the BUSINESS of GOVERNMENT

Changing Government

Best Practices

Outstanding Leaders

Stimulating Ideas

The other day en route to work I stopped at my favorite convenience store to buy a drink. The store had been rearranged since my last visit and I was disoriented. Searching for the drinks, I asked the clerk about the store's new look. "We're changing," he said, "just like everyone else."

He was right. Everyone is changing. Business magazines routinely profile companies undergoing change. Job advertisements seek change agents. Consultants sell advice to manage, lead, or integrate change.

It just seems that change is now a regular part of our lives. Learning to deal with change, while difficult, has become a survival skill. But the alternative is not attractive. Businesses that don't change frequently no longer attract customers, and ultimately cease to exist. Individuals who don't change and are not constantly seeking new skills and staying abreast of their profession often do not advance within their own organization.

During my professional career, I have undergone several significant changes. Early on, I changed jobs twice in three years in an effort to escape companies whose great years were behind them. Those organizations had not kept up with change. I joined Price Waterhouse in 1987. Given its rich heritage and long tradition, I thought I would be sheltered from change. I was wrong.

On July 1, 1998, Price Waterhouse merged with a former rival, Coopers & Lybrand, to create PricewaterhouseCoopers, the world's largest professional services firm. With more than 140,000 employees in 150 countries, we are now the 61st largest employer in the world. That is quite a change from the U.S. firm that had less than 10,000 employees when I joined a decade ago.

The merger experience has been very trying. There have been new people to meet, listen to, and understand. I have been introduced to new styles and perspectives. This has taken considerable time over the last several months. Time that otherwise would have been spent with family or a good book.

Despite all of this, I know that the merger is not just about our organizational survival. It is about us being able to define our future, rather than having the changing business environment define it for us. It's a bold change that I am convinced will yield tremendous benefits. Our customers tell us they want solutions to their business problems faster, more reliably, and cheaper. With the merger, we now have the resources to invest in the changes necessary to better meet client needs. Had we not done this, it is conceivable that our two firms would have ceased to exist or been overtaken by other competitors that were better able to adapt to change.

It used to be impossible to conceive that any of the country's oldest and most stable companies would be unable to survive. AT&T is an excellent example. The telecommunications industry has changed so much in the past two decades that this once dominant company needs to merge with the cable company TCI to stay viable. Who would have thought that 122 years after Alexander Graham Bell invented the telephone, the company that his revolutionary ideas spawned would be searching for a new niche?

How much change has AT&T gone through? In 1988, AT&T bought NCR. In 1996, AT&T split into three companies – Lucent, NCR, and AT&T. Now, they want to merge with TCI to create AT&T Consumer Services. Clearly, this change is driven by the need to stay ahead of competitors, who were once limited to the traditional telecommunications industry, but now include cable television and Internet service providers. AT&T had to do something big and different, which required a bold redefinition of itself.

Changes like this are not limited to the business world. Just two years ago, background investigations for federal government employees were performed by a unit within the Office of Personnel Management. Today, OPM does not conduct any investigations itself. In response to high costs and other factors, the Clinton Administration decided to create an employee-owned firm from the OPM's Office of Federal Investigations. As the only federal agency to privatize a government function, OPM undertook a bold change. On page three, we describe how these 700 federal employees literally changed overnight to become members of the private sector, and how they have fared in this new environment.

Each of the organizations mentioned above – Price Waterhouse, AT&T, and the Office of Personnel Management – responded to the changing environment around them. Instead of standing still and letting the environment dictate their future, they took control of their fate. All were willing to consider big change, however difficult, and were not content to just tinker at the edges. Major change was necessary, often requiring bold actions.

In the years ahead, I hope that the federal government will consider bolder, more creative actions such as the creation of more employee-owned organizations. The U.S. Investigations Services model is probably applicable to other organizational units in the government. There are undoubtedly other agencies or units in government whose performance could be dramatically improved through merger with another unit. If the experience of Price Waterhouse and AT&T tells us anything, it is that change will be thrust upon you if you don't take the lead yourself.

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Improving the Business of Government

Mark A. Abramson and Paul R. Lawrence

Many people talk about privatization, but few people have done it. Phil Harper, chief executive officer and president of U.S. Investigations Services, now leads the only private sector company in the nation that was formerly part of the United States federal government. To better understand this unique experiment in privatization, we visited Mr. Harper at the headquarters of the U.S. Investigations Services, Inc. (USIS) in Annandale, Pennsylvania.

In July 1996, USIS became the first 100 percent employee-owned company to be formed from the privatization of a governmental operation. USIS provides an ever-expanding number of background investigations for the public and private sectors. Previously, the functions of USIS were performed by the Office of Federal Investigations (OFI) in the U.S. Office of Personnel Management. After undergoing the reduction-in-force (RIF) process at OPM, nearly 700 former federal employees were all offered positions at USIS on the day after they were separated from the federal government. Ninety-six percent of those offered positions by USIS accepted. No one was involuntarily unemployed, those declining USIS positions either retired, stayed as part of OPM's oversight staff, or transferred to another agency.

A key feature of the creation of USIS was the decision to become an ESOP (employee stock ownership plan). All employees are owners and annually receive shares in the company. In addition to the company's 401(k) plan, the shares are USIS's primary pension plan. All employees thus have an equity position in the company and a stake in how profitable the company is and how well it performs in the marketplace. "Based on my previous private sector experience, I became convinced that owning shares in your company is essential to the long-term financial success of any business. We made shareholders out of over 700 people," states Harper.

The Office of Personnel Management faced a complex series of options prior to deciding to go the privatization route. It could have totally eliminated the Office of Federal Investigations or it could have merged its operations with another government organization, such as the Defense Security Service (formerly the Defense Investigative Service). Other options included creating a government corporation or simply contracting out the entire operation. Under several of the options, all 700 employees of OFI would have lost their jobs. OPM's goals were cost savings, seeing that investigative services were available, and treating their employees fairly. After months of deliberation, OPM decided to pursue the unknown path of privatization.

While much concern about the path to privatization was voiced by federal employees at OPM, a certain amount of relief was expressed after the decision. OPM's Office of Federal Investigations had been through a difficult several years in which there was much uncertainty about its future. "When I came to USIS," recalled Barry Kingman, vice president of human resources, "I heard many stories from employees who had been afraid to spend much money on Christmas presents because they did not know the future of OFI and whether they would have a job during the next year."

