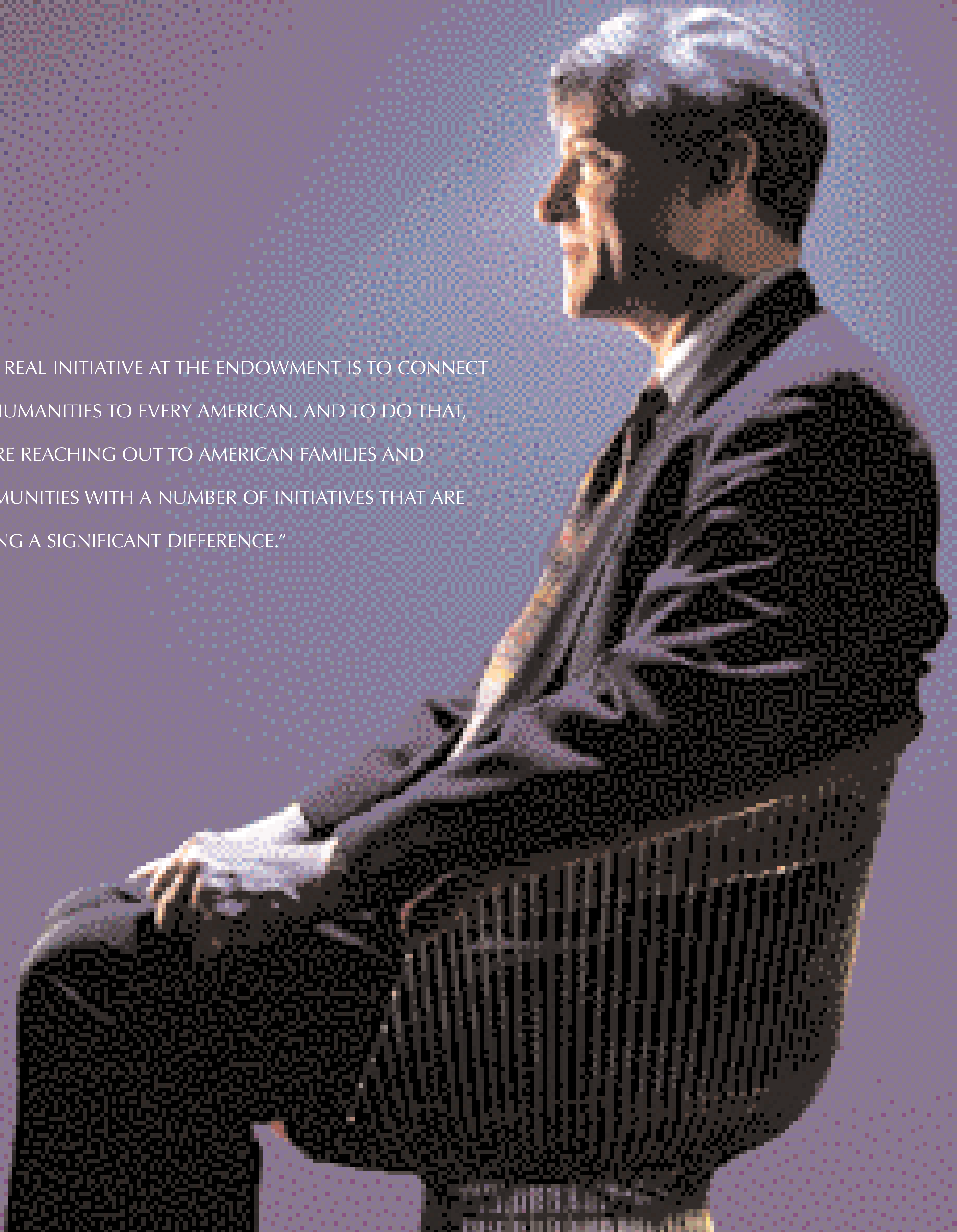
Ferris is also credited with bringing the humanities to the general public, through programs like "My History is America's History." When asked about the scope of this project, Ferris describes the impact: "This 'My History' project is our most comprehensive effort to reach out to all Americans. It involves a book that is also online at thatsmyhistory.org…. Basically, what the book or the website does is to walk you through putting together your genealogy or gathering your family stories and then putting those online. Through those stories, and your own personal genealogy, you begin to connect in a much more exciting way with American history. We've put two copies of this wonderful book in every library in the nation. We're working with teachers to use family history as part of the curriculum."

In recent years, the Endowment has expanded its number of public-private partnerships. This additional funding has enabled the Endowment to reach even more citizens. An example of a recent gift is a $1.7 million grant from the WorldCom Foundation to create a new website called Edcitement. States Ferris, "Thanks to this gift and this website, a teacher in Oklahoma can pull up Thomas Jefferson or Martin Luther King, and it will sweep … websites and give you the information. And then they can say, 'I'm a 10th grade teacher in Tulsa. Give me a teaching unit on this subject using the Oklahoma teaching standards.' Within five or 10 minutes, teachers have a wonderful lesson plan on the subject they need that they can carry into the classroom."

Ferris notes that the impact of Endowment grants is often not apparent at the time the grant is funded, but can become a source for later work: "I think that no one can distinguish between good, better, best. In scholarship, we simply can't judge what a decade or two from now will be viewed as a very powerful and important grant. Many of our smallest grants have had this effect." Ferris notes that 25 years ago NEH funded a $10,000 grant to a scholar to do a research project on the Amistad incident, and the resulting book was one of the key resources for Steven Spielberg's film. He also observes that a modest grant awarded to an archeologist led to the discovery in Peru of the "Ice Maiden". Ferris describes the impact on the humanities: "Our work moves in wonderful and mysterious ways."

When asked how NEH will look in the future, Ferris predicts: "I think it will be hardly recognizable…. First of all, all of our applications will be done electronically. We will have virtually every resource in our nation—presidential papers, family trees, the histories of local communities—on websites that will all be linked so that a student in the fifth grade in rural Montana will have equal access to the rich worlds of the Library of Congress…. We will see the agency partner in a very intimate way with the White House and Congress as we shape national and international policies, economic, cultural. We will have a whole new sense of pride and understanding about our nation's culture." ■

"OUR REAL INITIATIVE AT THE ENDOWMENT IS TO CONNECT THE HUMANITIES TO EVERY AMERICAN. AND TO DO THAT, WE ARE REACHING OUT TO AMERICAN FAMILIES AND COMMUNITIES WITH A NUMBER OF INITIATIVES THAT ARE MAKING A SIGNIFICANT DIFFERENCE."



Radio Interview Excerpts

William R. Ferris
Chairman
National Endowment for the Humanities

THE IMPORTANCE OF CULTURE

On academic and public sector cultures

I think in many ways they're similar [academic and public sector organizational cultures] in that you are responsible to the public, both at a university and at the Endowment. But there are differences. Within the university, you respond to a department chair or to a university president. Here, I'm responsible to the White House, to Congress, and to the American people. And I think all three of those entities are equally important. You have to respect and be accountable to all of them. There are new ways of walking here in the sense that you have ethical restrictions that normally would not apply in a private world or within a university.

On Southern culture and Washington

First of all, I have to say very proudly that I would consider Washington a part of the South. In our Encyclopedia of Southern Culture, we include Washington [D.C.]. From the very earliest colonial period, Southern leaders like Thomas Jefferson played a significant role in the city. So, as a Southerner coming here, having worked in the South for 30 years, I found myself very comfortable.

On cultural encyclopedias

Prior to coming here, I was co-editor of an encyclopedia of Southern culture, which the NEH funded. And I saw firsthand how powerfully important that was in helping people understand about their own history and culture. And we have already seen in the last few years a growing number of state-based encyclopedias, mostly print encyclopedias.

So we decided to create an online encyclopedia in every state through our state humanities councils. There is one that we funded earlier, which is up and running—The Handbook of Texas, which is an enormously successful project. And it's a prototype for what will be available in every state over the next five to 10 years. It allows teachers and students to develop new curriculum. It has an impact on economic growth through cultural tourism. They [online state encyclopedias] have a tremendously important role in the life of the individual state. And they virtually cover the globe in the ability they offer to learn more about Texas, for example.

We have recently funded 17 states and we'll fund another round of states this summer with $50,000 planning grants to get the process started. And then we'll come back with $450,000 implementation grants to help put it all together.

FUNDING THE ENDOWMENT

On seeking private funding

I think the administration believed very strongly that there should be a private-public partnership. And our current budget of $120 million is simply not adequate to fully address the needs of the nation in the humanities area. So, we have turned, with the encouragement of both the White House and Congress, to corporations, to foundations, and to individual donors.

We've had a wonderful gift of about $1.7 million from the WorldCom Foundation to create Edcitement, which is a K through 12 website that includes 105 websites, the Smithsonian, the Library of Congress, and others. Thanks to this gift and this website, a teacher in Oklahoma can pull up Thomas Jefferson or Martin Luther King, and it will sweep all these websites and give you the information. And then they can say, "I'm a 10th grade teacher in Tulsa. Give me a teaching unit on this subject using the Oklahoma teaching standards." Within five or 10 minutes, teachers have a wonderful lesson plan on the subject they need that they can carry into the classroom.

We are very encouraged by the growing number of gifts for specific projects in the humanities that we are receiving. And Congress and the White House applaud this kind of entrepreneurial spirit within the humanities.

On budget cuts

It was several years after those deep cuts that I came on board. It clearly had a terrible effect on the agency. All of our

"THE INCREASED SUPPORT THAT WE'VE HAD FROM CONGRESS OVER THE LAST TWO YEARS REFLECTS THE CONFIDENCE THAT THEY HAVE IN OUR WORK."

younger staff that had just come on fairly recently had to be let go. Many of our programs that people depended on in a variety of areas were reduced or cut. It's been my challenge to rebuild those programs through congressional or White House support or through private support; to seek additional funding for those programs. And I'm delighted to say that we're on the right course, both with Congress and the White House and the private sector. Private support also is flowing in ways that I think will steadily increase in the coming years.

On recent budget increases

I'm very proud that we've had a $5 million increase over each of the last two years, and that was after flat funding for a number of years. My sense is that there are no shortcuts to this process; it's a process of learning to understand and respect the congressional and White House leadership and over time—over a number of years—explaining about your programs, and why they're important, and how they affect the American people.

The bottom line here is that we are a democracy, and the Endowment exists because of the generosity of the American people and their elected officials. We are responsible to those people, and to the degree that our programs enrich and support their lives in every part of the nation, then I think we will thrive and grow. That's what we're doing. The growth in our budgets and in other areas of the agency represents our work.

On working with Congress

When I first came here, I was very intimidated by the thought of going into the White House, or going into a senator or congressional office and speaking with people that I had read about and admired enormously. But to go in and actually talk about your business was something that I had never thought would be possible. You quickly realize that you're dealing with other people who share your values; and once they understand that the work we're doing is improving and enriching the lives of people they represent, it becomes a clear choice of supporting the agency.

PERFORMANCE

On tracking performance

We are increasingly using our website and electronic reporting of information from grantees and from audience participation and programs to monitor and track the results of our projects. We've also responded to the Government Performance and Results Act in creating what is called a Performance Plan for all of our projects. It establishes goals and sets forth a series of indicators that help us understand how our various grants are succeeding. And we, in turn, report that to Congress and the White House.

I think that technology is in our favor in that our website and our ability to use technology to move data quickly and to sort data is increasingly giving us a clear picture of how successful our projects are. And they are enormously successful. We can begin to see a summer institute for a high school teacher gives that teacher a much firmer knowledge of the subjects that he or she teaches. You can only imagine for the next 10, 20, maybe 40 or 50 years, that teacher year after year is a better teacher for hundreds and thousands of students who will then go forth and be better citizens. So, you multiply that one teacher by hundreds of teachers at the secondary and college level, and then you multiply the numbers of students whose lives they touch. And you begin to see it's like a pebble dropped in the water and the ripples go out. That is but one example of how our programs make our nation far stronger and far richer.

The Business of Government Hour's interview with William R. Ferris is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

To read the full transcript of *The Business of Government Hour's* interview with William Ferris, visit the Endowment's website at endowment.pwcglobal.com.

George C. Fields

Director, Transportation Administration Service Center
Department of Transportation

"TASC [Transportation Administration Service Center] is a unit of the Department of Transportation. We were officially created as a separate unit within the Department of Transportation in 1995. It was one of the reinvention initiatives. Prior to that time, the unit had existed as the department's working capital fund. Essentially, the department, as most other government agencies, has administration within their purview, and the department decided to break up policy from the operations side of administration," explains George Fields. Fields is currently the director of TASC, where he relies on his experience in the private sector running a business and his other experiences at the local, state, and federal levels of government.

