SEPTEMBER/OCTOBER 1998

The Business of Government

a publication of the PricewaterhouseCoopers Endowment for The Business of Government

dedicated to improving the management of government

PRICEWATERHOUSECOOPERS

THE PwC ENDOWMENT FOR

The Business of Government

Through grants for research, conferences, and sabbaticals, the PwC Endowment for the Business of Government stimulates research and facilitates discussion on new approaches to improving the effectiveness of government at the federal, state, local, and international levels. All grants are competitive.

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

[FROM THE EDITOR'S KEYBOARD]

by Paul R. Lawrence

As the capital of government of our nation, Washington, D.C. is actually divided into two cities: Policy City and Operations City.

Residents of Policy City spend their time developing and visualizing new ideas that will make the country better. Residents of Policy City primarily reside in think tanks, congressional committee offices, and government policy shops. Each day these residents labor in the policy factory. There, policy is conceptualized, studied, and developed. Once enacted by Congress, it is pushed out the door to the folks in Operations City.

The residents of Operations City are the implementers of the ideas generated in the policy factory. They assemble, organize, and operate the government. Prominent residents of Operations City are agency heads and program managers.

Historically, residents of Policy City received the most attention and acclaim. This changed, however, in the 1990s as the residents of Operations City began receiving increased attention. The action began to suddenly shift away from Policy City to Operations City. The residents of Operations City were placed in charge of reinvention and reengineering. They were now in demand because of their skills and experience in government operations. The importance of Operations City was enhanced by the creation of positions such as chief financial officer and chief information officer, as well as the enactment of the Government Performance and Results Act and other management legislation.

Consider Social Security. The debate over whether we should change this system has been going on for 40 years. There is no doubt that the debate will continue in the years ahead. While the debate rages on, the residents of Operations City must continue to make sure that telephone calls to Social Security Administration are answered quickly and that checks continue to go out on time. Those who operate the system are accountable, regularly scrutinized, and encouraged to change management practices to become more effective.

We at PricewaterhouseCoopers believe that Operations City deserves more attention and study. Because the foundation community has historically focused on Policy City, we decided to create a new endowment to focus on the management of government. With the formation of our new firm, PricewaterhouseCoopers, we wanted to devote new resources to stimulating research and facilitating discussion on improving the effectiveness of government at the federal, state, local, and international level. Thus, with this issue of *The Business of Government,* I am proud to introduce the PwC Endowment for The Business of Government. Our research, conference, and sabbatical programs are described on page 9. Ian Littman and I will serve as co-chairs of the endowment.

The Business of Government will continue to keep you abreast of changing practices in government operations. Ian and I will alternate writing this column, sharing our perspective on events and trends. As in past issues, we will continue to spotlight organizations that are transforming themselves and running the business of government more effectively. We will present interviews with outstanding leaders, who will talk directly about how they are implementing and managing. Finally, we will report on Endowment activities, including grant award winners and research findings from endowment grants.

The public has become keenly aware of the quality of service it expects from government. The government of the future will focus much more on how these services are provided and less on developing new policies. Morley Winograd, director of the National Partnership on Reinvention, recently remarked, "Everyone comes to Washington to make policy. Yet 90 percent of what goes on is implementation." We think Morley is right. It is our hope that the PwC Endowment for The Business of Government will advance knowledge of how the residents of Operations City can better serve the public. ■

Paul R. Lawrence *is a partner at PricewaterhouseCoopers and the co-chair of the PwC Endowment for The Business of Government. His e-mail: paul.lawrence@us.pwcglobal.com.*

Ethics in the Private Sector

Interview with Norman R. Augustine

How did your interest in ethics evolve?

I think it started with my dad. He was one of the most ethical people that I ever knew. When I became chief executive officer of Martin Marietta more than a decade ago (Martin Marietta and Lockheed merged in 1995), we established three priority goals: (1) for the company to be a model ethical organization, (2) to achieve mission success by producing the highest quality products, and (3) to work as a team.

In none of the three goals did we mention profit. My feeling is that we didn't have to talk about profit. If we achieved our three goals, we were confident profit would follow. Plus, we didn't think we could motivate 60,000 people by talking about profit. We have many engineers around here and they are motivated by mission success, not profit. And that has its merits.