The entire process – from the beginning to the opening of USIS in July 1996 – took three years. According to Phil Harper, the road to privatization was long, difficult, and arduous. After the Clinton Administration made the decision to privatize, the initial step in the ESOP process was a feasibility study in 1995 to assess the viability of the function in the private sector. In the USIS case, OPM contracted with ESOP Advisors, Inc., to conduct the feasibility study. The study included a financial analysis to determine the potential revenues, expenses, and cash flow for a newly privatized operation. The ESOP Advisors concluded, "…it is possible for the Investigations Program to transition from current Federal operations to viable operation in the private sector. The business and operational conditions (that) exist currently…are similar to those business conditions that exist in the private market. The current financial results of operations demonstrate the potential for profitable operation on the basis of a contract to provide current investigations services if certain conditions are met."

After the feasibility study, OPM selected American Capital Strategies (ACS) to develop a business plan. ACS then selected Marine Midland Bank as its financial trustee. Working with the law firm of Arnold and Porter, Marine Midland put together a management team that included Phil Harper, who previously held the position of president of Wells Fargo Alarm Services.

"We faced much opposition when the privatization plan was announced," recalled Harper. "Congress held hearings, the General Accounting Office launched a study, and law suits were looming from other firms in the investigations field. Much concern was expressed

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about whether you can or should privatize a national security function." During this same time period, OPM and the new management team of USIS began holding separate briefings for the OPM investigation staff about the new venture. An employee liaison committee was also created by OPM.

The months of negotiation were difficult. Harper recalled, "We were up against two myths. The first was that the private sector was made up of a bunch of pirates who would take government employees out of OPM, use them, and then throw them out. The second was that government workers are overpaid and don't work hard. Neither myth is true, but we had to work hard to overcome both of them." In future privatization initiatives, both myths will have to be directly addressed by those pushing the initiative.

When asked about lessons learned from his experience launching USIS, Harper stated, "Leadership has to be willing to take on the challenge. This is hard to do and somebody has to take the lead and say they want to do it. In our experience, Jim King was our leader when he was at the Office of Personnel Management. He pushed hard for the change and took a lot of heat for the proposal."

The challenge of commencing operations was a large one. In the case of USIS, it was especially difficult because there had been no prior history of a government function being privatized. Harper and his new management team had to negotiate with the General Services Administration about taking over OPM's facility and equipment at its Pennsylvania headquarters. In addition, USIS had to create its own payroll and financial accounting systems from scratch because it could not use systems previously used by OPM. "We had to get our first payroll checks out and we did," recalled Harper. "We also found that we had to pay attention to federal and state employment laws which previously didn't apply to government-run activities."

As part of the privatization process, the Office of Personnel Management gave USIS a three-year sole-source contract, plus two one-year options, to conduct investigations for the government that were previously performed by OPM. In addition to its federal government background investigations, USIS—unlike the old OPM's Office of Federal Investigations— can seek private sector clients, as well as state and local government clients. USIS now provides a variety of investigative services to the following major market segments: federal, state, and local governments, as well as commercial activities. Within these segments USIS specializes in several vertical markets, such as regulated industries, airlines, nuclear power, gaming and casino industries, law enforcement, and public safety. Types of services include fact-finding, workers' compensation investigations, background investigations, employment/education verification,

polygraph services, credit checks, reference checks, qualifications assessments, security services, corporate services (privatization studies, vendor assessment, due diligence studies, public records research), and human resource services (Social Security verification, reference checks, driving record checks, EEO/sexual harassment investigations). USIS, starting with the original 1996 contract of $54 million with OPM to conduct federal investigations, has today become the largest investigation company in North America, with projected 1998 revenues of more than $80 million.

Phil Harper, Chief Executive Officer and President, U.S. Investigations Service

The key question is whether USIS will be an isolated case and remain the only example of federal privatization or whether it will become a historic trailblazer and serve as a model for future efforts. There are many obstacles, however, to the privatization option. It is difficult and time consuming to do. With the exception of USIS, no precedents and little knowledge exist about how to accomplish the privatization process.

When asked to give advice to other government agencies that might want to start the privatization process, Harper stated, "First, get some help. As the old saying goes, you don't know what you don't know. Government executives have had little experience in either creating or running businesses. Second, find out your costs. Third, be prepared to work on the politics of the change."

The USIS experience dispels many myths about privatization. First, it shows that, while difficult, it can be done in the federal government. Second, it shows that the privatization decision can be made on the basis of sound management, not ideology. The challenge ahead is to move the ideological debate over privatization to a management debate about how services can be delivered most effectively and cost-efficiently. Third, it shows that federal employees are not as risk averse as they are frequently painted. In the USIS case, they took the gamble of leaving federal service and entering the private sector as owners. They seem to be succeeding. USIS provides a starting point for other government organizations interested in considering the privatization option.

Best Practices

Public-Private Partnership At Work

Paul R. Lawrence and Mark A. Abramson

Policy-making and public-private sector problem solving is always interesting to watch. When it works well, it is useful to diagnose success factors in order to increase our understanding of key factors that make for successful public-private problem solving. A success story in the making is the creation of the Northern Virginia Regional Partnership and the organization's all-out attack on the area's critical regional shortage of technology workers.

Two ingredients appear to be necessary to successfully attack a public-private problem: (1) leadership that serves as a driving force to problem solving, and (2) a concise, compelling description of the problem that is widely disseminated in the media. In the case of the Northern Virginia technology shortage, the leadership was provided by the Northern Virginia Technology Council (NVTC), one of the largest technology councils in the United States with over 950 private sector firms as members. According to Michael A. Daniels, Chairman of the NVTC, "The Council was created to help promote technology business, identify key issues, and then do something about it."

One of the key issues identified by the Council was a shortage of high-tech workers in Northern Virginia. To better understand the problem, the Council and Virginia's Center of Innovative Technology commissioned a survey in 1997 to determine the magnitude of the perceived shortage. The survey found that more than 19,000 jobs were vacant and that an estimated 112,000 additional workers would be needed over the next five years. The survey received much press coverage and the "high-tech" job shortage issue was clearly on the state and region's radar screen as a major economic development and regional competitiveness issue. A flurry of activity began on many fronts.