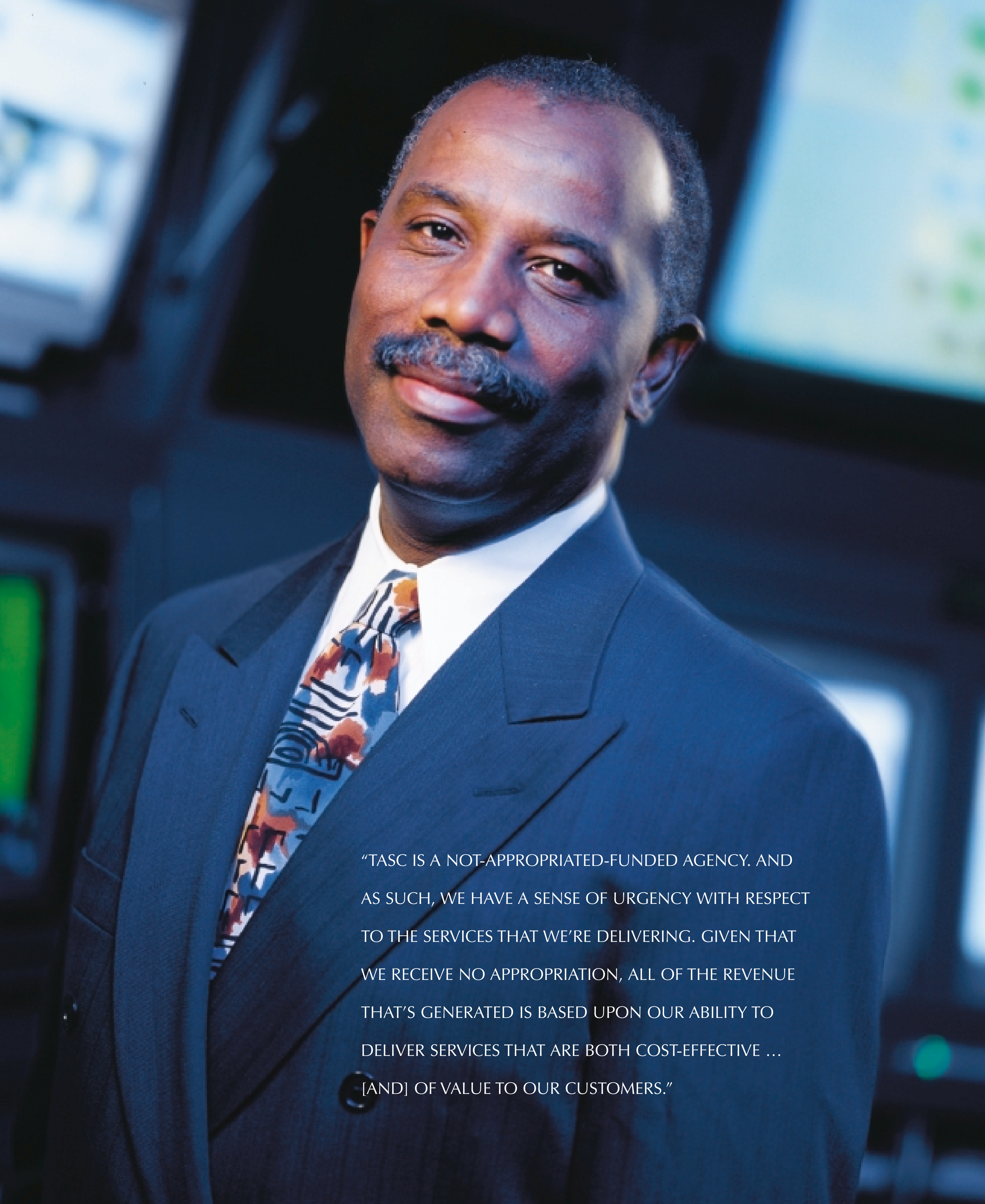
TASC provides administrative services to the Department of Transportation (DOT) and other agencies on a fee-for-service basis. Fields describes TASC's appeal: "TASC is a not-appropriated-funded agency. And as such, we have a sense of urgency with respect to the programs that we're administering, or I should say the services that we're delivering. Given that we receive no appropriation, all of the revenue that's generated is based upon our ability to deliver services that are both cost-effective as well as services that are deemed to be of value to our customers. So there's a real culture difference here."

One of the critical success factors for TASC is maintaining a customer service culture. Fields describes this process: "Our whole foundation is based upon customer service.… From the very beginning of an employee's employment with TASC, we take them through a very specific training to orient them to this whole concept of customer service. Especially those that are long-standing within government, where they're coming from an environment that mandates and talks about statutory requirements. That's not the case with TASC. TASC has a culture where we do not survive unless we're satisfying customer requirements, keeping the customer ever focused upon our minds, because it affects our revenue."

TASC was one of the pioneers in procurement reform. Early in its history, it developed the Information Technology Omnibus Procurement (ITOP) that streamlined the procurement process. Fields recalls, "If you think back … 10 years ago, when we were having this influx of information technology acquisitions, most of those [procurements] were taking anywhere from a year to two years to achieve.… By the creation of ITOP, what we're able to do is move from a year's time to do an acquisition to as little as three weeks. We've put the contractors under contract to deliver certain categories of services, and we're able to reach those contractors almost immediately to fulfill customer requirements."

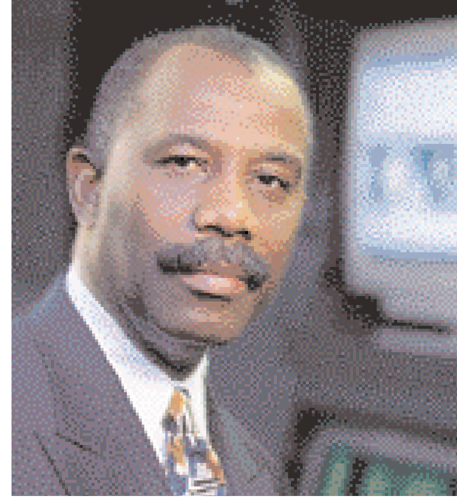
Fields describes one of TASC's successful projects, administration of the employee transit benefit program: "We're rather proud of our contribution here. It's a behind-the-scenes activity, but quite frankly, that's how we deliver most of our services. In April of 2000, the president signed an executive order that extended a transit benefit to federal employees, specifically here in the National Capitol Region, where the transit benefit was to be made standard at $65 per month and going up to $100 per month come January of 2002 in the rest of the nation and other regions.… TASC, for the Department of Transportation and a few other agencies throughout the metropolitan area, had been delivering these services by way of delivery and administration of their transit benefit programs. It was a rather small activity for us over about a nine-year period. With the signing of the executive order, many agencies found themselves faced with the rather large hurdle of how to, in fact, implement such a program over a short period of time. We stepped up to the plate and suggested that we could deliver a rather holistic approach to the delivery of transit benefits for them—without replication of a program—and have been rather successful over the last year." Fields measures success in dollars: "We've increased from about a $15 million revenue-generating activity at TASC to about $113 million activity for TASC. Now we're delivering to all but one of the cabinet agencies, and we're delivering that service across the board to all of those agencies and across the nation.…"

Fields describes the challenges posed by that level of success: "Our largest challenge has been a matter of attracting and obtaining the right mix of personnel that would staff this activity. We went through a series of burning people out in terms of long hours before we were able to get fully staffed in order to meet that October 1 timeline. But we have finally gotten there. We have a number of issues yet facing us, such as our accounting systems that haven't kept pace, but we think that we at least address the issues and that we can systematically address them." ■



"TASC IS A NOT-APPROPRIATED-FUNDED AGENCY. AND AS SUCH, WE HAVE A SENSE OF URGENCY WITH RESPECT TO THE SERVICES THAT WE'RE DELIVERING. GIVEN THAT WE RECEIVE NO APPROPRIATION, ALL OF THE REVENUE THAT'S GENERATED IS BASED UPON OUR ABILITY TO DELIVER SERVICES THAT ARE BOTH COST-EFFECTIVE … [AND] OF VALUE TO OUR CUSTOMERS."

Radio Interview Excerpts



George C. Fields
Director, Transportation Administration Service Center
Department of Transportation

SERVICE DELIVERY

On contract administration

Contract administration is one of our business practices…. This particular practice—we call it acquisition services—we provide the normal contract and acquisition services of any contract shop that any agency would find themselves faced with. One of the unique features of TASC is that we provide expertise in niche areas.

With respect to our contract service area, one of the niche areas of expertise that we have—or, I should say, centers of excellence that we have—is our ITOP program. ITOP stands for Information Technology Omnibus Procurement. And that was a creation of procurement reform, streamlining of procurement. If you think back maybe 10 years ago, when we were having this influx of information technology acquisitions, most of those were taking anywhere from a year to two years to achieve. The technology was advancing so rapidly, it was almost impossible to acquire the appropriate technology for customers…. So by the creation of ITOP, what we're able to do is move from a year's time to do an acquisition to as little as three weeks. We've put the contractors under contract to deliver certain categories of services, and we're able to reach those contractors almost immediately to fulfill customer requirements.

On information and technology accessibility guidelines

Approximately two years ago, in anticipation of these requirements and in conjunction and consultation with the disability community, the department created, through TASC, the department's Disability Resource Center. That particular center was established for the purposes of providing accommodations to employees with disabilities. This act, the 508 Act requirement, is just one aspect of accommodations for employees.

On transportation purchase cards

We administer a program where we, essentially, have a two-part role. On one hand, we provide a contract-management role for the department's senior procurement official, where we've established the contract with the bank for the purchase card and established certain tools, such as the remote accessing of accounts, making certain that the account is compliant with federal requirements.

But in addition, we perform a secondary role—one that we're involved in on almost a daily basis. And that is actually administering the purchase card program on behalf of a number of agencies, including for ourselves. We, as employees, do have a need for a purchase card and we do that for ourselves, but we do that also for other customers within DOT.

HUMAN CAPITAL

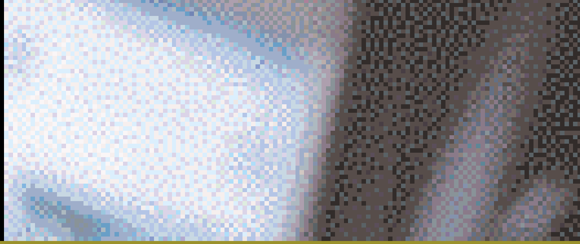
On civil service and TASC

One of the basic philosophies of TASC in our creation was that we did not ask for, nor have we sought, any special dispensation from the procurement and/or personnel rules. What we'd suggest is that it is possible to actually run a business in government with the government requirements still in place, not asking that those governmental requirements be relaxed. Because we think it is true that most of those requirements were put in place for good reasons. Even if they're social reasons, they're good reasons, and there's no reason why a business should not be adhering to that.

On employee well-being

In 1996, when I came to the department and began to work with TASC, our Worklife-Wellness activity was one of those activities that many within the department questioned; I mean, "what's the relevance of this to my ability to deliver services to the public?" And it was our challenge to demonstrate that an individual that is treated in terms of the issues that are surrounding the individual beyond just simply that work setting is a more productive individual for you.

And it didn't take long for us to capture the hearts and minds of those within DOT and to realize that this is an extremely worthwhile activity. Our fitness center is a good example, in



"WITHOUT REVENUE THERE MAY NOT BE A TASC. EMPLOYEES FULLY UNDERSTAND THAT THEY HAVE TO HAVE SATISFIED CUSTOMERS—CUSTOMERS THAT ARE, IN FACT, WILLING TO PAY FOR THE SERVICES DELIVERED."

that we have one of the highest rates of participation as an employer of any within government. Now, many may say, "What does that really have to do with delivery of services by the federal government to the taxpayers?" The reality of it is that if we can pay attention to the health and well-being of the individual, that individual's going to be more productive for you.

On human resources service offerings

We provide the normal recruitment, benefits counseling, retirement counseling kinds of activities as part of our human resource activity. Again, we provide those services with a look towards providing real expertise in terms of value to our customers and, as a result, we are able to reach out to customers outside of DOT. That's a feature that we have within TASC in that the services that we're providing within DOT, we're trying to make certain that those services are broad enough that we can, in fact, cross-service other agencies. So as is the case here with our human resources activities, not just providing the very traditional retirement counseling, but providing real expertise as it relates to retirement counseling, so that it becomes attractive to other agencies to want to use these services. And so, to a great degree, word of mouth would suggest that others want to come to you to use those services.

On employee learning

TVU is the Transportation Virtual University. We have branded that just for the Department of Transportation; however, we have carried the same concept to other agencies, such as HUD [the Department of Housing and Urban Development], and have branded it around HUD. What it amounts to is electronic learning and distance learning.

We find ourselves in a time when time, quite frankly, is a value. Individuals aren't able to take the time to do the rather traditional classroom training, and individuals are looking for training when they need it, as they need it, what they need. And this whole method of electronic training is a way of achieving that.

TVU is something that we're rather proud of in that we recently received an award recognizing our efforts here … in blend[ing] new technology while keeping the individual in mind in terms of designing a course, work design of the activity that the person is learning. And as a result of the award, I think that we have gotten some recognition. It's been a bit of a slow starter for us in terms of the service, but I think that we'll probably be expanding this and you'll probably be hearing more about it. It won't necessarily be TVU because, again, it's branded for each of the agencies that we may deliver to.

On employee retirement

We're presented with the same challenges everyone is … there are cycles of hiring that have taken place over the years at the federal government level. Twenty years ago, a large wave of employees came in, and it's time for those employees to be leaving.

One of the unique situations that we find ourselves faced with, though, is that as earlier stated, we're looking for real expertise in the areas in which we provide service. So we quite frankly are looking for those long-term employees. So, while at the same time that we're bringing in some new entries to the workplace, we're really trying to supplement ourselves with the long-term employee. So, we've been successful in both attracting and retaining past retirement period some employees that have the real expertise that we need in the given areas that we're providing service.

The Business of Government Hour's interview with George C. Fields is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

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Jane F. Garvey

Administrator, Federal Aviation Administration Department of Transportation

Jane Garvey wants to make aviation safer through the Federal Aviation Administration's (FAA) initiative: Safer Skies. Administrator Garvey explains: "Safer Skies is an extraordinarily important initiative. Aviation is so safe; we have a remarkable record in the country. And, in a sense, that makes the issue of safety even more challenging because … the low-hanging fruit has already been picked when it comes to safety. Our challenge really is to get at some of the root causes … [and] to take the resources that we have and focus them in a way that will have the greatest impact."

The FAA is best known for regulating and providing air traffic control across the nation; however, Garvey explains that the FAA has additional, important duties: "It's a very complex organization. We have about 47,000 employees at the FAA. Our fundamental mission, in fact our most important reason for being, is … aviation safety. We regulate airlines; we set standards for manufacturers. Every part of the aviation world is touched by the FAA." Prior to her position as administrator, she served as director of Boston's Logan Airport and acting administrator and assistant administrator in the Department of Transportation at the Federal Highway Administration.

Garvey describes the evolution of Safer Skies: "The way we've always approached safety is to look at historical data and learn from accidents…. This is stepping that up even more and saying, 'Let's really establish our agenda based on what the data is telling us. Let's really look at the data—both historical data and, even more importantly, precursors. And let's try to determine where we should put our resources,' and we're doing this with industry. It's a new approach, but I think it's absolutely the right approach." Garvey believes that this partnership will promote the sharing of information that will help the FAA develop better information about industry problems: "The great challenge for us in the future is to get out ahead of the accidents. And we've entered into a number of voluntary programs with the airlines where pilots and mechanics come forward with information without fear of punishment, so that we can gather data that we would not ordinarily have. And we are already beginning to get out ahead of some issues because of the information…."