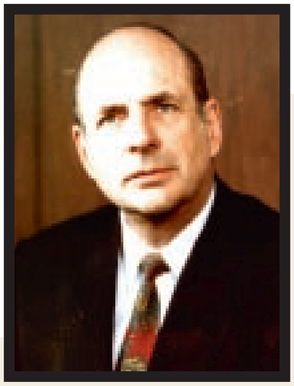
In candor, I must also say that we had some ethical problems in both our industry and at Martin Marietta about 15 years ago. So we knew we had to place the emphasis on ethics.

How did you go about achieving your ethics goal?

You have to show people you really mean it. People watch how you act. Sometimes you don't even have to talk about it. But we did strive to increase ethical awareness throughout the organization. We had to remind people about the importance of ethics. We developed workshops about ethics that dealt with how individuals respond to ethical questions.

We had to convey to everyone in the company that sometimes they might be expected to hurt the company in the short term by making a specific ethical decision – and that we were prepared to live with that outcome. We had to get people to think about the long term – since we firmly believe that ethical behavior pays off in the long run. Not to mention that it is the right thing to do. Word did begin to get out when employees saw us making ethical decisions that might in fact have hurt us in the short term.

During this same time period, our industry was becoming heavily involved in ethics training. The industry put together teams to develop stronger ethical guidelines. *continued on page 10*



Norman R. Augustine

Norman R. Augustine, retired chairman and chief executive officer of Lockheed Martin, is chairman of the board's executive committee. He retired as chairman of Lockheed Martin in April 1998.

Mr. Augustine joined Martin Marietta in 1977 as vice president of Aerospace Technical Operations. In January 1986, he became president and chief operating officer. Mr. Augustine became chairman and chief executive officer of Martin Marietta in April 1988.

Prior to joining Martin Marietta, Mr. Augustine served as under secretary of the Army from 1975 through 1977. Previously, he served as assistant secretary of the Army for research and development in 1973 and 1974, and he was assistant director of defense research and engineering in the Office of the Secretary of Defense from 1965 to 1970.

Mr. Augustine served as chairman of the Advisory Committee on the Future of the U.S. Space Program organized by NASA and the White House. He also chaired the Research and Development Plan Review Panel for the Federal Aviation Administration's Research, Engineering and Development Advisory Committee. He is a past chairman of the NASA Space Systems and Technology Advisory Committee and past chairman of the Defense Science Board.

He received a bachelor's degree in aeronautical engineering (magna cum laude) in 1957 and a master's degree in 1959, both from Princeton University.

Ethics in the Public Sector

Interview with Stephen D. Potts

Stephen D. Potts

Stephen D. Potts became the fifth director of the U.S. Office of Government Ethics (OGE) in August 1990. He currently is serving his second five-year appointment, having accepted President Clinton's renomination in 1995.

He served in the U.S. Army and ultimately was assigned to the Judge Advocate General's office in Washington, D.C. He came to the Office of Government Ethics in 1990 following a 30-year career as a partner with the Washington, D.C. law firm of Shaw, Pittman, Potts and Trowbridge.

He has taken an extensive and active role in civic affairs throughout his career, serving numerous local charitable and educational organizations. In addition to serving as the director for the Office of Government Ethics, Mr. Potts' service to the federal government has included membership on the President's Commission on the Federal Appointment Process, the Administrative Conference of the United States, and the President's Council on Integrity and Efficiency.

Mr. Potts received both his undergraduate and law degrees from Vanderbilt University.

How do you implement an effective ethics program in government?

The first key ingredient is commitment from the top of the organization. The leadership of an organization must make a long-term commitment to ethics as part of the organizational culture. The leader must incorporate ethics into his or her speeches at staff meetings, as well as communicate its importance throughout the organization. The leader must also lead by example. Employees do watch how their leaders behave.

Can you give us an example of leaders who have emphasized ethics in their organization?

The Secretary of Education, Richard Riley, has done an outstanding job at the Department of Education. From the start of his tenure at Education, he has emphasized ethics. It began with his own financial disclosure statement. He wanted to make sure that there were no gray areas. He wanted to stay far away from the "line." After assuming his position, he appointed an outstanding individual as his chief ethics officer. That individual has access to him at all times.