The Council also examined how other regions were dealing with labor shortage problems. Daniels recalled, "We looked at Michigan, Silicon Valley in California, and Brevard County in Florida. In Michigan, the state got the business community involved in determining how training funds should be spent. In Silicon Valley, work force training centers were established that provided short-term training to respond quickly to the changing skill needs of the Valley. In Florida, a one-stop center was created for people interested in information technology. At these centers, individual skills are assessed and recommendations made on appropriate training."

Michael A. Daniels, Senior Vice President, Science Applications International Corporation and Chairman, Northern Virginia Technology Council

The survey and their examination of the experience of other states provided the Northern Virginia Technology Council with facts and figures with which to engage key actors in the state. They met with then Governor George Allen, who created a task force to further examine the problem. They also met with members of the state legislature, who created a Committee on Science and Technology.

The Council also brought together business leaders with the area's college presidents to begin discussing future business needs. Several of the colleges began to revise their curricula to provide more information technology exposure to students. As an outgrowth of this activity, the Regional Partnership of Northern Virginia was formed in April 1997 to "work cooperatively to enhance the economic competitiveness of the region through the establishment of various strategies and programs intended to educate, train, and facilitate access for students and workers to support the high-technology business of the region." The board of the Partnership consists of educators, high-technology industry executives, government officials, and civic leaders from the Northern Virginia area.

One of the first activities of the Regional Partnership was to apply to the state of Virginia for a Regional Competitiveness grant to attack the shortage of 19,000 trained workers. In 1996, Virginia's General Assembly had created the Regional Competitiveness Program in which regions from all parts of the state could apply for funds to attack specific regional and economic development problems. Northern Virginia decided that the high-tech worker shortage was the problem they wished to attack. In the fall of 1997, the Partnership received a $2.4 million grant from the state to combat the shortage of technology employees.

The grant consisted of six key components:

- a regional job needs survey, analysis, and assessment to be conducted by George Mason University to update and refine the 1997 survey;
- the creation of a regional workforce development coordinating center to serve both those seeking new information technology jobs and new skills, as well as high-tech employers seeking workers to fill vacancies;
- workforce development education and training centers throughout the Northern Virginia area to provide the training and services necessary to address the needs of the high-technology workforce;
- creation of information technology-related career awareness programs in public schools, after the completion of an assessment of what types of career information and activities currently exist in schools;

Public-Private Partnership At Work (continued from page 5)

l   a school-business partnership program, to be funded totally from private sector funds, to provide technology career experiences to assist secondary-school students with career planning;

l   summer technology programs for middle and high school students to allow them to learn about technology and career choices available in the technology field.

"We are implementing programs with both short- and long-term components," stated David A. Hunn, director of the Regional Workforce Development Coordinating Center of the Northern Virginia Regional Partnership. "While we want to quickly add new technology workers to the Northern Virginia workforce, we also realize that this a long-term problem and we must start working with elementary, middle school, and high school students now to increase the number of workers in the pipeline in the next five years."

The heart of the new program is the workforce development education and training activities. More than $1.6 million of the $2.4 million grant is devoted to supporting new high-tech training initiatives. A grant competition was held among training providers, which include two- and four-year colleges and universities, along with proprietary training institutions, in which they competed for funding of innovative, new workforce development programs. The grant announcements encouraged these educational organizations and training providers to work closely with business leaders to develop collaborative strategies to best meet industry workforce requirements. Over the last several months, six awards have been made:

l   The Annandale campus of Northern Virginia Community College received a grant to develop a Technology Retraining Intercept Program (TRIP) that would retrain, in six months time, students with non-technical college degrees for positions as computer technology professionals. The program includes partnerships with 13 high-technology companies that will provide half-time paid internships, possibly leading to full-time employment.

l   The Manassas campus of Northern Virginia Community College received a grant to create a Center for Advance Technology Training and Professional Services that will provide a 14-month associate degree for nearly 800 students in semiconductor engineering, biotechnology, and other computer programs.

l   The Loudon campus of Northern Virginia Community College received a grant to launch the Fast Track Technology Training Program to provide students with high-end software skills in the shortest possible time through an intensive training curriculum and on-the-job experience. Students will attend class during evenings and weekends to allow them to continue in their current positions.

l   The Division of Continuing Education and Workforce Development of the Alexandria campus of Northern Virginia Community College received a grant to launch a Technology Workforce Development Center to meet the training and placements needs of Alexandria workers. The Center will be collocated with the City of Alexandria's Office of Employment and Training and the Virginia Employment Commission.

l   George Mason University, in partnership with Corporate Placements, Inc., received a grant to train and certify transitioning military personnel and facilitate their placement in information technology jobs in Northern Virginia. The university will deliver certificate programs in the software-engineering fields and network disciplines most in demand by industry partners.

l   The Northern Virginia Campus of Virginia Polytechnic Institute and State University, Mitretek Systems, Inc., and the Fairfax Department of Family Services received a grant to provide 14-week training to public assistance recipients to prepare them for low-end technology positions related to the Year 2000 problem.

"The six programs are projected to enroll over 1,800 students on an annual basis," stated Hunn. "It is our plan that we will start producing 400 trainees per month by the end of the first year. We plan to get to 700 trainees per month. As additional training programs are funded by the Partnership, I am hopeful that we might be able to ultimately exceed the 700 number."

While the Northern Virginia workforce shortage has not yet been reduced, action has been taken to attack the shortage – both in the short term and long term. The case study reveals an effective partnership between the public and private sectors. Instead of working against each other as they sometimes do, they came together to attack a given problem jointly and to develop a specific course of action. The private sector provided leadership in raising the issue with public sector leaders in the state who responded cooperatively in developing and providing funding for new programs. These programs are now being implemented through creative business-university partnerships.

Card-based Purchasing and Effective Government

Joseph T. Casey

An abstract of a recent *Harvard Business Review* article, "Making Business Sense of the Internet," by Shikhar Ghosh appeared in the May/June 1998 issue of *The Business of Government*. The abstract summarized key implications of the Internet for the way that enterprises do business and manage relations with their trading partners. This article considers in more detail one aspect of the federal government's recent efforts to leverage technology to significantly improve performance and reduce costs: the General Service Administration's (GSA) transition of small purchases to card-based programs.