Garvey notes that the FAA and airline industry have worked together to build trust, and that those efforts have paid off when developing guidelines. She explains: "With Safer Skies, we put out a series of air-worthiness directives, and they are almost a regulation. Because we worked so hard with industry before we developed those, … when we finally put those in the Federal Register, there were very, very few comments, very few criticisms, because … there was a sense of collaboration. It's obviously in the airlines' interest as well, to have the safest possible practices, so I think you end up with a much better product." Garvey notes that there are other benefits to this approach: "One great byproduct of it is that Congress tends to fund those where they see industry and government standing together. And that's [been] borne out for us in the last couple of budgets where they've seen a kind of constructive collaboration and said, 'Yes, that's the direction that both industry and the FAA want to go; we'll fund those programs.'"

In addition to worrying about safer skies and increasing collaboration with the private sector, Administrator Garvey has also devoted a large amount of time to developing a response to the forthcoming retirement wave among air traffic controllers. "You may remember PATCO, the air traffic control strike in 1981," states Garvey. "We're just about at their 20th anniversary this August. And so a number of those people who came in after the strike are now reaching retirement age. So, we have looked at that very, very carefully. We've got plans to hire about 600 controllers this year and 1,000 next year. We've really projected it out well into the future. It looks like about 2003, 2004, we're going to see the real wave."

Despite tremendous growth predictions for future airline travel, Garvey is optimistic: "I think aviation is going to continue to grow by leaps and bounds. People love to travel. As the world becomes more global, aviation becomes even more pivotal and more important. When we look at the forecasts in aviation [for passenger travel], we're talking about a billion people [in the next decade]." ■

"AVIATION IS GOING TO CONTINUE TO GROW BY LEAPS AND BOUNDS.... AS THE WORLD BECOMES MORE GLOBAL, AVIATION BECOMES EVEN MORE PIVOTAL AND MORE IMPORTANT. WHEN WE LOOK AT THE FORECASTS IN AVIATION, WE'RE TALKING ABOUT A BILLION PEOPLE [IN THE NEXT DECADE]."

Radio Interview Excerpts

Jane F. Garvey
Administrator, Federal Aviation Administration
Department of Transportation

MANAGING COMPLEXITY

On lessons learned from Y2K success

First and foremost, we had someone accountable. We had one person in charge. Again, in government sometimes things tend to be somewhat dispersed, but we said for Y2K, there's got to be a Y2K guru. There's got to be somebody who is leading the charge. And that person, because it was such an important position, should be reporting to the administrator. You can't do that on everything because you'll have everyone reporting to the administrator, but in this case, we felt that it was important enough in terms of accountability to have that person report to the administrator.

[This is] Management 101, but set very, very clear benchmarks and very clear time lines. They absolutely had to be adhered to. I guess we, in a sense, had a luxury with Y2K. That deadline was not something that could be moved, so that gave it a sense of urgency. But clear deadlines, clear milestones, benchmarks along the way, and, frankly, very little tolerance for not meeting those benchmarks. We were able to recruit some of the most talented people at the FAA to the Y2K effort, and of course that's always a real plus, as well, to have folks who just want to do this and really want to get it done.

Then, finally, Congress was extraordinarily helpful in giving us the resources that we needed. That's again, not always the case. But in terms of Y2K, we had dedicated resources, a clear point of accountability, benchmarks, milestones—and a great contractor, by the way, who helped us as well. But I really do think, again, that's another effort where you've got the public and the private sector coming together and really attacking something head-on and bringing in industry because, again, we were going to be working with the airlines. That was going to be important.

On combating flight delays

My sense is that we're approaching this the way a number of other managers approach very complex problems, and that is to break it down into pieces. And we're thinking in terms of tactical initiatives that we can undertake in the short term and then obviously a much longer, much more strategic view. And if I think just a minute of the tactical issues, we've said, "What can we do in the short term to really help alleviate delays?"

And first and foremost, we identified the real choke point in this country for aviation travel. And no surprise to anyone, it's that triangle from Chicago to Boston down to Washington and back up to Chicago again. It's really that area that presents the greatest challenges for us. So we have focused our energies in those areas and changed procedures, changed the way that aircraft get in and out of some of those very, very difficult choke points. We've negotiated with NAV CANADA [Canada's private, not-for-profit provider of civil air navigation services] to use some of the Canadian airspace off the Eastern coast so that pilots can land there, particularly in bad weather. We've negotiated with the Department of Defense to use some of the restricted military area when it's not being used.

Longer term, we are developing what is called a NAS Operational Plan. It's really the National Airspace Operational Plan, and it essentially lays out in very exquisite detail the responsibilities that the FAA, that the airlines, and airports will have over the next 10 years.

And as much, though, as the FAA will do and can do, it will never be enough. Airlines still need to look at their own scheduling practices. Airports need to build runways. So it's another area where it's clear that the solution isn't going to be found by any one entity acting in isolation. It's got to be coming together.

On effective communication

I think you have to be very straight with the media. You have to be as honest as you possibly can be. This sort of very basic issue about getting back to them quickly—they're trying to do their job as well.

"EVERY PART OF THE AVIATION WORLD IS TOUCHED BY THE FAA. IT'S A VERY COMPLEX ORGANIZATION, BUT OUR PRIMARY MISSION IS AVIATION SAFETY."

Something I should do more of—and I find every time I do it, it pays off—and that is those informal roundtables that you sometimes have with members of the press, sometimes without … any sort of late-breaking news, but just a way to really keep those lines of communication open. Above all, really cultivate those reporters that are really good and take the issue seriously.

THE FUTURE

On the coming retirement wave

It's very much an issue for the FAA. You may remember PATCO, the air traffic control strike in 1981. We're just about at their 20th anniversary this August. And so a number of those people who came in after the strike are now reaching retirement age. So, we have looked at that very, very carefully. We've got plans to hire about 600 controllers this year and 1,000 next year. We've really projected it out well into the future. It looks like about 2003, 2004, we're going to see the real wave. So we've got something pretty well laid out with some very specific hiring numbers … it's going to be a very aggressive effort. But having that kind of time to plan for it is very, very helpful, and we'll monitor it.

On passenger growth projections

We've served about 650 million—670 [million] in the last few years—but that's going to grow to a billion [passengers] by 2010. So aviation is going to continue to be, I think, a very, very important part of our economy and of our quality of life for people. We're still seeing a great interest in regional jets. I think that's something that we hadn't quite anticipated in the last 15 years, the growth of regional jets, and that changes the way we manage our airspace system. So, I think that's going to be a growing part of the industry, as well. We're going to see more general aviation. There are more corporate jets than ever before. So it's an industry that's going to really grow.

On possible privatization

I think there's a lot we can learn. And we've certainly, for example, spent a good deal of time with NAV CANADA even as we developed our cost-accounting systems. So I think there's a lot you can learn from looking at what other countries have done.

I do think it's important to note, for example, with Canada, it is far less complex than our system. They don't have the kind of general aviation constituency that we have here in this country. I was thinking about it the other day, and I was over at Herndon [Virginia, location of the FAA's Air Traffic Control Systems Command Center] at the end of the day, it was about 6:00 in the evening. And I was watching them track all of the aircraft through the skies. It was about 6,000 aircraft in the air at that time. It was quite extraordinary to see. Most of them seemed to be at LaGuardia, unfortunately, but they were spread throughout the country. And I was reminded by somebody there that this was six times the kind of traffic that you'd see in a place like NAV CANADA or in the Canadian airspace. So I think there's a lot we can learn. The politics are clearly a big issue, particularly with the general aviation, but I think we also do have to remind ourselves that it is a much more complex system here.

The Business of Government Hour's interview with Jane F. Garvey is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

To read the full transcript of *The Business of Government Hour's* interview with Jane Garvey, visit the Endowment's website at endowment.pwcglobal.com.

Brigadier General Edward M. Harrington

Director, Defense Contract Management Agency
Department of Defense

"The Defense Contract Management Agency is … the Department of Defense's acquisition support and readiness agency and is primarily focused on managing the contracts of all of our military services. We're the people that assure that the cost, schedule, and performance that the services need … and we have people in contractor plants that survey production and make sure the quality is perfect and also ensure that the contractors get paid. We are the function that provides all the service acquisition managers detailed information in order to help them buy things better for the Department of Defense," states Brigadier General Edward Harrington, director of the Defense Contract Management Agency (DCMA).

Although relatively new to this position, General Harrington has a breadth of experience in contract support and has served in the Army for 31 years. Before becoming director of DCMA, General Harrington was the deputy for systems acquisition at the United States Army Tank-Automotive and Armaments Command. His current position makes him responsible for managing 325,000 prime contracts valued at $852 billion. He must ensure that acquisition programs, supplies, and services are delivered on time, within cost, and meet performance standards.

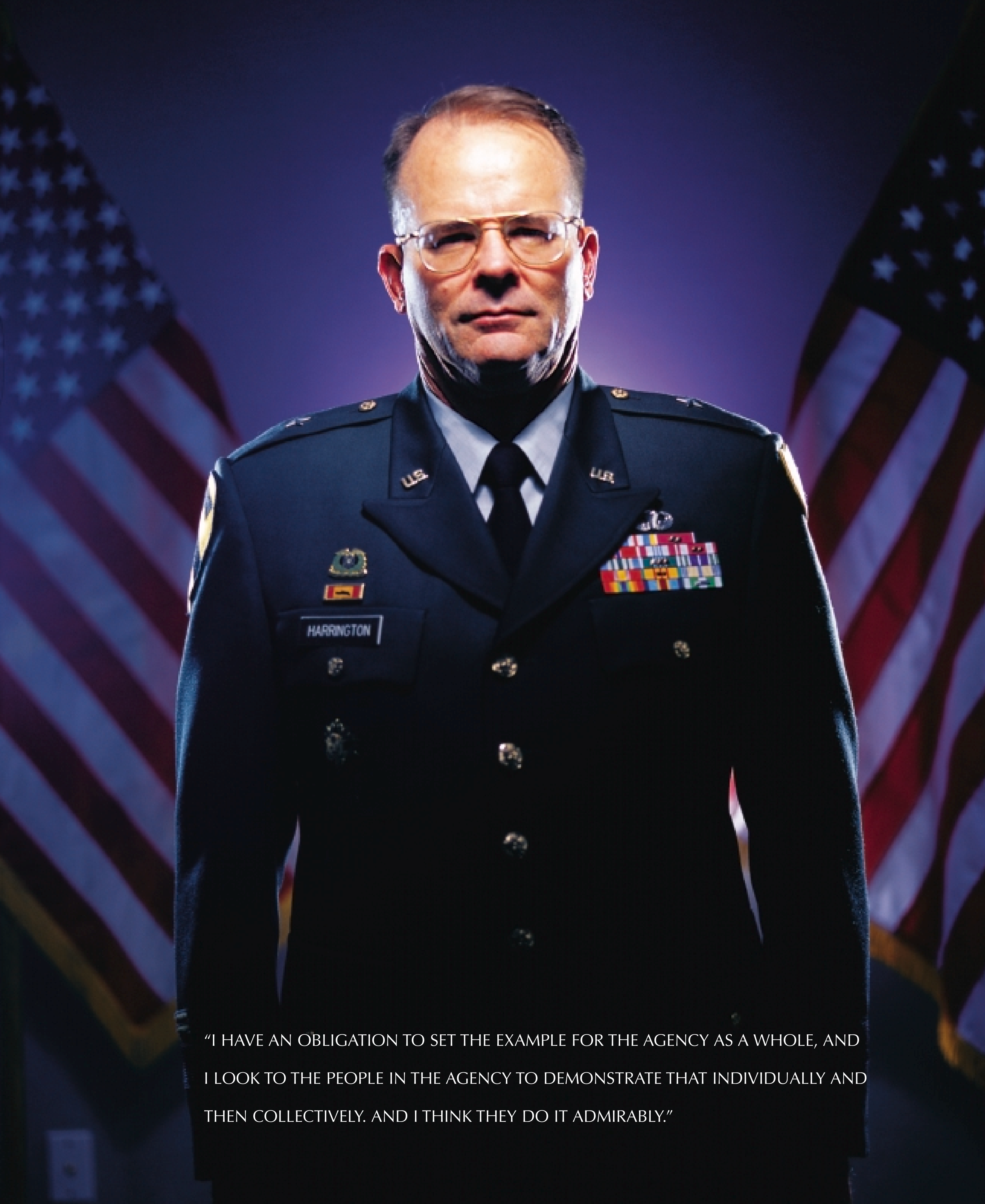
General Harrington describes the manpower and logistics used to manage those contracts: "We've got 12,000 people in 65 primary field activities throughout the United States, and then all over the world wherever there are contractors supporting American military services. We, in fact, have small pockets of people in over 900 locations throughout the world that actually do the surveillance activities with those contractors."

The manpower challenge has intensified in the last decade; the agency's ranks have decreased as DCMA underwent organizational and process changes. When asked about the impact of this change, General Harrington reflects: "We are like every other federal agency. In 1990, we were 26,000 strong; we're 12,000 now. We've looked at how we can integrate our processes amongst our personnel so that they can team better together."

In addition to this transformation, in 1995 DCMA was made an independent agency within the defense logistics arm of the Department of Defense. "Now as an agency, we are in partnership with other defense agencies who comprise a large part of our customer base, and we're able to now dialogue with our Army, Navy, Air Force, and Marine service customers … [so] that they can come to us and tell us what they need. We're able to provide … services and support effectively and with more visibility. The ability to partner is coming to the fore … as our main strength," he observes.