In the private sector, I've been impressed with Norm Augustine at Lockheed Martin. He placed great emphasis on ethics during his tenure at Lockheed Martin. One example was an excellent ethics training video that he made with Scott Adams. In the video, Norm is seen talking directly to Dilbert about ethics. It is very effective.

How would you contrast how different agencies have implemented their ethics program?

Each agency has done it a little differently. All use the uniform "Code of Conduct" as the basis for their ethics program. Some, like the Securities and Exchange Commission, have added on additional regulations because of the special nature of their business. The Department of Defense has a strong ethics program. Its management style is top down through the chain of command. At each level, DOD employees receive training on ethics.

How did you develop the "Code of Conduct"?

It was an interesting experience. I started out briefing several of the cabinet secretaries about the proposed code. One of them suggested that we do additional "field testing" with agency ethics officers. We followed that advice and got many interesting comments and reactions. We made some significant revisions based on the field testing. We also put the proposed code out for comment as part of the rule-making process and received more than 1,300 comments. The process was very important. It resulted in a better final product and employee support of the code. *continued on page 11*

Transportation Administrative Service Center

by Mark A. Abramson

"I looked at this job as an opportunity. It represented a real challenge," recalls George C. Fields, director of the Department of Transportation Administrative Service Center (TASC). In September 1996, Fields was appointed director of TASC and given the mandate to take 375 federal civil servants and turn them into fee-for-service business people.

TASC was created in January 1996 when the Department of Transportation (DOT) split its Office of the Assistant Secretary for Administration's staff into two components: policy units that would remain in the Assistant Secretary's Office, and direct delivery units that would become fee-for-service entities. TASC services now fall into three broad areas: information technology, services (acquisition, human resources, learning and development), and operations (facilities, space management, security). TASC receives no direct appropriated funds to support itself. Instead, it relies totally on revenue from the sales of its services. DOT agencies can now choose to use TASC for their services or obtain services from other places, either inside or outside of government. In addition to offering its services to DOT agencies, TASC now actively seeks business from other government agencies.

TASC is one of many fee-for-service units that have been created throughout government during the past several years. These units represent a new phenomenon in government – they are attempting to be efficient and competitive in cost and quality with the private sector and other government service providers. Although these units are heavy users of outside contractors, they have resisted the movement toward privatization. Fields recounts his experience: "I think we have reached an effective middle position. At one extreme, you have some people wanting to privatize everything. At the other extreme, you have people who think all activities should be performed by government employees. An intermediate position is greater reliance on outsourcing. I think we have found the right combination – efficient use of civil servants who can watch out for the taxpayer's best interest while effectively using outside resources as needed."

The road to transforming civil servants into business people was not an easy one for Fields and the leaders of TASC. Fields remembers: "We had a major transformation effort on our hands. We had to get all employees to become customer focused and to think about how to become more cost-effective. Many of our employees had no idea of the costs associated with their services. We had to constantly reinforce the major role they play in making TASC a viable, healthy, cost-effective operation."

There were no shortcuts in making the transformation. TASC had to overcome fear on the part of many employees who were concerned about the future of their jobs. The "risk" part of the business equation was new and somewhat frightening to them. Fields also faced the challenge of creating an image and identity for TASC. Use of a brand logo and emphasis on Service/Value/Success as core values assisted in the transformation. In addition, all employees – from print plant operators to the leaders of the business practices – received intensive customer-service training. "We were all in this together," recounts Fields.

On the basis of his experience over the past two years, Fields is convinced that civil servants can be transformed into business people. "It clearly can be done," he states. "You cannot underestimate the talent you have in your organization. When you present real challenges to your employees, they will rise to meet them. Some employees thought they didn't have the talent or skills to succeed in a business environment. It was really more of a case that they had not been called upon to use or develop the talent they already had. Their success served as a model for others."