As part of its electronic commerce and card technology strategies, GSA has introduced significant change in small value procurements – small values that quickly add up to significant annual expenditures. What GSA is doing fits well into the larger framework of electronic commerce. Electronic commerce is the buying and selling of goods and services using a variety of technologies singly or in combination. These tools include the Web, electronic data interchange (EDI), e-mail, electronic funds transfer (EFT), electronic catalogs, and credit and smart cards. In contrast, electronic business is the leveraging of these same technology tools to redefine core business processes and thereby improve the performance of the enterprise and to reduce operating costs. One key aspect of a successful electronic commerce strategy is the effective integration of card technologies.

Smart Card with Chip

GSA's significant first step using technology to unify and consolidate took place in 1989 with the launch of IMPAC (International Merchant Purchase Authorization Card). IMPAC was designed to meet the following goals:

- use established commercial credit card practices;
- eliminate card fees or administrative costs;
- save on purchases through rebates;
- improve monitoring of an organization's procurement activities;
- enable managers to have more fiscal and operational control over their organizations; and,
- enhance productivity by reducing time spent making purchases.

IMPAC allows purchases for official use only, and agencies must verify that the transactions are valid. Management reports are issued to assist agencies in tracking and monitoring card usage. Use of the pur-chase card expedites the acquisition of essential supplies and services, streamlines payment procedures, and reduces the administrative costs associated with traditional paper-based payment methods. The current contractor is Rocky Mountain BankCard System, Inc. (RMBCS). The average credit card purchase is about $340. Approximately 186,000 cards have been issued to federal offices and agencies, and GSA reports that approximately 75 percent of potential purchases are made with the card. GSA also reports that government-wide savings are achieved by reducing (by as much as 14 percent) the administrative costs associated with official small purchases of commercially available goods and services. GSA estimates $700 million in savings since the program's inception.

The successor to IMPAC will be SmartPay. SmartPay represents the GSA's further efforts to increase the use of card-based systems to streamline financial and administrative operations. The new SmartPay contracts will begin November 30, 1998, and run for five years, with five additional one-year options. The payment services vendors are: Citibank, First Chicago, Mellon Bank, NationsBank, and U.S. Bank. Individual agencies are now selecting a vendor to address their specific agency requirements.

Initially, SmartPay components – travel, fleet, and small purchases – will cover expenditures valued at more than $8.5 billion in fiscal 1997. Use of the travel card generated more than $20 million in refunds to the government in fiscal 1997. Purchase card use generated $7 million in refunds as well as savings in administrative costs of $616 million during the same period. Currently, there are more than 2 million charge cards in use by federal employees.

A differentiating aspect of SmartPay is its intent to integrate across two or more of its core programs for fleet, travel, and purchase. This integration improves the efficiency of front-end processes (e.g., card issuance, account setup), customer support, and backend processes (transaction processing, reporting, accounting, invoicing, payment, and reconciliation). Integration across core programs facilitates movement toward a single, card-based integrated system for payment, purchasing, and identification. For example, the Department of Veterans Affairs has selected Citibank to provide purchase, fleet, and travel cards. In con-
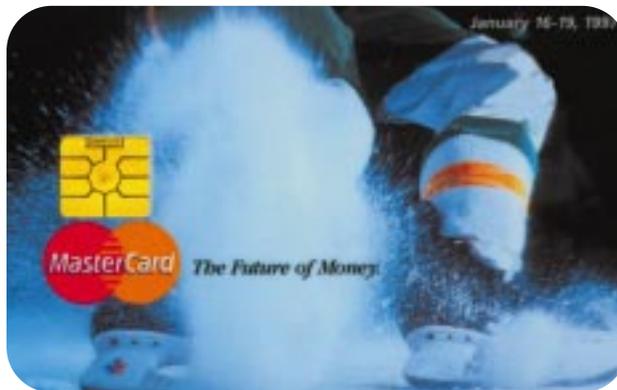
Interview with Camille Cates Barnett

Can you describe the mandate that you received from the Control Board when you were selected as the District of Columbia's first chief management officer?

When the Control Board hired me, there were really no models for this position. In many respects, the Control Board is a citizen's board. They understood the roles of the city administrator, agency heads, chief financial officer, and inspector general but there was little experience with the concept of city manager.

The Control Board was also undergoing its own evolution. It had started as a Board primarily concerned with financial oversight. In the 1997 congressional reauthorization of the Board, it was given new operational responsibilities over nine agencies. This was a new endeavor for the Board. Their initial response was to divide up the agencies among Board members, much like a city commissioner form of government. It soon became obvious that they needed additional support in this role.

In my discussions with the Board, we focused on four major tasks that they wanted me to perform:

- define the role of the chief management officer;
- provide executive oversight over city agencies;
- undertake the management reforms that have been legislatively mandated; and
- improve customer service in the District.

How did you spend your first six months in office?

During my career, I've learned the power of the first day. On your first day in office, you have much attention focused on you, from both the media and your own employees. You can really send powerful messages on your first day. It just happened that it snowed on my first day in office, so I went out with the snow plows the first thing in the morning. This got a lot of attention. I used it as an opportunity to meet people and begin learning about the organization.

After my first day, I decided to spend as much time in the community as I could. I think I've met with over 70 community organizations so far. I also found that many city employees also attend these meetings, so it is a good way to communicate with your own employees as well. There is no shortcut for talking directly to the customer.

I also walked around many of the District's departments and agencies. I'm not a big believer in mass meetings. I wanted to see their working environment and have an opportunity to talk with them directly. I want-

Camille Cates Barnett

Camille Cates Barnett was appointed the first chief management officer of the District of Columbia in January 1998. Before her current position, Ms. Barnett was an international consultant at the Research Triangle Institute in North Carolina. From 1989 to 1994, Ms. Barnett served as city manager of Austin, Texas. She also served as director of finance and administration for Houston, Texas, and held various positions in Dallas, Texas, including deputy city manager.

Ms. Barnett is a member of the Board of Trustees of the National Academy of Public Administration and a member of the Advisory Board of the Alliance for Redesigning Government. In 1992, she received the National Public Service Award from the American Society for Public Administration and the National Academy.

She received a Ph.D. in public administration in 1977 from the University of Southern California, where she also received a Masters of Public Administration in city management.

ed to see what kind of equipment they had and to see what was going on in the offices.

What is your thinking about how you bring about change in organizations?