One of DCMA's mechanisms for absorbing these changes while maintaining high performance is its planning process. When asked about this process, General Harrington explains: "Our strategic plan lays out our goals for the next year, but it also looks to the future in terms of what we want DCMA to do…. So, the strategic plan is the basis upon which we formulate the business plan, which outlines the specific actions we need to take…. That business plan arises out of our continual assessment of how we're doing…. We have a DCMA integrated management system that we use as a structure to be able to assess every one of our mission processes and how we're supporting our customers. We … develop performance plans from that; in fact, those performance plans become performance contracts at the DCMA headquarters level, and we assess [staff] performance on a yearly basis through a series of reviews—management reviews and financial reviews and then special processes reviews if we find a process that needs focus or correction or improvement."

With $852 billion in contracts to manage, DCMA has focused resources and technology on risk management strategies and processes. When asked about how risk management fits into routine management, General Harrington responds: "We take a look at where we're applying our skills with the risk-based management system we've got and say, 'Do we have the right people at the right place at the right time for the customer and for the magnitude of requirements that customer has?'" ■



"I HAVE AN OBLIGATION TO SET THE EXAMPLE FOR THE AGENCY AS A WHOLE, AND I LOOK TO THE PEOPLE IN THE AGENCY TO DEMONSTRATE THAT INDIVIDUALLY AND THEN COLLECTIVELY. AND I THINK THEY DO IT ADMIRABLY."

Radio Interview Excerpts

Brigadier General Edward M. Harrington
Director, Defense Contract Management Agency
Department of Defense

LEADERSHIP

On the impact of personal values

… Leadership, loyalty, duty, honor, integrity, selfless service, personal courage—all of those types of values are intrinsic character traits that I think are necessary in a leader. A leader needs to be able to set an example in each of those traits and, more importantly, those traits collectively as we go about our mission…. So I have an obligation to set the example for the agency as a whole, and I look to the people in the agency to demonstrate that individually and collectively. And I think they do it admirably.

On leadership development

The leadership experiences I've had as an Army officer have given me the training and told me a lot about myself, how I need to interact with people, how we collectively—the senior leaders and myself as director—need to work with our people to communicate about the necessity of our mission, to learn from our people about their needs as individuals as far as their skills go, to look at how we can help them develop their individual skills and then their teaming skills…. More than anything else I've learned that it is a continual improvement process. You're never that perfect leader. You're always learning.

On military leadership

I was just drawn to the Army because of a sense of obligation to serve my country. I stayed in the Army because of the soldiers I worked with, the noncommissioned officers that I worked with, and the superior officers that coached, counseled, and mentored me. And wherever I was, I felt as though I was with a group of people that had a set of values that meant an awful lot to me.

Those values, I felt, were what I needed to strive [for] in my own personal conduct as far as growth on a personal basis. So, an awful lot of it had to do with a growing sense of personal growth and then a sense of obligation to my country and a growing likeness for the Army.

CONTRACT MANAGEMENT

On credibility

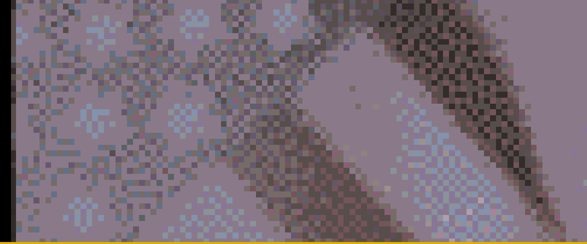
Contract management will always be an essential part [of being] a government entity that the government will need to hold on to. And I know that there will be challenges to that, but we have regulatory guidance that is set in law that says our contracting officers, either pre-award or post-award, are what we call "warranted." And that's a specific requirement that says they have to have an independence to be able to pursue the government's interests without any undue influence.

When you look at those duties, you say to yourself, "I'm not sure we can go contract those duties out." But when you take a look at the types of information that a contracting officer has to have, they have to have people also that are in the same relationship—as far as independence goes—to provide the right information, so they can execute the contracts in accordance with the government's interests.

So I would suggest that these types of folks need to be independent, they need to be able to have a government chain of command, and they need to be government people. And that may not be a popular notion, but it's pursuant to the government's interests.

On the contract management needs for the future

The specific skills that we bring to the acquisition process, the ability to look at a contract in total in terms of what it provides—either acquisition managers for systems or readiness managers for components—in my view requires a set of skills that feed into that contract specialist. The engineering skills, the industrial specialty skills, the quality assurance skills—those types of expert skills are essential to be able to provide a balanced assessment of how a contractor is performing. Without those, the contract specialist would be all alone and without critical information. I don't think we can develop an individual in and of themselves with the time they have in government service to embody all of the specific traits in each one of those very technical skilled areas.



"WE HAVE A MOTTO: ONE FOCUS, CUSTOMER FOCUS, AROUND THE WORLD, 24 HOURS A DAY, 7 DAYS A WEEK. THAT'S NOT JUST AN ADVERTISING SLOGAN.... WE HAVE A DETAILED DIALOGUE WITH THE CUSTOMER WHERE WE OUTLINE WHERE WE THINK OUR SKILLS BEST HELP THE CUSTOMER."

On technical challenges

The technical skills we have now are going to grow. The contract specialists, the contract administrator, the administrative contracting officer, the electrical engineer, mechanical engineer or software engineer, the industrial specialist—we have got to be in pace and in most cases anticipating industry's changes. When you look at the advancing technology that industry is using to be able to produce and manufacture better, we've got to understand that. We've got to have the skills to be able to judge that properly.

CUSTOMER SERVICE

On customer focus

We have a motto: One focus, customer focus, around the world, 24 hours a day, 7 days a week. That's not just an advertising slogan. Everything we do, we look at how we're interacting with the customer. We have customer liaison representatives in most of the large major acquisition and buying commands in each one of the services. Each one of our senior leaders in DCMA interacts regularly—has relationships with—our senior military service acquisition managers. So we try to get the pulse regularly of what the customer requirements will be, how the customer intends to acquire either systems or components, assemblies or spare parts, and then take from that where we need to apply our best efforts.

On building contractor/customer partnerships

We identify issues for resolution on a regular basis beyond those types of things where a contractor may have a problem with quality assurance, for instance, and their expertise may not be adequate or their quality assurance finds too many rejects. We use the management council process as a way to facilitate corrective actions, improvement in processes, and we pull in the program manager, customer, and the contractor. We're the ones with the facts. We're the ones with the information that says, 'Here's how you performed over the last quarter or the last six months and here are the areas that you need to look at and address to make it better.'"

So we're a facilitator in all that, but we also call ourselves a partner in trying to build that enterprise between contractor and program manager. Ultimately, it's the warfighter out at the front lines or in the air or on the ocean that will have to benefit from that. That program manager is one of the primary representatives of that user out there in the field, and that's what we tune ourselves towards when we sit down with these folks.

RISK MANAGEMENT

On resource allocation

The risk-assessment management program is the basis upon which we allocate the right people to the right contractor. We go through a series of pre-award surveys that go out and judge the contractor's business practices, the contractor's manufacturing practices. We use a set of commonly accepted processes and rules to be able to determine how effective that contractor is in their processes—all the way from how they buy materials and how they subcontract to how they actually manufacture and then how they actually manage a program for a service customer. After contract award, we engage with the contractor to go actually survey the production processes. ... And we've got skills in each one of those areas, including centers of excellence for those types of things. We have specific groups of people that we can bring to bear on helping a contractor resolve a problem or just making sure the contractor's on notice that they need to do something to help make it better.

The Business of Government Hour's interview with Brigadier General Edward M. Harrington is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

To read the full transcript of *The Business of Government Hour's* interview with General Harrington, visit the Endowment's website at endowment.pwcglobal.com.

Nina Rose Hatfield

Acting Director, Bureau of Land Management
Department of the Interior

"We have been very aggressive in terms of trying to gather … data about how our customers feel about the delivery of our services," remarks Nina Hatfield, acting director of the Bureau of Land Management (BLM). Real estate developers, cattle ranchers, farmers, miners, environmentalists, vacationers, other agencies, and state and local governments are all customers of BLM. Hatfield has taken a proactive approach to improving internal and external customer service that is a blueprint for other agencies.

Hatfield describes the BLM mission: "The Bureau of Land Management manages about 265 million acres of the public land—owned by the taxpayers, and we hold it in stewardship for the taxpayers—primarily located in the West. And in addition to that, we also … [handle] the mineral leasing for other federal agencies, and that would entail about another 700 million acres across the country."

Hatfield explains that stewardship of these lands includes a wide array of activities: "The bureau has what we call a multiple use mission, and as a result of that we deal with a lot of varied activities on the federal lands, varying from recreation to world-class energy sources to world-class kinds of conservation areas. We provide … support for local communities in the context of open spaces and providing things like rights of way where they need to communicate to a local area. We also have a wild horse and burro program that's very active. We're working very hard to provide habitat for threatened and endangered species, since we do have the land mass that would allow for that kind of habitat conservation." An additional challenge is increased population around BLM lands: "As you look at the population of the West, having increased so much over the last few years, the BLM lands are becoming more and more valued because of the importance of the open spaces, habitat for threatened and endangered species, and all the other activities that go on around those communities," Hatfield notes.

Hatfield and the BLM decided to take a proactive approach to customer service: "Our first problem was even trying to identify customer segments in a way that we could begin to gather information. We've done that, and we are on a cycle of every two years trying to survey both our employees and major customer segments. What we've discovered is that the information we find out about our employees has a very direct impact on how your external customers feel about the organization," she states.

When asked about how this customer service data is used internally, Hatfield explains: "We've probably done as much …trying to work with our employees almost as much as we have with our external customers. We discovered the overwhelming frustration for our employees was trying to deal with different programs in an era in which the bureau had very static budgets. So, we were very aggressive in trying to explain to Congress and the department [of the Interior] about our budgetary needs. That's helped in the past couple of years and the upcoming budget." The information has pointed to new management priorities: "Our employees were telling us that our managers needed more skills. So, we've reinstituted some training programs for employees and managers in the bureau. We made a $2 million investment to start some things up again. And as a result of that, the next survey showed our employee satisfaction had gone up," Hatfield reflects.

When asked about external customer satisfaction, Hatfield describes BLM's efforts: "On the external customer level, we have a series of comment cards that we try to use, so that if you're on one of our recreation sites, you might get a comment card. If you are interacting with an employee at a state office, you get a comment card. We have public information offices where we give our customers comment cards. That allows us to get very localized information…. Nationally, we have taken the comment cards and tried to address some things like … our customers are telling us that they want more access to our programs over the Internet. We've been very aggressive there. For instance, with a number of other federal agencies, we've organized and entered into recreation.gov. From that site, people on the Internet can find out where camping areas are, when they're open, if they can make reservations, how much it's going to cost—all kinds of information…. That's a good use of technology, also responding to the customer." ■

"WE HAVE A LOT MORE TO DO IN THIS AREA IN TERMS OF USING THE [CUSTOMER AND EMPLOYEE SATISFACTION] INFORMATION, BUT WE CERTAINLY ARE SYSTEMATICALLY GATHERING IT, AND WE'RE TRYING TO INCORPORATE IT INTO THE WAY WE SET OUR GOALS AND THE WAY WE DELIVER OUR SERVICES."

Radio Interview Excerpts

Nina Rose Hatfield
Acting Director, Bureau of Land Management
Department of the Interior

TECHNOLOGY

On the difficulty of implementing technology

We don't have an Automated Land Management Resource System (ALMRS). What ALMRS was intended to do was to provide our employees modern access to land records, and then we were hoping to add some data about the natural resources on the land—a lot of things that ALMRS was intended to do. And that was the first problem: The first vision of ALMRS kept getting creep in terms of what we were expecting it to do.

And so after about a 15-year odyssey and $65 million later, we had a system that when it was tested by our employees, our employees absolutely hated it. As a matter of fact, one of the comments I saw from one of our employees said, "You can deploy this, but I'm not going to use it." And I looked at the specs for it, and it was actually slower than their legacy system. So I understood why they didn't want to use it.

So, we made a decision that we just weren't going to deploy it. But it obviously caused a lot of attention from Congress and from GAO [the General Accounting Office] and the department, a lot of concern. And so I think that it put us in a situation of looking at where we were in terms of technology and what we wanted to do and needed to do.

On the impact of ALMRS

Two years ago, we were at a stage of trying to come out of having decided not to deploy ALMRS, but we had about 60 national systems that we were operating and maintaining, about 600 state systems that we were operating and maintaining. These were all systems that didn't share data; they don't talk to each other. So, that's costing a lot of money. We really became avid believers in the Clinger-Cohen Act. We have a full-time CIO—chief information officer—the only one in Interior, and we've developed a bureau architecture. We've developed an investment strategy and put a board in place to oversee that investment strategy. We're moving to create data standards that will be used across all of our systems.

And our goal is to take our systems, go through and systematically retire them as we create more modern systems, so that we will be in the situation of having fewer systems to operate and maintain. And I think that the overall result is that we will be able to move more money to actually doing the work on the ground. And that's our goal. For me, that has two major impacts. One, the money that we can move to doing things on the ground—more riparian restoration, for example, and operating systems. And we'll also help our employees be more efficient in terms of what they are doing. So that's the reason we're so aggressive in this area.

On lessons learned from ALMRS

I think very important to us was the fact that we just had to make the decision, in this case, to "just say no"—that we were not going to deploy this, that we were going to take the public heat of having spent $65 million without a deployable system. Now, I think that's been well worth it.

It actually so shocked the organization that we really had trouble killing it inside. I mean, we had these contractors that were continuing. We had to finally say to our resource management organization, "We're not going to deploy this system. You need to get those contractors off the payroll." Even within our states, they just couldn't believe that we were not going to deploy this system. We had to keep communicating that we are not going to spend additional money on this system; we're going to go to where we need to be in terms of a modern system.

You've got to keep in mind that the goals of the system were fine. And we're still pursuing those goals. But we're doing it in a different way. One of the problems we had with ALMRS was just mission creep.