Fields also places great emphasis on the need for a customer focus. "You cannot underestimate the importance of creating a customer-service mindset," states Fields. "Thinking about customers and selling services is much different than the traditional government mindset in which employees receive and

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The Government Performance and Results Act: Making It Work

by Kevin M. Bacon

As a former staff member in a state legislature and presently a consultant to numerous government agencies, I've had the unique opportunity to watch the executive/legislative dance from several perspectives. I've watched closely as executive branch agencies and Congress have begun to implement the Government Performance and Results Act (GPRA). Based on my observations, I think there are two key factors that can lead to the success of GPRA in making a real difference in how government is managed in the 21st century. The two factors are:

- Using performance measures resulting from GPRA to manage the organization; and
- Using GPRA as a vehicle to stimulate a new, highly productive dialogue with Congressional appropriations and authorization committees.

Using Performance Measures Resulting from GPRA to Manage the Organization

If performance measures are not used to manage the organization, I fear that GPRA may become an empty compliance exercise. To become both meaningful and useful, top executives must use performance measures to manage their organization. The use of such measures will direct attention to what is important at every level of the organization, and provide important feedback on how the agency's strategic plan is really working.

Clients frequently ask me what it really means to use performance measures to manage the organization. I tell people to see whether any of the following seven questions are being asked by senior managers. The organization is probably on its way to effectively using performance measures if more than three or four of the answers to the questions are yes.

- Does top management regularly ask questions based on performance data?
- Do people lose their jobs based on what the measures show?
- Does top management adjust strategies/plans based on measured results?
- Is data available in "real time" or only six months after the fiscal year ends?
- Is the data widely available both inside and outside the organization?
- Are the measures few enough in number to be used by managers?
- Do stakeholders view the data as credible and relevant?

Another question I am frequently asked is how will an organization know if it is starting to succeed in using performance information. The answer is when you hear experienced managers say, "How did we ever run this place without performance measures."

Using GPRA as a Vehicle to Stimulate a New, Highly Productive Dialogue with Congress

A second key potential stemming from GPRA is the real possibility of altering and improving the dialogue between Congress and executive branch agencies. The strategic and performance plans which result from the GPRA process can become a major vehicle for improving this often difficult and cantankerous process. There is no doubt that many in Congress will continue to have their own agenda. The question is whether GPRA-oriented discussions can become part of those agendas. There is little doubt that a GPRA-oriented discussion will be uncomfortable for both sides. There will be fear of the unknown, the known, and the deliberately ambiguous.

The structure of the federal budget and the congressional committee system currently works against GPRA-driven discussions and against creating a new, more effective and productive dialogue. The current system is incremental and is oriented to control and oversight needs. GPRA implies a rational model (strategy, plans, results focus) quite different from the past.

In response to these realities, both executive branch officials and legislators must recognize limitations and temper expectations. But I believe GPRA can make a difference. There is no reason why authorizing and appropriations committees cannot allocate a portion of each year's agenda to GPRA-driven topics. It is clearly possible to develop innovative crosswalks from GPRA plans to traditional budget structures.

Kevin M. Bacon *is a partner at PricewaterhouseCoopers. His e-mail: kevin.bacon@us.pwcglobal.com.*

The Pathfinder Principles: Management Lessons from the Mars Pathfinder Mission

by Wai-Shan Leung

On July 4, 1997, NASA's Pathfinder Mission landed on Mars. The landing received much public and scientific acclaim. In the year since the Pathfinder landing and deployment of the Sojourner rover, scientists have marveled at the scientific legacy of the mission. Another legacy, however, also deserves attention: the management legacy of the Pathfinder Mission to Mars. To learn more about how the Pathfinder Mission was organized and managed, I visited NASA's Jet Propulsion Laboratory in Pasadena, California, to interview key members of the Pathfinder team.

THE PATHFINDER PRINCIPLES

HAVING A CLEAR MISSION

INSTILLING RISK-TAKING AND A SENSE OF URGENCY

CULTIVATING COMMITMENT AND TRUST

LEVERAGING TALENT

On the basis of interviews, four key management principles surfaced that are applicable to running organizations and large projects:

- Having a Clear Mission
- Instilling Risk-taking and a Sense of Urgency
- Cultivating Commitment and Trust
- Leveraging Talent

Having a Clear Mission

The Jet Propulsion Laboratory was given its marching orders by Daniel Goldin, administrator of the National Aeronautics and Space Administration. According to Goldin: "We set a tough but achievable goal. We told JPL that they had $230 million, three years to do the job, and that we were going to fully fund them. We told them not to worry about funding stopping and starting. All they had to do was to build a spacecraft, land it on Mars, build a rover, put it on the spacecraft, deploy it from the spacecraft, and operate it all on Mars. We also told them to do good science."