I think all of us resist change. It is part of our makeup to resist change. I believe you have to give people a reason to change. I believe people want to do a good job, but there are often many obstacles in their way. You have to show people that there is something in it for them to make change.

Interview with Robert O'Neill

Can you describe the mandate that you received from the Board of Supervisors when you were selected last year as the new county executive?

We talked a lot about change and where the county was in the change process. The county had undergone considerable change during the late 1980s and early 1990s. Due to the economic downturn of that time period, the county was in a crisis situation and did all the usual things you do during a crisis: take across-the-board cuts, reengineer, and so forth.

In my discussions with the Board, I emphasized the need to build organizational capacity. The county had moved beyond the phase of simply making cuts and creating a leaner organization. The Board felt comfortable with this emphasis. We recognized that the county was not in a crisis mode in which our survival was at stake. So it was clear that I had inherited a different environment than the one that had previously existed in the early 1990s.

I also spoke with the Board about their views about how long it takes to make fundamental change. I believe that enhancing organizational capability takes time and can't be done overnight. The Board agreed with this view. I didn't want to create the expectation that I had to come in and start making "quick fixes."

How did you spend your first six months in office?

I spent a lot of time talking to people both inside and outside of government. As you know, there are thousands of civic associations across Fairfax County. In addition, there is not just one Chamber of Commerce but many Chambers spread throughout the county. I went out and listened to citizens. I wanted to hear what was good about the county and what we need to improve.

One of my goals is to build trust in the community. We received some negative publicity several years ago with the opening of the new governmental center. I want to communicate to citizens that they are getting value for their tax dollars. I want to be visible and explain what we are doing.

Internally, I talked to our managers and our workforce. I wanted to learn more about the organization. Some people expected me to come in with all the answers. I don't believe that there is a simple recipe for making change. So I was somewhat quiet initially as I learned more about the community and our workforce.

Robert O'Neill

Robert O'Neill was appointed county executive of Fairfax County, Virginia, in August 1997. Before his current position, Mr. O'Neill served as city manager of Hampton, Virginia, from 1984 to 1997. He also served as assistant manager for administrative services for Hampton, Virginia.

Mr. O'Neill is a fellow of the National Academy of Public Administration. In 1996, he received the National Public Service Award presented by the American Society for Public Administration and the National Academy. He has served as president of the Virginia Local Government Management Association and vice president for the Southeast Region of the International City/County Management Association.

He received a Masters of Public Administration from the Maxwell School of Citizenship and Public Affairs, Syracuse University, in 1974 and a B.A. degree from Old Dominion University in 1973.

On the basis of your internal discussions, how are you now proceeding to enhance the organizational capability of the County?

We recently created a series of task forces. The creation of the task forces is Phase I of our change process. Phase II will be the implementation of task force recommendations and Phase III will be the institutionalization of those recommendations.

We have created 12 task forces, on topics such as communication, dispute resolution, employee involvement, compensation, and training. The concept behind the task forces is to engage our workforce in a dialogue about what kind of organization we want to create.

Robert O'Neill (continued from page 9)

How have you communicated with the employees of Fairfax County?

We have a large organization and I have tried a variety of communication mechanisms. We have held employee forums sponsored by our employee advisory council. I am a heavy user of e-mail. I continue to be surprised at how much e-mail I receive from employees. Although it takes time to respond, I'm happy to receive them because I learn so much about the organization from direct communication with employees. We also have a newsletter that goes to every employee. In the most recent newsletter, we published the names and e-mail addresses of our task force members.

What other types of employee input do you receive?

We just started something new recently. We have several vacancies for senior departmental managers. We have created focus groups of employees to help us focus on the characteristics we are looking for in our agency heads. We wanted to know what leadership styles were needed for each position. We then sent these descriptions to the candidates for each position. This process has created some interesting dynamics.

How would you describe your own thinking about the pace of change?

One has to realize that we are engaged in a variety of different businesses in Fairfax County. There is no one set of changes or time schedule that will be applicable to all of our agencies. We range from law enforcement to human services to tax collection to parks and recreation. I don't believe that one size fits all.

I think you can start making change in important ways. We are expanding our use of performance measures in our budget. We want to expand our use of customer surveys. We also have to constantly think about doing the right things. We don't want to do the wrong things well.

I've made customer service an important element of the performance appraisals of each of our department heads. We also want to provide more standardized customer service training for our employees. Right now, in many circumstances, it is on-the-job training. We need to be more consistent in our customer service training.

Looking ahead, what changes do you see in the area of customer service?

We are at the beginning of a major cultural change. Historically, government has always been an eight-hour-a-day, five-day-a-week enterprise. Our society is quickly moving to doing business 24 hours a day. We have kiosks all around the county in which customers do business with the county. We anticipate moving quickly to provide interactive services on the Internet. We are working with the Commonwealth of Virginia now to get some changes in state laws that will allow citizens to conduct business over the Internet with the use of credit cards. I also see us moving toward customer report cards. This will be an important force in changing the way we do business.

Tell us more about your thoughts on the pace of change.

I think you change behavior reasonably quickly. It takes about six months to a year to change the way people behave on the job. However, that is the easy part. The hard part is to institutionalize behavior so that it becomes ingrained into the organization. I believe that takes five years or more. In Hampton, Virginia, where I was city manager, I found that it took between three and five years to really institutionalize change.

The nature of the public sector, however, does slow you down. As you know, there is much oversight in government. It takes time to make changes in the personnel system or the collection of revenue. Things just take longer.

How comfortable do you find people are with change?

I think people are uncomfortable with uncertainty. We have all come to believe that change is now the only constant. But it is uncertainty that bothers people. I think the challenge is to energize people in their jobs. You also have to work hard to explain to people their role in change and their role in the larger organization. I also believe that you don't tell people the "how" of their jobs, but you must discuss the "why" of the job.

It is important to reach out and seek people's ideas on change. As I mentioned before, our focus groups on developing job descriptions were very popular. Several people said that "nobody ever asked me anything before."

On the basis of your career, what advice would you give other managers about the change process?

First, it takes patience and persistence. You have to stay at it and be willing to be challenged. Second, you have to articulate the environment you want to create. You have to be willing to let people express themselves. People will find your inconsistencies and you then have to deal with it and explain to people your actions. Third, you have to be willing to take on the systems of government. We often find ourselves afraid to make mistakes in government and we become risk avoiders.