I think our real purpose in having an investment board is that the investment board approves a project, and they track the project to make sure that it's not getting into mission creep. If it gets into the project's going to take more money than we'd originally budgeted for it, that investment group's going to have to sign off on the fact that we really do want to invest

"WE HAVE BEEN VERY AGGRESSIVE IN TERMS OF TRYING TO BEGIN TO GATHER DATA … ABOUT HOW OUR CUSTOMERS FEEL ABOUT THE DELIVERY OF OUR SERVICES."

that much more money into this particular system. So we're trying to put a lot more management controls into the way we approach it.

The other thing that is really important is the fact that ALMRS took so long in trying to develop the software meant that the hardware we bought along the way was obsolete by the time we got to deployment. So we're trying to get those into better sync. But we're also not trying to do so much of a specialty software development, but what we are doing, we're doing in a modular fashion. So we develop a piece, test it; if it works, we're going to move on with it. If it doesn't work, we haven't lost so much of an investment.

On the impact of the Internet

We have a site called glo.gov that deals with Government Land Office records. We're the holder of the government's land records. And so if you had a Revolutionary soldier who got a land patent from Thomas Jefferson as a reward for having served in the war, we're the ones that have those records. And so they're really very interesting records. And the genealogists, people interested in genealogy, have discovered that Web site and we have had over 100 million hits on that one Web site alone. And so that's, you know, a good use of technology, also responding to customers.

Oil and gas customers can get their permits over it [the Internet]. We do wild horse and burro adoptions over the Internet.… Our wild horse and burro adoptees suggested … when they wanted to see the horses for adoptions, the hours that were more convenient to them, and so we've made adjustments in our adoption process as a result of that customer information.

FINANCIAL MANAGEMENT

On the cost management system

We've really gone into activity-based costing within the bureau. As a result of that, we've actually created an information system so that you can have information about how much our GPRA [Government Performance and Results Act] goal areas are costing us, how much our work processes are costing us, and how much pieces of each work process are costing.

We have that available to every employee. From their desktop, they can look at how much it's costing them to do oil and gas leases as compared to another state or to another part of their state. We are trying to get people to look at how they're spending the money.

We're beginning to budget. Part of our budget decision is: Who's spending the money more effectively? Where could we spend the money in one state and get maybe more leases done because they do it much more effectively than another state will? Mostly, we've tried to get people to look at the cost management data and say … why is it costing my field office so much more to do that piece of work than another office? There may be very reasonable explanations.… But we want them to ask those questions. Why is it costing us so much? Where is it that we can save some money? Because we recognize that every dollar we can save in doing the work, we have that available to do something else. So I would say that we have one of the best systems around in terms of making that information available real time to every employee.

And the strategic plan and the strategic approach has really been driven by the cost information. Had we not had the cost information, we wouldn't have known how we could have gotten to where we want to go, and I certainly don't think we would have been as persuasive in terms of making the case about our approach. So we're just really excited about how this cost data is beginning to help us manage our programs.

The Business of Government Hour's interview with Nina Rose Hatfield is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

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Stanley R. Sinclair

Dean, Veterans Affairs Learning University, and Chief Learning Officer, Veterans Health Administration, Department of Veterans Affairs

Stanley Sinclair is changing the face of employee learning at the Veterans Health Administration (VHA). "We want to make sure that we can be an employer of choice and that when employees are with us, we can provide them with a continuous learning environment and culture and that will allow them to stay skilled in whatever profession they're in…. Our goal is to make sure that we have a ready workforce." Sinclair is a 30-year veteran of the Department of Veterans Affairs (VA), and has held positions that include counselor, system developer, and deputy for management at the VHA. He is now dean of the Veterans Affairs Learning University (VALU) and chief learning officer at VHA.

His new challenge, creating VALU, an online employee education university, is part of his role as chief learning officer. Sinclair explains the goals of VALU: "What we're trying to do at VA is move into the future and look at that through electronic learning, web-based training, as well as through using satellites." He notes that this initiative pushes technology and training opportunities to all levels of the organization: "We have three [satellite broadcast] channels across our system, and one of those is primarily used for communications…. What we want to do is use the technology to get the knowledge to the fingertips … where employees are; satellites, web-based, electronic learning opportunities as well as the traditional methods, when we need to." Given the geographic dispersion of employees, Sinclair notes that this is necessary: "Keep in mind that we literally have employees in approximately 1,000 locations around the country, so classroom instruction is not meeting our needs…. The satellite gives you an opportunity to reach everyone, literally."

When asked about the required infrastructure, Sinclair explains: "We're having a small studio built in our headquarters. We're going around providing training to all of the chief officers and the leadership of VA to get them engaged and learning about how to use the studio, the TelePrompTers, and things like that. We're beginning to put out a schedule. Initially, we're going to do a live broadcast two or three hours a day, two or three days a week. Then, we'll build on that."

"If you're in the VA now, and you're going to observe a broadcast, we have somewhere in the neighborhood of 250 downlinks around the system. What we're doing is we're putting servers around the system where the broadcasts are stored on those servers. Employees can go in and access those at their convenience," he observes.

Sinclair admits that VALU has presented some challenges: "It might surprise you to know that putting together an online university is not a major challenge … solutions are in the technology world. I think the bigger issue is when you have to deliver that product to everyone in the field or in all locations around the country. You have learning attitudes that you have to deal with. You have some employees that don't have access to computers…. You have some employees and managers that don't have the time or don't want to take advantage of time to send employees to training…. The difficult piece is changing the culture and getting the information to the desktop and making sure that all employees have access to it."

When asked about the impact of this learning on employee performance, Sinclair admits that the jury is still out, but notes that VHA will track this relationship: "It's early…. One of the things that we're also looking at is we want to know if the training makes a difference in performance. So linking learning and performance is one of our critical success factors."

What does the future hold for VALU? Sinclair describes his plan: "I have set several milestones. One is that by the end of this year, I want to have an opportunity for at least 40 percent of our employees to be engaged in satellite learning opportunities at their desktop. I would like for that to be at 100 percent within a year after that. I would like … employees to have access to between 2,000 and 4,000 courses online … including high school courses, self-improvement courses, certificate programs, and college degree programs…. I would like for them to be able to have equal opportunity to have access to training that might be available in the classroom." He emphasizes that the goal of VALU is future-oriented: "The objective here is to make sure that we're in touch with what the needs are of the organization in the future and to … provide learning to cover those needs." ■

"WE WANT TO MAKE SURE THAT WE CAN BE AN EMPLOYER OF CHOICE AND THAT WHEN EMPLOYEES ARE WITH US, WE CAN PROVIDE THEM WITH A CONTINUOUS LEARNING ENVIRONMENT AND CULTURE THAT WILL ALLOW THEM TO STAY SKILLED IN WHATEVER PROFESSION THEY'RE IN."

Radio Interview Excerpts

Stanley R. Sinclair
Dean, Veterans Affairs Learning University, and
Chief Learning Officer, Veterans Health Administration
Department of Veterans Affairs

TECHNOLOGY

On technology and organizational culture

I know that back in the '70s and '80s, we were really wrestling with technology. We … seemed to be under the gun of trying to produce more and more end products, so to speak. We really … as an organization, weren't embracing technology and the possibility of improving our service to veterans in the way that we could have.

Today, I think that … there's much more of a willingness on the part of leadership to understand the role of technology; to understand … how we can benefit the veterans with technology without losing that personal contact.

I think the biggest lesson I had to learn along the way was to embrace technology…. Clearly, what happens is, as you're coming along, in particular when you don't have a lot of money to be creative with technology, I never really had the opportunity to take advantage [of technology] … even when we were designing a debt management system. At the time, we were looking at doing it on our own instead of going out and trying to buy a software package that might do it for us or partnering with another government entity.

On lessons learned

You have success mixed with failure. It took about three years for the VA to design a debt management system, and it was really awesome. By that, I mean that it would do everything that we need it to do, from offset IRS refunds to go to credit reporting agencies to go to Justice; it had every avenue that we wanted.

As soon as we had done this project, I was invited by a small company … to talk with them about a product. They demonstrated a product that would do everything that we had just spent years building. The lesson there is that I could have bought that system at a fraction of the price … it cost us to develop it. You learn … where you spend a lot of time doing something that others on the outside may already have the expertise to do and can really do much more cost-effectively….

Be careful not to reinvent the wheel that you've had in place for years. I think that we in government tend to think when we talk about reinventing something, we're talking about applying technology to a process where we look at cycle time reduction, revamp, and forget the process. Come up with a new way of doing business and then apply the technology….

If you go out and you buy a product that you're going to customize, it ends up costing you significantly to do that. So, in essence, you've wasted your time and what you have when it's over is the computer application or software application of the process that you've had in place all along. You really have to think past that.

On the future of learning technology

In the VA, the technology is going to drive what learning is going to look like. You can easily see how you can be sending programs home. Individuals can be accessing them not just on the computer but through the telephone, through Palm Pilots, through any kind of technology. It's there.

What we're finding is that as technology evolves, learning is right there ready to go. So I think it's just a matter of being poised and ready and coming up with the strategies that are going to make sure that your employees can use this.

I wanted to make the point that … in the VA, we have a culture to change. But what's going to change that [culture] is making learning more convenient and making sure that we are attaining and obtaining the learning objectives we're after….

One of the things as a large organization like VHA, things are constantly changing … patient safety, pain management…. Our world changes in front of us, so I want to make sure that we build a corporate university that's very agile, very flexible, and can integrate new technology and new learning opportunities as needed.

On integrating new technology into organizational culture

One of the things that we've discovered at the VA is that the

"TODAY ... THERE'S MUCH MORE OF A WILLINGNESS ON THE PART OF THE LEADERSHIP TO UNDERSTAND THE ROLE OF TECHNOLOGY, TO UNDERSTAND ... HOW WE CAN BENEFIT THE VETERANS WITH TECHNOLOGY WITHOUT LOSING THAT PERSONAL CONTACT."

average age of our workforce is not folks just out of college, so we can't just turn everybody immediately onto e-learning or satellite learning. We're going to maintain that other environment because we realize that there are many opportunities where we still will need face-to-face [learning], but what we're trying to do is to put together a package that will offer employees and managers choices.

Travel dollars are very scarce. So maybe instead of sending folks away for a week and taking them out of the job, they'll be able to come up on the individual development plan with a way of taking advantage of satellite broadcasts and e-learning opportunities to make the learning opportunities happen.

PARTNERSHIP

On using partnership to leverage employee learning opportunities

The way we're trying to set it up at the VA is that we are partnering both with government agencies, private organizations, colleges, and universities to put together a learning environment. We want to take the best from all of those entities and put it together in an electronic environment….

I had hoped for a solution like this to debt management 10 years ago, because at that time the government was asking every agency to develop and design a debt management system. In reality, there's just a need for one or two good ones. I think that's what we need to do here [in employee learning]. There are obviously places that crosscut the entire government. Some may say finance is a little different over here, but 80 percent of the content is the same.

If we can get our hands on products that all we need to do is tweak them to make them more adaptable to the VA, we should be in that business. I look forward to having opportunities to discuss this with other organizations that are embarking on this. There are core competencies. There are core areas that may not be the same. I don't have much in common with teaching soldiers the things that they need to do on the battlefield, but for the finance occupations in DoD and for others that we talked about crosscutting, I think there are really great opportunities to leverage.

On partnership lessons learned

The first lesson clearly is don't do it by yourself. What we have found in the VA as we've been moving forward with this is that the pace of change, the pace of technology is very rapid. If you're developing something on today's ideas, you're probably going to have a product that's not going to be useful very far down the road. So I think it's important that … chief learning officers across the government spend time talking about it. I think we need to partner with each other rather than going off on our own. Before you start anything, call other folks around the government and see what's going on. But don't just look at what's going on in government. You have to look at what's going on in private industry, too.

On the future of learning partnerships

My vision of 10 years down the road would be that crosscutting opportunities, such as finance, information technology, procurement, HR, public affairs—that the VA would be partnering with a bigger government learning university to where those occupations … [would have] a warehouse of courses that would be available in the electronic world.

It would be a collection of the courses from the VA, the DoD, as well as all government entities, so you could literally go in and have access to what's going on everywhere. We must leverage what we can get our hands on. We must stop trying to do everything ourselves.

The Business of Government Hour's interview with Stanley R. Sinclair is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

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G. Martin Wagner

Associate Administrator, Office of Governmentwide Policy General Services Administration

"GSA is the government's big buyer.... We do a lot through the Public Buildings, through the Federal Supply Service, Federal Technology Service. This is where about 14,000 employees set up contracts that are used by the government as a whole for many of the goods and services that they use. I have the policy function, where we look at the overall system, not just the specific contracts that GSA does. We've centralized all of the management functions of government in one place. We look at the government as a whole and try to make things so that the government is better managed than it otherwise would be," explains G. Martin "Marty" Wagner. Wagner is an associate administrator, Office of Governmentwide Policy (OGP) at the General Services Administration (GSA).

Wagner describes OGP's approach to policy making: "One of the things we found when we consolidated our operations is that government historically has had a top-down approach to policy. Something would go wrong, and we would develop a rule against doing that bad thing. And we found that probably gets you a fair distance, but you're actually going to do better in developing your policies if you work with the community that is affected by those policies to develop approaches that solve the overall problem—not just avoiding the bad thing, but doing the right thing."

Wagner was one member of an interagency group that brought FirstGov.gov, a governmentwide Internet portal for citizens, to life. Wagner describes FirstGov: "Right now, there are about 33 million documents … [added and updated] every two weeks. It's arranged by category, so it doesn't require you to be an expert in the U.S. government's internal plumbing. We're going from what I'll call 'inside out' government to 'outside in' government. Mostly, when we look out, working for government, we work in our programs and we deliver those programs. Turns out that you can also look at it from the other viewpoint, as a customer looking into the federal government. FirstGov is one of the cuts at doing that. It's a webpage that takes you to everything."

When asked about lessons learned during the FirstGov project, Wagner reflects: "It's an interesting project because it doesn't fit the traditional mold. It didn't have any budget. It was interagency…. I learned a lot of lessons from how FirstGov came about. The first was that leadership mattered. FirstGov was something that people at senior levels wanted to have happen and did the work cross-agency to get the money together and took a lead to make it happen. The second lesson is that if you want to get something done, you have to have the ability to execute…. Talking to everybody is really important. Even when you're moving quickly, you need to be talking to everybody…. We found that not only does speed help you get things done quickly and focus on the things that matter, it also means that your critics are behind you, because you're already doing something different…."