Richard Cook, flight operations manager, notes that the clear mission served as a unifying force for all members of the Pathfinder team. He recalls: "We all kept our eyes on the prize. We tried to keep the long vision. We had to keep our eyes on the goal." Jennifer Harris, Pathfinder flight director, emphasizes the importance of having a common goal. "No 'empire building' was acceptable," says Harris. "Everyone had a common goal of getting our spacecraft to Mars."

Instilling Risk-taking and a Sense of Urgency

The mission drove the management of the project. Brian Muirhead, Pathfinder's deputy project manager, recalls: "We were given our constraints up front. We had a fixed budget, a fixed schedule, and a challenging mission. We had to do things differently to accomplish the mission. We had to take risks."

Under the new NASA rubric of "better, faster, cheaper," the Pathfinder team was given three years to complete its mission. Matt Golombek, Pathfinder chief scientist, recounts the differ-

Rob Manning (front center) shortly after Pathfinder landed on Mars.

ence between Pathfinder and previous NASA projects: “The Viking and Voyager projects were 10-year projects. Engineers designed it to get it all perfect. We didn’t have that much time. We had to be much more interactive. We had to react quickly. We had to build close working alliances among various teams within Pathfinder.”

Because of the need to react quickly, the Pathfinder decision-making process was sped up. Rob Manning, Pathfinder landing manager, recounts: “I started out as the chief engineer. I worked closely with Tony Spear, Pathfinder project director, and Brian. We didn’t sit around and think about things. It wasn’t like the old design teams. We made decisions, we didn’t wait. It was okay if we made a wrong decision. We knew that we could change it. It was okay to change our minds. This saved us. We picked a solution. We didn’t think about it.”

Cultivating Commitment and Trust

A clear mission, risk-taking, and a sense of urgency all contributed to the third Pathfinder Principle: cultivating commitment and trust. According to Muirhead, Pathfinder operated on the principle of trust. “We trusted the Pathfinder staff and they trusted us. We tried to build a high level of commitment, with everybody working toward accomplishing the mission.”

The need to create a trusting environment was not just based on philosophy. There was a practical reason for creating a trusting environment. “We didn’t want people to hide if their project got in trouble,” notes Muirhead. “If there was trouble, we all wanted to know about it. We all knew each other. Managers felt good about the way we operated. They liked to be trusted.”

In a presentation to government managers, Jennifer Harris discussed the impact of Muirhead’s emphasis on trust. “The leadership trusted us to do our jobs. They believed in our competence. They assumed most problems were legitimate and they worked to solve them, not to find and beat down the people who caused them.” Another team member, Bill Dias, states: “A big part of the project was trust. We didn’t know whether things would work out. Matt Golombek trusted me to do my tasks.”

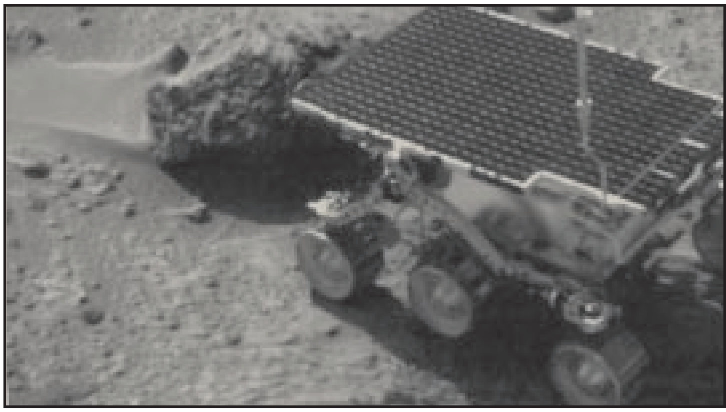
Expanding team member job responsibilities enhanced the sense of commitment to the project. Harris recalls: “The project allowed and encouraged people to take on as much responsibility as they could. We had to do a lot with few people. Everyone had significant responsibility. Because of this responsibility, people were committed to the project and their team. Team members took ownership of their tasks and increased commitment resulted.”