Finally, I believe it is worth the effort. Employees feel better about themselves and the organization when you are serious about change. I believe people want to make a difference. There are many talented individuals who work for the County of Fairfax who want to make a difference. Your job is to create an environment in which they can make that difference.

Barnett (continued from page 8)

Change takes time. It is a multi-year effort. It isn't about passing fads. Many people have seen these passing fads and are rightfully skeptical about more change. You have to do three things:

l   acknowledge the skepticism;
l   model new behavior in how you act; and
l   get some quick successes.

In the District, we had to show some successes. We wanted to improve service. You need some test cases that are pretty visible. We decided on improving parking meters and parking enforcement. The new parking meters have been well received and they are visible to citizens and customers.

You also have to begin work on the systems of government. This is a big challenge. You have to make changes in the personnel system and begin to make performance matter. I also believe in training and development, starting with executives. The District went through many years without developmental opportunities. We had to restart a variety of developmental activities. We now try to get our executives together once a month for such activities.

How have the employees of the District responded to your change initiatives?

They have responded very well. People were looking to do things differently. They were not happy with the old ways of doing business. As in all organizations, we have some people who aren't interested in doing things differently.

How do you handle people who are interested in changing?

First, you have to look for opportunities to involve them. Second, you have to establish performance expectations. I've developed performance contracts with my top managers, including outcome performance measures. I find it a real motivator when you make your expectations clear and also make clear the consequences for not performing. Employees have seen that there are real consequences for not performing. I have removed people. We are now looking for four new agency heads that were removed. We are also looking for heads of three new agencies.

You cannot underestimate the importance of bringing in new talent. In addition to a group of experienced former city managers who I brought in to give me advice, I am also putting together a new team in the Office of the Chief Management Officer.

How have you gone about communicating the need for change?

One of my first activities was to write what I called "The District of Columbia Commitment." It was our vision and values statement. I made it up myself on my first day in office since I didn't have any staff then. It simply states that the District of Columbia is a model for the very best of American cities. Our values are customer service and accountability. I then talked about the Commitment wherever I went. It also began to show people where they fit in. You need to show people how everything fits together.

How will you institutionalize change in the District government?

You have to look at the structure and systems of government. Right now, there is a very weak structure in the government. We have to improve the use of technology. We are 20 to 25 years behind in some systems.

We also have a rebuilding task in terms of talent. We have had artificially low salaries in the District for many years, which has hindered the government's ability to attract top talent. I know this from my experience in Texas. People were offered jobs in the District with lower pay than they were receiving in Texas and were being asked to move to a more expensive area in which to live. We have been successful in raising salaries.

What has surprised you about this job?

Two things. First, I had heard about the state of the District government, but I was still surprised to see the poor conditions and antiquated equipment for myself. Second, I have been pleasantly surprised by all the support and encouragement that I have received. The Control Board has been very supportive and I have had many people volunteer to help the District. People really do care about the District of Columbia.

On the basis of your career, what advice would you give other managers about the change process?

First, you have to really want to do it. Not everybody may want to be a reformer. Second, you have to live with the many paradoxes of change. You have to have a plan, but you have to stay flexible. You have to work on small changes and big changes at the same time. You have to work on both short- and longer-term changes. You just have to acknowledge the paradoxes and live with them. Third, you should want to have fun. You want to create an environment in which there is laughter. If nobody is laughing, that is a sign of problems. I do believe that change can be enormously satisfying.

Stimulating Ideas

Public Policy Education:
Responding to the Changing Needs of the Public Policy Arena

David H. Finifter

College students have long asked the question "What kind of graduate or professional training should I seek to allow me to pursue a career in public policy?" It is interesting to note that both the question and the answer have changed over the past several decades. Certainly, it is still true that graduate training at the masters or doctoral level in such disciplines as economics, political science, psychology, and sociology and as well as graduate/professional degrees in law and business administration can and do lead to careers in public policy. But it is perhaps more telling that the growth and evolution of schools and programs in public administration, public policy, public affairs, and public management have reflected the changing conditions in government.

Evolution in Public Policy Education

Changes in labor market demand tend to generate responses in the higher education sector, although often after a lag. This type of response has been no less true in the market for those preparing to work in the public policy arena throughout the 20th century.

In his 1996 article "The Changing Environment of Education for Public Service," the late Donald E. Stokes refers to several phases of public service education. In the early part of this century, there was a need to produce public administrators who were professional civil servants trained to carry out policy made through the political process, a process that was thought to be too often corrupt. Universities responded with public administration curricula.

By the 1960s, the role of government expanded, especially at the federal level, and it became important to ensure that top- and mid-level policy analysis was done by government employees and that the analysis would be reflected in decision making and evaluation of policy. This led directly to an increase in economics and quantitative methods being taught in the newly formed public policy analysis programs. Concern about the persistence of social problems led first to a growing emphasis on public affairs that focused on these persistent social problems. This evolved into the growth and development of public management orientated curricula when it became clear that the large government programs of the 1960s and early 1970s were not panaceas and that more attention needed to be given to management.

The Present and Future

What we see today are schools and programs of public policy, public management, public administration, and public affairs coexisting and sharing some of these historical elements described so well by Professor Stokes. Professor Stokes noted the coming of the "fifth wave," which is again a response to the changing needs of govern-ment. Government today has experienced several forces of change including: mistrust of government by the public; condemnation by politicians of the bureaucracy and its alleged tendency toward waste and lack of effectiveness; a strong move toward reinventing and re-engineering government and an increase in both performance monitoring and management and customer orientation; the various "reforms" (including tax, welfare, health care) and consequent devolution of government from federal to state and local responsibilities; and the increase in the role of the private sector.

The increase in the role of the private sector has manifested in at least three important ways:

- an increase in public-private partnerships;
- growth in importance of government practices within the consulting industry; and
- an increase in the number and variety of nonprofit think tanks.

Just as has been true throughout the 20th century, the schools and programs that offer training in public policy have been responding to these changes.

An important by product of these changes is that public service and careers in public policy no longer occur strictly in the public sector. It is clear that in a democracy, it is in the public interest to have well-trained individuals on all sides and in all sectors. Add to the mix the fact that many public policy issues previously thought of in a purely domestic context now have clear international linkages. And finally, we must recognize the role of technological change, information technology and other changes, that necessitates that those working in the public interest, regardless of sector of employment, be adaptable to the changes coming in the early years of the 21st century.