Although FirstGov is operational, it will continue to evolve. When asked about the future of FirstGov, Wagner predicts: "We've got the search engine substantially improved now over the way it was in the beginning. We're improving the taxonomies. We're working more and more closely with the states on how to tie their information in because, in fact, the states have many of the same issues that we have. For example, the U.S. government has 30 million documents online, and the states have about 14 million documents online. There's a lot of working through to make it better. But the really important ties are back to other cross-agency efforts and agency-specific web portal efforts."

Another area that will continue to evolve is the development of government wide policies on privacy. While Wagner does not anticipate the Office of Governmentwide Policy becoming a regulator of privacy issues, he does envision OGP being "a participant in working through the privacy issues." He notes, however, that privacy tends to be often mixed up with security, but they are very different. Wagner reflects, "When we move to a more and more electronic government, we need to guarantee that we protect the privacy of our citizens."

In the future, Wagner speculates that citizens will have the right to be anonymous unless there's a reason that an individual needs to be identified. "If you go and pull down a tax form, no one's going to collect anything about you …," states Wagner. "If you are, however, interacting directly with a government agency through the Internet, we have to guarantee that it is in fact you that we're talking to because that's private information." Privacy, along with many related governmentwide Internet issues, is likely to keep Marty Wagner and GSA's Office of Governmentwide Policy very busy over the next several years. ■


"WE FOUND [WITH FIRSTGOV.GOV] THAT NOT ONLY DOES SPEED HELP YOU GET THINGS DONE QUICKLY AND FOCUS ON THE THINGS THAT MATTER, IT ALSO MEANS THAT YOUR CRITICS ARE BEHIND YOU, BECAUSE YOU'RE ALREADY DOING SOMETHING DIFFERENT—BECAUSE YOU RAN INTO THE PROBLEMS THAT THE CRITICS WERE POINTING OUT AND ARE NOW MOVING INTO ANOTHER AREA."

Radio Interview Excerpts

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General Services Administration

TECHNOLOGY

On telecommuting

Well, the short answer is telecommuting has got a long way to go. It's going to be really, really a lot more important than it's been to date. It's where a lot of society is going. Because with technology, things like laptops and high-speed access and wireless access, you're a lot more able to work anyplace at any time. Now, the problem you get into is not all jobs fit that way of operating. In fact, we actually prefer to say "telework" instead of "telecommuting." "Telecommuting" carries with it the idea that you are really doing the same thing, but "telework" [means] you can take a laptop, be on the road, be in a train, be in an airport, depot, you can do a lot of that work. We're doing more and more in that direction.

We, in our own office, are setting up hoteling arrangements by which people can more easily move around and do telecommuting that way. There are some real issues to work out. How do you manage a telecommuting workforce? A lot of the people who telecommute or telework, they get nervous about it because if they're not in the office, they're worried about being forgotten. How do you deal with those legitimate concerns and work through that? And, frankly, there are a lot of issues in using the information technology, to make it standard and reliable, to work that out.

But we see that as pretty much the wave of the future. It's not going to be for everybody. You've got true believers that somehow think that anyone can be a teleworker. I don't think that's the case. But an awful lot of us are going to be teleworking more and more.

On Internet privacy

We're [OGP] certainly not going to be a regulator of privacy issues, but we're certainly going to be a participant in working through the privacy issues. Privacy is one of those issues that tends to be often mixed in with security, and they are different. When we move to a more and more electronic government, we need to guarantee that we protect the privacy of our citizens.

Frankly, there are some larger issues in how the Internet is evolving, when you look at some of the privacy issues there. Simple one: You have a right to be anonymous unless there's some reason that you need to identify yourself. If you go and pull down a tax form, no one's going to collect anything about you if you're downloading a tax form, because that's our duty—to make sure that's private. If you are, however, interacting directly with a government agency through the Internet, we have to guarantee that it is in fact you that we're talking to because that's private information.

We're going to be working through a lot of how you actually make that work. We haven't worked out all of the answers, but since we have a collaborative model, we've got the Office of Management and Budget [OMB] and all the other agencies that we'll be working together with on solving that over the next few years.

On technology as a catalyst

You tend to be in trouble when you're driven by technology, as opposed to technology being a catalyst to enable you to do something else. But you really do have to understand the technology. It was really important [during FirstGov development] to have people who understood what the web could do, what it couldn't do, who could weigh the different clouds as the vendors make their offerings and say what you're doing. So technology matters, but it doesn't matter as much as what you're trying to do.

PERFORMANCE MEASUREMENT

On the balanced scorecard

Balanced scorecard is a pretty interesting approach. What has historically happened with many organizations is the focus on things like the bottom line misses a lot of other things that are important. And what balanced scorecard fundamentally tries to do is discipline yourself to look at more than just a few things.

And, in our case, I think we're nontraditional … we have five perspectives. So what are our perspectives? First is, what do

"WE'VE CENTRALIZED ALL OF THE MANAGEMENT FUNCTIONS OF GOVERNMENT IN ONE PLACE. WE LOOK AT THE GOVERNMENT AS A WHOLE AND TRY TO MAKE THINGS SO THAT THE GOVERNMENT IS BETTER MANAGED…."

we measure from a stakeholder perspective? Our stakeholders are the folks who are interested in management across the government as a whole. So there are measures from that perspective. There are also the measures from a customer's perspective. We have customers too—if they're happy or unhappy, that matters a lot. We also have internal business processes. Are those processes working well or badly? Budget, keeping track of money. Finally, something that I think has been neglected and is going to matter more and more is the learning and growth perspective. Do employees know what they need to know? Do they have the tools that they need? Are they the right tools for the right job?

We're managing using those five measures. It's more difficult for a policy organization than an operational entity because a lot of our measures tend to be "how do you measure the effectiveness of a policy?" We're finding it a useful way of looking at it [performance].

On lessons learned from the balanced scorecard

I will give a suggestion to those looking at it. This is a really good way to look at your programs, but don't get carried away with it. It should be a simple way to look—it should be a simpler tool for looking at what you do. And this is one way of looking at things, and it's a way of keeping balance. Find things that work and be prepared to change. What we also find is that what we were sure was the right way to do things a year ago turns out to have been wrong. And that's not bad. It just means that you adjust and start working as you evolve toward a better way of managing.

They should be things that encourage the behavior you want. If you want a behavior that you want customers to be satisfied, find a customer satisfaction measure of some sort or another to measure, and that's one of the things [we're] doing. If you want your folks to be educated on what they need to be educated on, find something to measure that leads you in that direction.

On linking budget to performance

I think I'm quoting Mitch Daniels, the director of OMB, who said something along the lines of "If you're not keeping score, you're just practicing." And I think that … things you measure, you'll get more of. And I think that's the first important point, trying to measure something, and then move in that direction; understand those measures as step one.

Now, there's been a lot of discussion … about things like outcome measures and output measures and things like that. I think there's something about outcome measures that may bring out the worst in some people. But this is my take on the way we have to go: First, an outcome is something you really want to achieve. It's not necessarily what you produce, but it's some measure of programmatic effectiveness that is as far away from the nitty-gritty outputs—it's the higher-level things. I think what we ought to do is figure out what outcomes we want and then try to measure them. Then … we'll have programs that are moving in the direction to get those outcomes that we want. Those would be outputs that we do measure. Frankly… we've done a pretty good job of measuring [outputs]. The problem is linking the outputs to the outcomes. What I would suggest there is, rather than get into trying to quantify it too exactly, tell the story that people can either believe or not believe of why the things you as an agency are producing help achieve the outcomes you want to achieve. In my case, the outputs I would have might be things like regulations or accounting best practices.… I can't prove that because some best practice came out … that we're making a big difference. But I think I can make the case of why the regulations or the guidance or the performance measures then being used by an agency has led to better behavior.

The Business of Government Hour's interview with G. Martin Wagner is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

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Vice Admiral Thomas R. Wilson

Director, Defense Intelligence Agency
Department of Defense

"The Defense Intelligence Agency was established in 1961, so we're having our 40th anniversary this fall in October. And it's designed to provide intelligence support for our military and our military policy makers and the people in the Department of Defense who acquire our weapons systems and combat systems of the future. So it's designed to provide a joint intelligence focus for those three primary groups of customers: the warfighters, the defense policy makers, and the defense acquisition community," explains Vice Admiral Thomas R. Wilson. Admiral Wilson is currently the director of the Defense Intelligence Agency (DIA) and manager of the General Defense Intelligence Program, overseeing selected intelligence resources for all services. Admiral Wilson began his military career with the U.S. Navy and has held intelligence positions overseas and within the United States, including vice director for Intelligence of the Joint Staff and associate director of Central Intelligence for Military Support.

When asked about the distinct mission of the DIA, Admiral Wilson explains: "We are focused first and foremost on the military or defense customer. We do all-source intelligence analysis. We also do human intelligence collection, but we do it in a way which is focused on the customer sets that I was talking about. You cannot separate military intelligence from political and the economic sectors, for example. We very much focus on foreign militaries and their capabilities and their intentions and focus on our defense customers."

When asked about the impact of technology on DIA and its implications for knowledge management, Admiral Wilson states: "Clearly, the information age that we're in right now leads to enormous challenges and opportunities for intelligence. One of the really important things in our business is to separate the difference between raw data, which might just be electronic intercepts or something like that, information which may have a little bit of value-added flavor to it, and intelligence which is trying to blend a lot of information and raw data together to give a focused, predictive analysis."

When asked about the impact of knowledge management on DIA's customers, Admiral Wilson observes: "Our customers—especially the warfighting customer—need all of those things. They need intelligence, they need raw data if they're in the fight, and they need information. The challenge for us is to manage all of that so that they know what the differences are, what is unevaluated raw data versus evaluated information versus analyzed intelligence, and to be able to deliver it to them in a format that is useful, a time frame that's relevant to their operations, and that it's the information that they really need to support their operations without a lot of superfluous information. So the challenges in the information world have gone to an inability in the past to move large amounts of information to the challenges of being able to move it, but manag[ing] it so that you don't overwhelm the customer with too much information."

Admiral Wilson describes DIA's approach toward managing this information: "The JIVA [Joint Intelligent Virtual Architecture] program is not a single database. What this concept is, is to take technology, high-bandwidth communications, collaborative tools, software and hardware, field it throughout the enterprise, along with doctrine, tactics, and procedures that will allow analysts and people at different levels of command to collaborate and virtually work on problems together to produce the best analysis or the best product that the system can offer—as opposed to what one command or one analyst could put together." He continues: "We put in infrastructure first. In the last several years, we're fielding software tools, analysis of support tools in the entire network, which is a worldwide architecture…. So it's really a combination of hardware, software—and tactics, techniques, and procedures—to allow us to collaborate in the intelligence analysis and production community more than we ever could before the technology was available."

In addition to managing knowledge, the Defense Intelligence Agency must also manage its workforce of the future. Like many federal agencies, DIA is concerned with the forthcoming retirement wave. Wilson reflects, "I think that the biggest challenge is that you lose workers or analysts who have long experience in certain areas." The retirement wave does, however, offer DIA the opportunity to replenish the workforce with different kinds of skills that may be needed in the future. "What we're doing … is trying to inventory the skill sets we have in our workforce, trying to project and examine what we need in the future, and … then trying to recruit people who have skills that we think are in greater demand for the future," states Wilson. ■

"WE ARE FIRST AND FOREMOST A PEOPLE PROGRAM. MOST OF OUR RESOURCES ARE TIED UP IN OUR PERSONNEL RESOURCES AND ASSETS, AND WE HAVE TO REPLENISH THAT WORKFORCE. WE HAVE TO BE ABLE TO RECRUIT, TRAIN, RETAIN, AND REWARD TOP-QUALITY PEOPLE TO DO THIS IMPORTANT SECURITY WORK FOR THE COUNTRY."

Radio Interview Excerpts

Vice Admiral Thomas R. Wilson
Director, Defense Intelligence Agency
Department of Defense

LEADERSHIP

On becoming a leader

I certainly think that your entire career molds together to prepare you for leadership positions at the national level. But strangely enough, I would say that [being] a division officer on an aircraft carrier—when the carrier was in the shipyard—was a real challenge in terms of leading and managing people, because the kind of work we were doing was not what they were necessarily trained to do. It was not fun work. It exposed me to managing the overhaul of an intelligence center on a carrier with a group of sailors, and was a challenge and an interesting one for management and leadership.

Then, certainly after that, going to sea in the operational environment, leading petty officers, sailors, junior officers, at the air wing level or the command ship level—for where I operated was all building experience—and the overseas assignments as well, dealing with our foreign counterparts in an environment which is not completely familiar. It all molds together to prepare you for more leadership positions, which come later in your career.

On leadership qualities

I think the most important thing for leaders is to be able to communicate clearly to their organization what the goals and objectives are to be able to establish a strong team in working toward those goals and objectives—and having buy-in with the goals is certainly important—as well as a set of business values. And unleashing the people to work toward those objectives, is critically important, and the best way to accomplish things in this day and age and probably forever. So being able to communicate, being able to convey a sense of enthusiasm, to inspire people to go the direction that the leader has charted, are all important leadership skills to develop.

On the impact of technology on leaders

It certainly has changed the very nature of our work in the intelligence community. Just reviewing regularly the last 10 years, the post-Desert Storm environment and the way we are now connected with high-bandwidth communications, computer-to-computer interfaces at secure levels, video teleconferencing, and things like that drastically change the way we can operate and do operate.