Leveraging Talent

Just as trust was one of Muirhead’s key principles in managing the Pathfinder project, talent was another. If Pathfinder was to succeed, the project had to both recruit top talent and then deploy its staff to the maximum of their ability. Muirhead explains: “This was a high-risk venture. We had to create an environment to make it happen. We wanted to create a very flat organization. We wanted to create a small-group environment. We ranged from 100 people to 300 full-time equivalents. We had an exciting mission. We had to get the most out of our staff.”

The principle of leveraging talent is reflected in the emphasis placed on the recruitment process by Muirhead and other key team members. “We wanted to create a challenging environment. I knew what I was looking for in people. I seldom got surprised,” recalls Muirhead.

“A key difference in Pathfinder,” notes Bridget Landry, a member of the software team, “was that we didn’t really have positions. We hired people. We hired people with good attitudes and they then found their niche. People then sought out what needed to be done.” Glenn Reeves, another key member of the Pathfinder team, adds, “There wasn’t a big division of labor. It was a melting pot where people would come together.”



Mars Pathfinder Rover

Leveraging talent also was reflected in the practice of hiring from within and letting people “grow into jobs.” Muirhead states: “When a job opened up, we looked within. We thought it would be a good career move to give people cross-training and let them take on new responsibilities…. We customized jobs for the person. And we let jobs change or evolve. For example, Rob Manning’s job changed. Vacuums opened up and people, like Rob, moved to fill them. Jobs opened up and we let people grow into the new jobs. People liked that. They liked learning new jobs. There was a lot of growth.”

The principles of clear mission, risk-taking, urgency, commitment, trust, and talent appear applicable to other organizations. It is unclear whether the Pathfinder Principles will become a new management model for all organizations. It is clear, however, that the Pathfinder Mission to Mars was managed very differently from previous NASA projects, with impressive results. ■

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*If you would like to obtain the full report, **The Pathfinder Principles: Management Lessons from the Mars Pathfinder Mission**, please either call the PwC Endowment at (703) 741-1077 or send an e-mail to endowment@us.pwcglobal.com.*

About the Endowment

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GRANTS

Research. The PwC Endowment will select individuals in universities, non-profit organizations, and journalism to prepare research papers.

Conferences. The PwC Endowment will select universities and nonprofit organizations to design, implement, and host conferences that bring together practitioners and experts in executive conference settings.

Sabbaticals. The PwC Endowment will select government executives for sabbaticals, ranging from two to four months, during which they will prepare research papers.

AREAS

During 1998-99, grants for research, conferences, and sabbaticals will focus on increasing knowledge in the following three areas:

Outstanding Leaders. The characteristics, behavior, and styles of effective leaders in the public sector.

New Tools, Techniques, and Delivery of Services. Approaches and methods the public sector uses or could use to improve how it does business.

Changing Organizations, People, and Culture. How the public sector manages or could manage the transformation of its organizations, workforce, and culture. ■

Introducing the Executive Director

Mark A. Abramson was appointed executive director of the newly created PwC Endowment for The Business of Government in July 1998. Mr. Abramson most recently served as chairman of Leadership Inc.

“We are very pleased that Mark accepted our invitation to serve as executive director of the Endowment,” notes Paul Lawrence, co-chair of the Endowment’s Advisory Board. “Mark brings a wealth of experience to the position. He has long been a strong advocate of public service and a proponent of improved management in government.”

From 1983 to 1994, Mr. Abramson was the first president of the Council for Excellence in Government in Washington, D.C. From 1977 to 1983, he served as a senior program evaluator in the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services in Washington, D.C.

Mr. Abramson was elected a Fellow of the National Academy of Public Administration in 1992. He is chair of the academy’s Committee on Performance-Based Management. He was a member of the academy panel examining the Veteran Benefits Administration at the Department of Veterans Affairs. Mr. Abramson is immediate past president of the National Capital Area Chapter of the American Society for Public Administration.

From 1995 to 1997, Mr. Abramson served as an evaluator and team leader for the Innovations in American Government Awards Program, sponsored by the John F. Kennedy School of Government at Harvard University. Mr. Abramson is a faculty member in the Department of Public Administration at George Mason University and a contributing editor of *Government Executive* magazine. He has served as an adjunct faculty member at the Federal Executive Institute in Charlottesville, Virginia.