While traditional public administration programs or even later generation public policy, public affairs, or public management approaches do address these changes, the public policy education of today and in the future must ensure that its students have training in management and analytical methods (quantitative methods and economic analysis) and obtain a solid understanding of the political, ethical, and legal environments in which policy is made. The challenge for us all – those of us in the policy arenas of government, education, and private organizations – is to communicate change and to enhance the adaptability and flexibility of our new public servants.

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Stimulating Ideas

Article Abstract

"The Alternative Workplace: Changing Where and How People Work"

Mahlon Apgar IV
Harvard Business Review
May-June 1998

Over the past several years, advances in communications and computer technology have shattered the limitations of how, when, and where Americans can conduct business. Laptop computers, portable printers, mobile telephones, and pagers are just some of the enabling technologies contributing to the growth of the mobile workforce. These advances, coupled with the eternal quest to cut costs, are leading many organizations to explore alternatives to the traditional workplace. In the May-June issue of *Harvard Business Review*, Mahlon Apgar IV describes ways in which an organization can establish an "alternative workplace" (AW) to reduce real estate costs while increasing employee productivity.

Apgar defines the AW as the "combination of nontraditional work practices, settings, and locations." While the AW is a fairly recent trend, Apgar declares that it is more than just a fad. Although estimates vary, there are approximately 30 to 40 million people in the United States who are either telecommuters or home-based workers. On one day in 1994, in an experiment to see just how far they could take the concept of an AW, 32,000 AT&T employees worked from home.

Apgar cites four primary motivations for managers to establish an AW program:

- to reduce costs;
- to increase productivity;
- to attract and retain talent; and
- to capture government incentives.

Despite these benefits, Apgar warns that adopting an AW program is not for everyone. He suggests that before an organization can implement a successful program, managers must clearly understand all the available options. These options include:

- placing workers on different shifts or travel schedules at the same desk and office space;
- replacing traditional private offices with open-plan space;
- establishing "hotel" work spaces;
- opening satellite offices;
- allowing workers to telecommute; and
- mixing two or more options.

The first step in determining whether any or all of the AW options will work is to answer a few basic questions. Apgar suggests that if an organization can answer yes to the following questions, it should seriously consider an AW program.

- **Are you committed to new ways of operating?** You might need to create new performance measures to account for the new ways in which your employees work.
- **Is your organization informational rather than industrial?** Informational organizations operate through voice and data communications rather than "intensive face-to-face interaction."
- **Do you have an open culture and proactive managers?** The flatter the organization, the more likely the AW concept will work.
- **Can you establish clear links between staff, functions, and time?** Apgar states that to analyze whether an AW program can work, you must have a detailed understanding of each job you are considering for the program.
- **Are you prepared for some "push back"?** For many people with years of experience in the traditional workplace, the transition to an AW can be difficult. Employees conditioned to a structured office environment may find it difficult to work under a highly self-directed schedule.
- **Can you overcome the external barriers?** For example, some employees might not have the space to establish a productive work environment at home. Apgar suggests conducting focus groups in the planning stages of an AW initiative to identify such barriers.
- **Will you invest in the tools, training, and techniques to make AW initiatives work?** Employees must be prepared with the equipment, training, and administrative support necessary to operate in the new environment.

Following an analysis of an organization's adaptability to an AW environment, organizations also must assess the economic effects of such an initiative. Apgar states that "managers should look at the economics of a potential program from three perspectives - the company's, the employee's, and the customer's - and weigh the tangible and intangible costs against the respective benefits." If implementing an AW appears feasible, Apgar offers some guidelines for implementing the initiative.

- Start with a pilot project and don't overcomplicate it.
- Segment the workforce you are considering for the AW, and assess the logistics of the proposed new arrangement.
- Make sure that managers and employees are clear both on performance objectives and on how performance will be measured.
- Train for culture as well as technique.
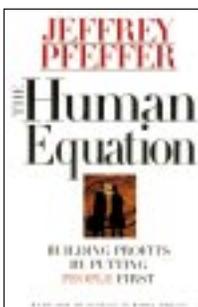- Keep an eye on how participants balance their work lives with their homes lives.

Stimulating Ideas

Book Review

The Importance of People

Mark A. Abramson

Human resources used to be a dull subject. One of the more interesting developments in the business literature of the 1990s has been the rise of human resources as an important topic. One indicator of this increased interest is the recent publication by Harvard Business School Press of three new books focusing on human resource topics.

The most comprehensive of the three is Jeffrey Pfeffer's *The Human Equation*. In the first part of the book, Pfeffer makes the case that attention to people actually makes a difference in how well an enterprise performs financially. In a comprehensive literature review, Pfeffer describes study after study in which progressive human resource practices have resulted in better bottom-line performance for organizations.

Jeffrey Pfeffer,
The Human Equation: Building Profits by Putting People First.
Boston: Harvard Business School Press, 1998, 345 pp., $24.95.

In the remainder of the book, Pfeffer describes seven dimensions that characterize high-performing organizations:

l   employment security;

l   selective hiring of new personnel;

l   self-managed teams and decentralization of decision making as the basic principles of organizational design;

l   comparatively high compensation contingent on organization performance;

l   extensive training;

l   reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels; and

l   extensive sharing of financial and performance information throughout the organization.

It is interesting to note that Pfeffer goes against current conventional wisdom in advocating increased employment security rather than increased use of the "virtual work force" consisting of contract and temporary employees.

Pfeffer's emphasis on the importance of training is reinforced by McCall in *High Flyers* and Vicere and Fulmer in *Leadership by Design.* Rather than focusing on traditional training, McCall is concerned about how people develop in their organizations. While acknowledging the value of traditional training and executive development programs, McCall concludes that experience is the most valuable developmental tool in an organization's tool kit. McCall writes, "The principle is simple: people learn most by doing things they haven't done before."

McCall's conclusion that people are best developed by new experience drives him to recommend against traditional succession planning initiatives. Instead of giving the "best" performers the "best" assignments, McCall argues that vacancies should be filled by determining which candidates can learn the most from the new assignment.