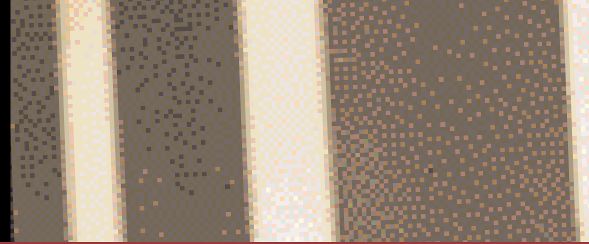
And I think that the flow of information, the rapid flow of information, can be both an enhancement to a leader and also create challenges. It is certainly easy to get your work out rapidly to a large number of people and directly from the leader, but it also makes it sometimes more challenging for the chain of command to be used effectively and sometimes for misinformation to be rapidly disseminated as well.

HUMAN CAPITAL

On diversity at DIA

First of all, the intelligence business is all about understanding how other people, other cultures, other countries think and feel about things, and will react in given situations. So it's a very diverse world that we're trying to analyze and understand. If we have a diverse analytical workforce, a diverse force of case officers in the human intelligence world, people who understand more about how people who are different from us think and feel and react, we can be a stronger intelligence community.

We're trying to promote diversity in DIA, and in fact in all of the defense intelligence we have established stretch goals for diversity, minority hiring. Certainly, we're working on education and training programs to make sure that our diverse population is elevated and that the pool of people we can choose from for future leadership positions is a diverse pool. And we're doing it because diversity is important to our business. We have some great relationships with, for example, historically black colleges and universities on some academic work in support of our analysis, and we target some of those universities for recruiting. And we use the Joint Military Intelligence College, for example, by offering fellowships to qualified individuals.



"THE INTELLIGENCE BUSINESS IS ALL ABOUT UNDERSTANDING HOW OTHER PEOPLE, OTHER CULTURES, OTHER COUNTRIES THINK AND FEEL ABOUT THINGS, AND WILL REACT IN GIVEN SITUATIONS. SO IT'S A VERY DIVERSE WORLD THAT WE'RE TRYING TO ANALYZE AND UNDERSTAND."

On training

The Joint Military Intelligence College was actually established in 1962, I think, as the Defense Intelligence School, about a year after DIA was established. We have about 450 students on an annual basis, about one-third of which are full-time. The others are part-time, weekend students.

We're fully accredited by the Eastern States Universities and Colleges Association to offer a Master of Science in Strategic Intelligence and a Bachelor of Science in Strategic Intelligence. The latter program is really designed to give people who have gotten three years of college on their own a fourth year. And this BSSI, Bachelor of Science in Strategic Intelligence degree, we use that often as a tool to give upper mobility to a staff support assistant, a secretary. Many of our enlisted personnel take advantage of this opportunity. Then, for the masters program, we bring in military personnel and civilians. They have a very rigorous academic program. They can write a classified or unclassified thesis. It's fully accredited. And then we find that we have a more powerful combination of talent that comes out of the school and that we can get into the workforce. So it's a good mid-career training opportunity or educational opportunity, and we find a lot of advantages to the college.

On skills for the future workforce

My degree happens to be in agriculture, agriculture economics and rural sociology, so I guess that's a short way of saying I think that you can have educational skills in almost anything. We certainly need information technologists, no question about that, people who can make computers and network communications sing for us. But we also need people who have a fundamental understanding of history, the social sciences, the arts, languages. Language skills are awfully important. We need people with technical backgrounds in scientific areas. It's almost hard to imagine an area of endeavor that we can't use in the intelligence community. Certainly we need some more than others, but the areas I just mentioned—political science, history, the hard sciences, biological sciences, chemical, languages—those are all important skills for us to have in the workforce in the future.

On the pending retirement wave

I think that the biggest challenge that it presents is that you lose workers or analysts who have long experience in certain areas. And also, we may lose civilians, for example, who have long experience in the military. We are more likely to get in people who have different skill sets and may not have as much exposure to the military. So I think that the latter is a challenge. We always need in DIA, in defense intelligence, to make sure our people fundamentally understand our military and what its requirements are in terms of intelligence support, but also the opportunity to replenish the workforce with different kinds of skills that may be needed for the future is important. And so what we're doing, of course, is trying to inventory the skill sets we have in our workforce, trying to project and examine what we need in the future, and are then trying to recruit people who have skills that we think are in greater demand for the future.

On mentoring

I suspect that people have been worried about experience leaving organizations for hundreds of years. And so you try to keep good files. You try to have good mentors. I think for people who are nearing the end of their careers who have long experience in the field of analysis of collection, mentoring is so important … and the degree to which our senior analysts and our senior case officers can grab the young people coming in, make sure they get the right training and mentor them and pass on their skills—that's how you really generate the experience for the future, because the young folks can blend their new educational capabilities along with the mentoring they receive from the experienced veterans.

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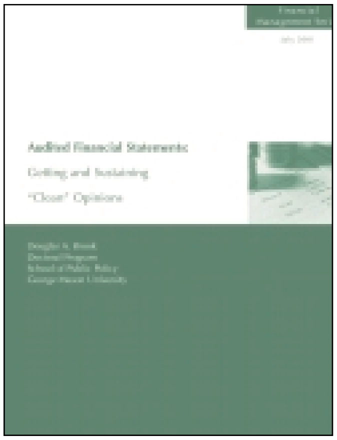
Audited Financial Statements: Getting and Sustaining "Clean" Opinions

By Douglas A. Brook



The requirement for federal agencies to prepare business-style financial statements and subject these statements to independent audit was the centerpiece of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. This report examines how organizational factors and management strategies can affect the ability of federal agencies to meet these requirements and achieve unqualified ("clean") audit opinions.

Some financial management organizational factors, such as the number of financial management systems, the number of reporting entities, and the duties of the chief financial officer (CFO), are found to relate to the frequency and distribution of clean audit opinions, but none is found to be an absolute barrier to success. Looking for other explanations for the differences in agency audit opinions, the research identifies six management strategies that are found in most agencies with successful audit histories. They are leadership support, positive resource allocations, constructive partnerships with auditors, cooperation with functional and line managers, short-term systems solutions, and extraordinary effort.

These findings have important implications for heads of agencies and CFOs in the new administration. Agency efforts to get and keep clean audit opinions should be supported by policies and practices that make use of the six key management strategies.

The report makes seven recommendations:

1. The White House, OMB, and heads of agencies must exhibit tangible interest and involvement in financial reporting.
2. Agency budget decisions and personnel allocations must recognize that audited financial reporting is a recurring requirement.
3. CFOs and inspector general auditors should establish ongoing collaborative approaches to financial reporting and audits.
4. Agency leaders need to demonstrate that audited financial statements and clean audit opinions are agency-wide priorities in order to encourage cooperation by functional and line managers.
5. Short-term systems solutions should be employed to help bring the remaining agencies up to a clean audit opinion where integration of new core accounting systems are delayed or under long-term development.
6. "Heroic effort" should be employed in instances where agencies need to overcome one-time data collection hurdles or to overcome temporary shortcomings in financial information or reporting.
7. Agency leaders, chief financial officers, and inspectors general must recognize that producing reliable financial statements is a recurring annual requirement.

About Douglas A. Brook

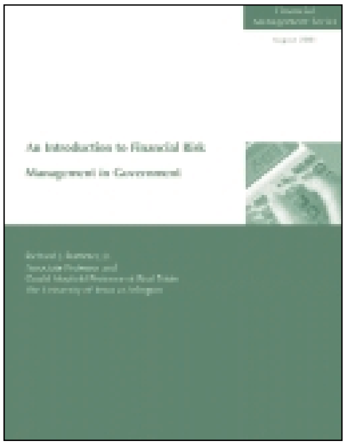
Douglas A. Brook recently completed his Ph.D. studies in public policy at George Mason University. He is coeditor, with James Pfiffner, of a new book on the civil service, *The Future of Merit: Twenty Years after the Civil Service Reform Act.*

Dr. Brook is vice president—government affairs for The LTV Corporation. Prior to joining LTV, he was acting director of the U.S. Office of Personnel Management. He previously served as assistant secretary of the Army for financial management.

Dr. Brook attended the University of Michigan, graduating with a bachelor of arts degree in political science in 1965 and earning a master of public administration degree in 1967. He also completed the 1977 Executive Program at the University of Virginia's Colgate Darden Graduate School of Business Administration. He served on active duty as a Navy Supply Corps officer and was an active member of the Naval Reserve for 30 years. He retired with the rank of captain.

An Introduction to Financial Risk Management in Government

By Richard J. Buttimer, Jr.



The U.S. government has a long history of adapting and adopting successful and prudent business practices from the private sector. In the arena of financial management this is perhaps best illustrated by the adoption of the Chief Financial Officers Act of 1990, with its requirement that federal agencies pass financial audits similar to those of publicly traded companies. One of the most important recent innovations in private sector financial management has been the widespread adoption of advanced financial risk management techniques, even by companies whose primary business is not financial in nature. This adoption has allowed firms to control financial risk much more precisely and with fewer resources than ever before. Some government agencies, primarily those with a financial mission, have implemented similar techniques. The purpose of this report is to introduce financial risk management (FRM) concepts, processes, and tools to government managers at non-financially oriented agencies and to provide examples of current FRM use by the government.

The major findings of this report are:

1. Government agencies, unlike private sector firms, do not have a single objective function. Each agency has a unique mission. Government risk managers, therefore, must recognize that their goal is to manage financial risk in such a way as to *maximize the probability of the agency accomplishing its primary mission.*
2. Managing financial risk does not mean eliminating it. Typically, financial risk is something an agency must bear to achieve its mission. The goal of the agency financial risk manager is to take on the minimal amount of financial risk to meet the agency's mission.
3. Unlike in the private sector, derivative securities will likely not be the primary tool used by government financial risk managers. Instead, they will most likely use other private sector methods such as advanced measurement techniques, risk limits, and organizational structure.
4. The appropriate metric of financial risk is a function of the mission of the organization. For businesses this always translates into a dollar-based measure. For a government agency, however, the metric will be mission-specific.
5. In the private sector a measure that has become quite common is "Value at Risk," which measures the riskiness of the firm in terms of the dollars it could lose due to a given risk with a given level of probability. A similar metric in government could be "Mission at Risk." This measure would express financial risk in terms of the probability of the agency not being able to accomplish its mission due to financial risk.
6. Some government agencies have already begun to implement financial risk management tools, and others have expressed interest in doing so. Now is an appropriate time for OMB or some other oversight agency to begin developing a generalized approach to financial risk management throughout the government.

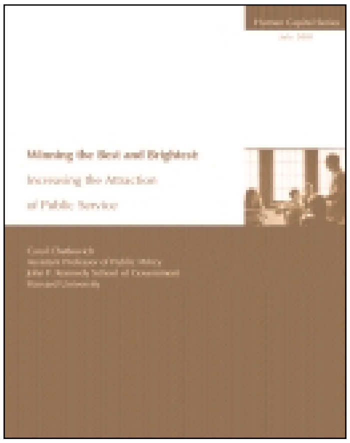
About Richard J. Buttimer, Jr.

Richard J. Buttimer, Jr., is the Gould-Mayfield Professor of Real Estate and an Associate Professor of Finance and Real Estate at The University of Texas at Arlington. He earned his BBA and his Ph.D. from the University of Georgia. He has taught courses in financial risk management, financial modeling, corporate finance, and real estate finance.

Dr. Buttimer's current research interests include the role of financial risk management techniques in government, the pricing of mortgage servicing rights, and the long-run performance of REITs. His articles have appeared in many scholarly journals, including *The Journal of Money, Credit, and Banking, Real Estate Economics; The Journal of Public Budgeting and Finance; The Journal of Real Estate Finance and Economics;* and *The Journal of Housing Economics.* Dr. Buttimer is an associate editor of *The Journal of Real Estate Literature*, and is on the editorial board of *The Journal of Real Estate Finance and Economics.*

Winning the Best and Brightest: Increasing the Attraction of Public Service

By Carol Chetkovich



All employers today are engaged in an intense competition for good people, but the public sector faces particularly difficult challenges in its effort to attract and retain talent.

What are students seeking in their careers and what can government do to compete more effectively for these talented candidates? Do public policy schools have an effect on student attitudes and expectations, and if so, can they strengthen the public-service orientation of their graduates?

To address such questions, this report takes a close look at the career-related goals and expectations of public policy students, from their entry into a professional program until their first postgraduate employment. The following findings are highlighted:

- Students at entry tend to be uncertain about their career goals and ambivalent about sector.
- Compounding student uncertainty is the common anticipation of multi-sector careers.
- The policy training process appears not to strengthen public-sector interest, and may even confirm misgivings about government.
- Students are drawn to the private sector for professional development, intellectual challenge, and advancement opportunity, as well as financial benefits.
- Though salary is not the most important consideration for these students, it becomes salient in the context of both the large debt burden carried by many students and the considerable salary differences between sectors.
- For those who do pursue public-sector work, probably the strongest drawing card is the possibility of "making a difference"—particularly of having an impact in a policy area of interest.

The study's findings point to areas in which action is needed by both government and policy schools if the public sector is to compete more effectively for qualified workers. These area include:

- *Enhancing the appeal of public-sector work and respect for government.* In terms of government action, this means ensuring that professional work makes use of candidate skills and policy interest, supports professional development, makes clear advancement opportunities, and is not overly constrained by hierarchy.
- *Addressing financial concerns*. Government employers must do whatever they can to narrow the salary gap, including using special pay authorities such as the repayment of student loans.
- *Improving career guidance, linkages, and ease of entry into government.* Government recruiting needs to be earlier, more strategic, and more proactive; a streamlined, more flexible hiring process is also necessary.

Action on all of these fronts would enhance government's competitiveness and strengthen student commitment to public service, ultimately improving the conditions and performance of public-sector work.

About Carol Chetkovich

Carol Chetkovich is Assistant Professor of Public Policy at Harvard University's John F. Kennedy School of Government, where she is affiliated with the Malcolm Wiener Center for Social Policy. She teaches courses on public management, diversity in the workplace, and research methods.

Her current research project, part of which is reported here, examines the occupational culture of policy professionals. The project is motivated by questions about both the movement of policy students away from government and the relevance of race and gender in student experience.

Chetkovich is a graduate of Stanford University (1970) and holds an M.P.P. (1987) and Ph.D. (1994) from the Graduate School of Public Policy at the University of California, Berkeley.