Interview with Norman R. Augustine *continued from page 2*

Can you tell us about some of the specific activities you undertook in the ethics arena?

We created a hotline that people could call for advice or to report ethical violations. The former is particularly important. We also launched an ethics training program. I participated in many of the training sessions, including teaching in some of them. We conducted a survey of employees in which we asked them about ethics in the company. We also created an ethics board game that proved to be highly popular. We received so many requests for the ethics board game that we were tempted to sell it, but we decided to give it away free to all those organizations who requested it.

Carol Marshall, the head of our ethics office, had the idea to create an ethics video (in which I appeared with Dilbert, the cartoon character). Scott Adams, the creator of Dilbert, worked with us to develop the video.

How would you define ethics?

There are, of course, various definitions to be found in the dictionary and in the writings of philosophers, but from a practical standpoint I like the following four tests:

(1) Is it legal?
(2) Would you want it done to you?
(3) Would you want to read about it on the front page of the *Washington Post*?
(4) Would you like your mother to know about it?

It is often very important to go beyond just what the law requires. In that regard, we wanted to create a high standard for ethics in our company.

Can you tell us about some of the ethical conflicts that you have faced?

At Lockheed Martin, we are frequently involved in working with other companies to develop projects. There have been times when we encountered opportunities that were clearly legal, but we just didn't feel right about doing them. So we walked away. One of the factors in Martin Marietta's decision to merge with Lockheed was our high comfort level with Lockheed's ethical standards. When we competed against them, we had always found them to be a highly ethical company that had the same values and standards that we sought.

We worked hard to create an environment in which people could feel free to let us know about problems. I've always found that it is better to know about problems than not to know about them.

Are there any indicators that you use to ascertain the ethical climate at Lockheed Martin?

We use several indicators. First, we read the newspapers to see if we are featured for some ethical transgression. Second, we closely analyze our anonymous employee-survey results. Third, we monitor the number and content of phone calls to our hotline. I must admit, however, that it is difficult to interpret data such as the number of phone calls on the hotline. We often don't quite know whether an increase in phone calls reflects an increase in our ethical awareness or a decrease in our ethical comportment!

How do you find the ethical climate in government?

I have found government officials – like most people – to be basically ethical individuals. But it is a particularly great challenge and great responsibility to serve in government. An enormous amount of power is at the disposal of those who serve, as well as opportunities to behave unethically. I do believe that given their fiduciary responsibility, government officials should be held to an extremely high standard. I have almost always been impressed with the individuals whom I have known in government. There is, however, always the potential for personal abuse of power such that each employee must guard against it.

What advice do you give to people when they face an ethical dilemma?

First, I tell people to seek advice. In my own career, I have frequently sought out the opinions of those I respect when faced with a difficult question. The wisest course of action is to seek as many opinions as possible. Second, I always say, "When in doubt, disclose." It is frequently best to get a question out in the open – and to make clear both in perception and in fact that nothing is being hidden.

As a global company, how does Lockheed Martin deal with different ethical standards in different countries?

This is tough. We clearly do find that other nations don't always have the same ethical standards that we do. Even bribery is an occasional problem. In some parts of the world, a bribe can be treated as a tax deduction. Our first rule is to obey the laws of both the country we are dealing with and the laws of the United States. We have found that it is sometimes best to decide not to do business in some nations. To our surprise, we have actually found this to be helpful to us. Other nations know that we have high ethical standards, and sometimes they are looking for companies with such a reputation. ■

Interview with Stephen D. Potts *continued from page 3*

How do you communicate the code of conduct to federal employees?
The basic tool is training. All employees receive at least one hour of training in which they receive information on the basic rules. Each department and agency also has an ethics officer who is available to answer questions and give advice and counsel.

My office, the Office of Government Ethics, has devoted a great deal of effort to the development of ethics training material for departments and agencies. Since I've been here, we have developed seven videotapes that explain different parts of the code. One of our videos recently won an international award. We also developed an ethics board game to teach ethics.

We have also begun to do more satellite broadcasts to federal executives. We recently conducted a one-hour training session that was delivered to more than 30,000 people across the nation.