Morgan W. McCall, Jr.,
High Flyers: Developing the Next Generation of Leaders.
Boston: Harvard Business School Press, 1998, 254 pp., $27.95.
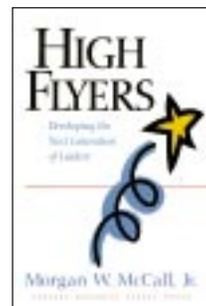
Vicere and Fulmer focus on what they call "strategic leadership development." This focus "blends traditional executive education activities with management, leadership, and organizational development techniques to create hands-on, real-time learning laboratories within organizations, which facilitate continuous learning, continuous knowledge creation, and organizational competitiveness."

Leadership by Design inventories and describes various approaches to strategic executive development: perspective building techniques (classroom education, feedback approaches, personal growth approaches, new learning technologies, and coaching/mentoring) and activities that link perspective building and learning (performance appraisal, teaching/training/facilitating, task force and project assignments, and action learning). Vicere and Fulmer also discuss what they call "challenge activities," such as rotational assignments, stretch assignments, and developmental assignments.

Albert A. Vicere and Robert M. Fulmer,
Leadership by Design.
Boston: Harvard Business School Press, 1998, 337 pp., $27.50.

In addition to describing types of learning activities, *Leadership by Design* also describes specific leadership development programs now being implemented by both business schools and corporations. The book also examines the Executive Management Program at Penn State University where Vicere teaches, as well as the internal programs of organizations such as Johnson & Johnson, ARAMARK, AT&T, General Electric, and the World Bank. For organizations considering creating executive programs, *Leadership by Design* also offers advice on how to select providers, create an internal program, and evaluate the impact of strategic leadership development efforts.

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trast, GSA will use Citibank for its purchase and travel cards but will keep fleet cards separate.

SmartPay also is important because it provides a means for improving financial management and performance required by the Government Performance and Results Act, the Government Management Reform Act, and the Federal Financial Management Improvement Act. Accurate entry of low-level transaction data into the government's financial systems is key to accomplishing more timely and improved financial and performance reporting. In addition, this richer transaction and financial data can be stored in repositories, such as data warehouses, and aggregated for decision-support analysis. Electronic commerce and smart or hybrid card system support can provide the detailed transaction data needed for these purposes. Also, this approach allows the federal government to realize a single, common electronic commerce structure that leverages the existing commercial infrastructure for card-based payment systems.

At present, virtually all cards in use for government purchasing are the "old style" magnetic stripe cards, which are, for all intents and purposes, identical to the credit and debit cards most of us use today. A key difference is that the federal government has already recognized the value of smart cards and has developed migration paths leading from magnetic stripe cards to smart cards. This is one area where the federal government has taken a leadership role relative to the private sector. It is actively moving toward the integration of smart card technology into core business practices such as physical access to facilities, purchasing, and procurement.

Smart cards incorporate an embedded processing chip capable of storing application code, secure long-term data (e.g., account numbers, digital certificates, biometrics, PINs), and processing memory. While considerably more expensive than the cards now used for ATM account access, the processing and enhanced storage capacity of smart cards makes them ideal for multiple applications. Recent innovations in chip production are likely to reduce the unit cost of these cards, and Java-language applications are expected to improve interoperability with PCs and internetworking environments. GSA is currently testing the building of access applications using smart card technology, and other expanded and combined uses are planned in the near future.

As GSA and other federal agencies move forward and increasingly leverage technology to achieve improvements and efficiencies, a few observations are offered. As noted at the beginning of this article, what GSA is doing fits within a larger framework of electronic business. At its core, electronic business is the integration of people, processes, and systems to enable the electronic exchange of information between parties (organizations). It is a shift away from the inward-focusing organization to the outward-focusing organization, whereby the organization recognizes and leverages the emerging realities of doing business

in the 21st century. Those realities are that: competition and cooperation are no longer limited to the community, they are global; and Moore's law of the growth of chip capacity applies to growth in citizen demand, speed to market, and change in basic market and business process drivers.

Electronic business must not be thought of simply as: a project, a stand-alone technology, a technical solution, a replacement for paper, or a set of electronic methods to support business objectives. Rather, taken to its potential, electronic business allows the enterprise to concentrate on its core competencies, establish a global presence where the client is a screen or a phone call away, and exert maximum control over all aspects of the enterprise's operations. This applies equally to government and private sector enterprises.

The benefits of electronic business are real. It has been shown to:

l   Accelerate business through more efficient, less costly operations.
l   Improve business decisions by providing better, accurate, timely data.
l   Improve the process because it eliminates non value-added activities.
l   Standardize the usual by allowing the enterprise to use exception-based processing and focus resources where they are needed most.
l   Automate the usual and shift from human to computer interface.

The U.S. federal government has made major inroads in incorporating technology in its purchasing and payments systems. Developments at GSA clearly demonstrate this.

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Stimulating Ideas

"The Alternative Workplace" (continued from page 13)

In addition to the AW initiatives of Fortune 500 companies, such as AT&T and IBM, at least one government organization has implemented an AW program of its own. Last March, the National Partnership for Reinventing Government (NPR), in a partnership with the General Services Administration, established a "flexible workplace" at its headquarters in Washington, D.C. NPR's flexible workplace includes features such as:

l   "Demountable" walls and mobile desks, filing cabinets, and conference tables to allow for multiple configurations of work space. This enables NPR to double the number of workers it can accommodate in its existing space.

l   A "follow-me" phone system that allows extensions to be forwarded to any phone in the office within minutes.

l   Wireless local area networking, which enables staff to print and share files without "plugging in."

l   Dial-in access to the file server that allows staff in Boston, Atlanta, Little Rock, and Kansas City to access information from home just as easily as they can in the office.

An additional feature at NPR called "displayed thinking" is a concept borrowed from the Disney Corporation. Displayed thinking allows work products, brainstorming lists, and other materials to be displayed in common areas for review and revision by all team members. As a result of concepts such as displayed thinking, NPR's flexible workplace has increased the productivity of its staff while reducing operating costs.

Since its establishment by Vice President Gore in 1993, NPR's mission has been to create a government that "works better, costs less, and gets results Americans care about." With the establishment of its flexible workplace, NPR confirmed the benefits of adopting private sector best practices and demonstrated that it is worthy of one of its own Hammer Awards which are presented to those who successfully reinvent government practices.

For more information about establishing an alternative workplace in the federal government, contact Mr. Tom Catlin at the General Services Administration at 202-708-5927 or tom.catlin@gsa.gov.

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