The Potential of the Government Performance and Results Act as a Tool to Manage Third-Party Government

By David G. Frederickson

The Government Performance and Results Act of 1993 (GPRA, or the Results Act) seeks to improve federal agencies' efficiency and effectiveness. GPRA posits that federal performance shortcomings are primarily managerial, specifically attributable to poorly articulated missions and inadequate performance information. As a remedy for inefficiency and ineffectiveness and to produce the desired performance information, GPRA requires that federal agencies develop strategic plans, and measure and report on their performance. Performance planning and reporting are to be integrated with agency budgets, with the hope that this information will be useful for making budget decisions.

Previous large-scale federal management and budget reform efforts have not met with much success. The primary impediment to successful implementation of GPRA has widely been assumed to be the difficulties associated with measuring the results of government activities.

This report details how the performance measurement process required by GPRA has served to improve internal management within federal agencies. More specifically, in the agencies studied for this report, GPRA has resulted in new lines of results-oriented communication and improved cooperation with the third parties that agencies rely on to carry out their missions. Complicating these coordination efforts is the fact that the third parties with whom agencies partner to deliver public services are not uniform in either kind or responsibility.

Based on this report's findings the following recommendations about GPRA implementation are made:

- **For Agencies:** In developing their performance goals, each agency should make clear their role in the delivery of public services. Specifically, in addition to outcome measures, agencies that give grants to third parties should develop goals relating management and oversight of grantees' performance in achieving outcomes.
- **For Agencies:** Agencies should use GPRA not only as a means to communicate their performance, but also to communicate constraints that inhibit their performance.
- **For OMB:** The U.S. Office of Management and Budget's (OMB) Circular A-11, which includes a section on what information should be included in performance plans and reports, should require that agencies include information on third party collaboration in the development of performance goals and measures.
- **For OPM:** The U.S. Office of Personnel Management should take the lead in developing strategies to help agencies engage in an extensive effort to train and hire employees to manage all activities relating to third parties.
- **For Congress:** Agencies should request and Congress should appropriate money for agencies to engage in the coordination necessary to include third parties extensively in the development of performance goals and the measures used to assess their attainment.

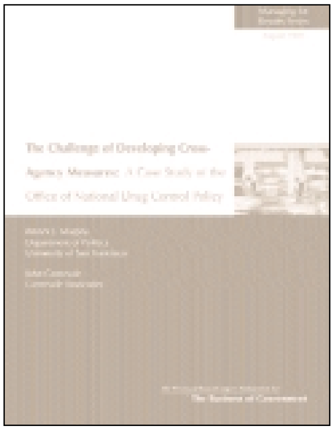
About David G. Frederickson

David G. Frederickson is a Public Affairs Doctoral candidate at the Indiana University School of Public and Environmental Affairs (SPEA), with concentrations in public finance and public management. Mr. Frederickson is a graduate of Brigham Young University (1992, B.A. in political science) and of George Mason University (1995, Master of Public Administration).

Mr. Frederickson has taught courses in statistics/research methods, organizational behavior, and program evaluation. He has published in the areas of public sector reform efforts, public sector change management, and pay for performance. His current research is on the Government Performance and Results Act (GPRA) and principal-agent relationships between federal agencies and third parties.

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

By Patrick J. Murphy and John Carnevale



Over the past decade, there has been a notable push for improving how government programs measure performance. The desire for improved management, more effective programs, and accountability have motivated much of the interest and activity in this area. At the federal level, the Government Performance and Results Act (GPRA) of 1993 took these concepts and put them into statute. The law's focus on individual departments as its unit of analysis, though, can be misleading relative to causes and effects. Concentrating on individual departments implies that a single government program would be responsible for any change in the measure. The relationship, unfortunately, often is not so clear-cut. In addition to a variety of external factors, programs in other departments often attempt to address related facets of the same problem.

The measurement of performance for crosscutting programs, therefore, falls outside of the GPRA provisions. The problem of illicit drug use is an example of such a crosscutting issue. What is unique about the drug issue, however, is the fact that the federal government established the Office of National Drug Control Policy (ONDCP) to manage the nation's anti-drug efforts. Created by the Congress in 1988, the ONDCP was charged with coordinating drug policy and establishing priorities government-wide. As the policy office began to mature in the mid-1990s, and buoyed by the momentum generated by GPRA, the ONDCP began the process of creating a system to gauge the efficacy of anti-drug programs. This report is a case study of the ONDCP effort. It describes how the office set out to construct a performance measurement system and the lessons learned from that effort.

By most accounts, the Performance Measurement and Evaluation System (PME) has been deemed an impressive and credible attempt to introduce accountability into the management of federal drug policy. It is clearly the most extensive and institutionalized effort to measure performance for a crosscutting program in the federal government. To create it, the ONDCP had to overcome the challenges associated with measuring performance in general, as well as the added complication of working across organizational lines. To understand how the ONDCP managed to overcome these obstacles, we interviewed individuals who participated in the process of creating the PME system. The respondents were current and former officials in the ONDCP, the Departments of Justice, Education, Treasury, and Health and Human Services (HHS).

The report concludes that the change in administration places the PME system at a crossroads, with its future uncertain. The system itself, as well as the process used to develop it, however, should serve as an important model for other managers seeking to measure the performance of crosscutting programs. The report's recommendations highlight several valuable lessons that emerged from this case study. While some elements of the ONDCP's experience with the PME system may be unique to the illicit drug issue, the story of the PME system should be enlightening for public managers seeking to implement performance measurement in other crosscutting policy areas such as poverty, terrorism, AIDS, and race relations.

John Carnevale has over 14 years of federal government drug policy experience at the executive branch level. He served for 11 years at the White House Office of National Drug Control Policy (ONDCP), where he served as the director of the Office of Programs, Budget, Research, and Evaluation. While there, he prepared the National Drug Control Strategy and the Federal Drug Control Budget to implement it. Prior to ONDCP, Dr. Carnevale worked at the Office of Management and Budget.

Patrick J. Murphy is an Assistant Professor of Politics at the University of San Francisco, where he teaches courses in public policy, public administration, and American government. Prior to teaching, he worked at the Office of Management and Budget coordinating drug policy issues and serving as the liaison with the Office of National Drug Control Policy.

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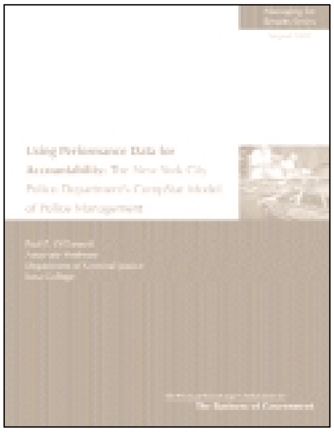
Using Performance Data for Accountability: The New York City Police Department's CompStat Model of Police Management

By Paul E. O'Connell



Over the past decade, the quest for accountability in public service has led to the development of a variety of innovative management strategies at the municipal government level. This study investigates one such strategy—the CompStat management model—developed by the New York City Police Department (NYPD) in the early 1990s. In its purest form, CompStat is a sophisticated performance measurement system that reorders an organization's day-to-day operations, as well as its overall orientation toward its core mission and goals. CompStat is based upon the compilation, distribution, and utilization of "real time" data in order to allow field managers to make better-informed and more effective decisions.

The NYPD continues to use the CompStat system to assess its performance against specific "crime fighting" goals and objectives. CompStat has received a great deal of attention from public administrators and scholars alike, since it has demonstrably improved accountability and bottom-line performance within the NYPD for nearly eight years. The NYPD's success led to the early adoption of similar CompStat systems by other law enforcement agencies at the municipal level. Now, due to its continued popularity and success, the CompStat system has transcended the field of law enforcement and has been successfully implemented in a variety of other public service contexts. It has reaped similar benefits for these agencies and continues to be implemented by organizations looking for an effective program of performance assessment that can improve productivity and ensure accountability.

This report examines the diffusion and replication of the CompStat by examining five public service agencies/departments that have successfully implemented their own version of the CompStat model. The research methodology used consists primarily of a series of in-depth personal interviews, field observations, and extensive document review. These methods appear to be particularly well-suited to a research project that seeks to trace the introduction and movement of a management innovation into and through public organizations.

CompStat represents a watershed event in the history of municipal management. Most recently, CompStat has moved into the field of federal service (i.e., the Inspector General's Office of the United States Department of Justice). CompStat is consistent with the practices and principles outlined in the Government Performance and Results Act (1993) and should therefore continue to spread throughout the federal government. What began as an innovative and effective police management model has rapidly developed into one of the most promising new tools for unleashing the creativity of managers at all levels of government. At the core of any successful implementation of CompStat must be an organization's fundamental belief that change is beneficial and that performance can always be improved.

About Paul O'Connell

Paul O'Connell is an Associate Professor and former chair of the Department of Criminal Justice at Iona College in New Rochelle, New York. He teaches undergraduate and graduate courses in law, criminal justice, and public administration.

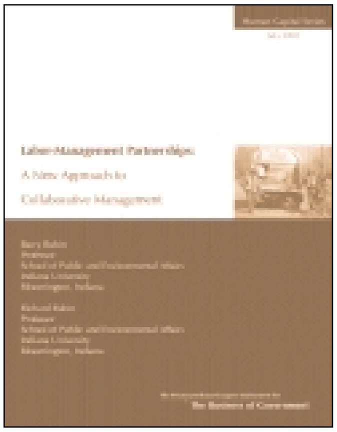
His recent research has focused upon the areas of program evaluation, and police administration and training. He is currently engaged in a project entitled, "An Intellectual History of the CompStat Model of Police Management." He has published articles in the *International Journal of Public Administration*, *City Journal*, *American Jails*, *Law Enforcement News*, and a variety of other journals and publications.

Prior to joining Iona College he served as a New York City police officer, an NYPD Police Academy law instructor and curriculum coordinator, and a civil trial attorney for the firm of Cummings & Lockwood in Stamford, Connecticut.

He is a graduate of St. John's University (1981), and holds an M.P.A. and an M.Phil. from City University of New York, John Jay College (1984, 2000), and a J.D. from St. John's School of Law (1989). He is currently completing his doctoral dissertation in criminal justice.

Labor-Management Partnerships: A New Approach to Collaborative Management

By Barry Rubin and Richard Rubin



The City of Indianapolis received significant national and international attention for its reinvention of the delivery of urban services and development of an envied system of municipal operations. Initially driven by the privatization efforts of Mayor Stephen Goldsmith in the early 1990s, a distinctive partnership has evolved between labor and management that encourages cooperation and competition between city departments and private contractors. Successful organizational reform prevented the massive shift to the private sector that was threatened by Goldsmith in the 1992 mayoral campaign.

Research initiatives about the city's success have been conducted by organizations with vested interests and have failed to connect inputs to outcomes. Likewise, methods used by the city to achieve successful reinvention of municipal service delivery have not been fully documented to facilitate replication by other communities.

This research comprehensively investigates Indianapolis' privatization initiatives and the resulting labor-management partnership experience in the Department of Public Works. The study differs from others in its unrestricted access to and cooperation of officials with the City of Indianapolis and the American Federation of State, County and Municipal Employees (AFSCME). Thus, the researchers were able to develop a truly comprehensive and unprecedented portrait of the contribution that labor-management collaboration made in Indianapolis to the cost and quality of municipal service delivery.

Historically, collective bargaining has been inadequate to address emerging issues that require cooperative rather than competitive postures. Much of the work of local government, and especially that which results from the devolution of federal responsibility to states and municipalities, requires cooperation. Quality enhancement, improvement of the cost-effectiveness of service delivery, customer relations, neighborhood development, and welfare reform are examples that require the cooperation of both municipal officials and labor leaders to work collaboratively. Yet, failure to consider the collective bargaining relationship already in place between labor and management constitutes a major deficiency in reinventing government initiatives.

The report concludes with five recommendations to other organizations considering the use of collaborative management:

- Don't force collaboration.
- Make sure that both labor and management share the primary reason for collaboration.
- Ensure that the traditional collective bargaining process is protected.
- Treat collaboration and collective bargaining as separate but equally important processes.
- Tie collaboration to the collective bargaining agreement.

Barry M. Rubin is a Professor in the School of Public and Environmental Affairs (SPEA) at Indiana University in Bloomington. He has been a member of the School's faculty since 1979. His B.S. degree is from the Florida State University, and his M.A. and Ph.D. degrees are from the University of Wisconsin – Madison.

Richard S. Rubin is a Professor in the School of Public and Environmental Affairs (SPEA) at Indiana University in Bloomington. Before joining the SPEA faculty in 1973, he was Senior Extension Associate in the School of Industrial and Labor Relations at Cornell University in Ithaca, New York. His A.B. degree is from Middlebury College, and both his M.I.L.R. and Ph.D. degrees are from Cornell University.

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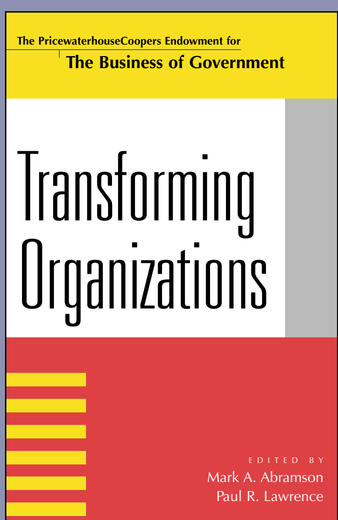

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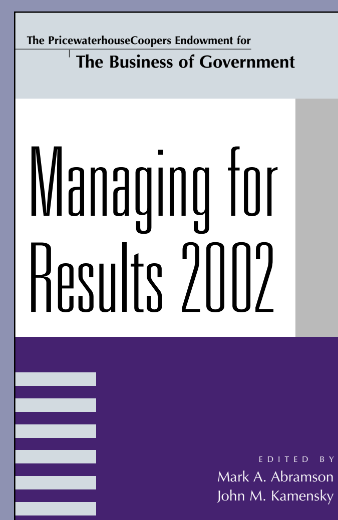

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