What has been your impression of ethics in the private sector?
I've been very impressed with the Defense Industry Initiative on ethics. As a result of the ethical problems identified by the Ill-wind scandal several years ago, numerous defense contractors created an initiative to educate individuals in the defense community about acting ethically when dealing with government. I think it's been very effective.

I've also been impressed with the Ethics Officer Association, which has grown vigorously since its start. I have also found the programs of The Conference Board, such as their annual ethics conference, to be very worthwhile.

How do you think the private sector has responded to the government's code of conduct?
My general impression is that it is taking government ethics more seriously. Because of efforts such as the Defense Industry Initiative, the private sector has increased its knowledge and understanding of federal rules. They know that they can't offer pro basketball tickets to federal executives. They don't want to embarrass either themselves or the federal executives with whom they deal.

What new issues regarding ethics are on the horizon?
One issue that presents some interesting questions is privatization. We've already had a little experience with the issue. The question arises when the negotiations to privatize a federal function commence. Who should be involved in those negotiations and do we need any new rules for those situations? A second issue is the increasing number of public/private partnerships. Again, we may need some changes in the rules to reflect this new type of relationship.

What other changes have you seen during your tenure as director of the Office of Government Ethics?
I really have been struck by the increased interest in ethics by governments around the world. We have been sending our staff to other countries to assist them in the development of codes of conduct and financial disclosure regulations. One of our lawyers is now in China.

> THE LEADERSHIP OF AN ORGANIZATION MUST MAKE A LONG-TERM COMMITMENT TO ETHICS AS PART OF THE ORGANIZATIONAL CULTURE.

In addition to individual countries becoming more involved in ethics, international organizations have also started to develop ethics standards for their member nations. Specifically, the Organization of American States and the Organization for Economic Cooperation and Development have new ethics programs and rules. We have been active in assisting them.

Finally, there appears to be a major change going on internationally. For example, the new head of the Argentina Ethics Office has come down hard against corruption and bribery. He is now taking a strong stand on reducing corruption. This is really new. It wouldn't have happened several years ago. But, of course, the real test is how well the program is implemented. ■

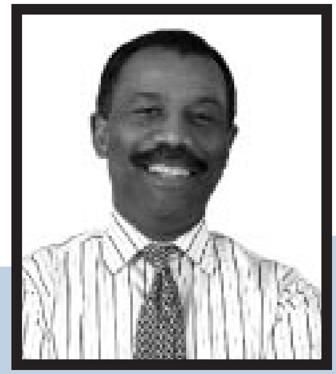
TASC *continued from page 4*

spend appropriated funds – typically supporting captive customers. The traditional mindset does not encourage cost-effectiveness and a customer focus."

To date, the results are promising. Since its creation in 1996, TASC has increased total revenues by more than 30 percent, increased sales to non-DOT agencies by more than 600 percent, reduced the number of employees by 24 percent, and cut overhead costs by more than 38 percent. The TASC Computer Center has reduced it rates by approximately 58 percent since 1994. According to Fields, however, many challenges still face TASC. "We need to continue working on financial management. Our financial reporting systems are inadequate to our needs. We still don't get the financial information that we need as quickly as we should."

One of the most significant changes, reports Fields, is the change in the dialogue among his managers. "When I got here, people would come in here and just ask for more resources without much justification. They wanted more staff if they were going to do things differently or go after business. Today, the dialogue has changed. The managers come to me when they need more resources, fully recognizing that they will need to have the revenue to support their requests. This is a big difference from our early days."

Another difference from the traditional government unit is that TASC is forced to make strategic choices about its lines of business. "We have gotten out of some businesses," reports Patricia Parrish, head of customer service for TASC. "Quarterly, we look closely at our businesses to ensure they are financially sound. Business lines that are experiencing difficulties are put on a 'watch list' for close scrutiny and an improvement plan is developed. Needless to say, a business doesn't stay on the 'watch list' for long – you either make it viable or get into something more marketable. If we're not providing the services our customers want – quality services at a competitive price – we should get out of the business. For example, we no longer provide systems development support directly by government staff. Instead we have a variety of contract vehicles, which we found provide for more flexibility to respond quickly and bring to bear the latest in technology." TASC does not provide some lines of business typical of government fee-for-service operations, such as audit services, payroll services, and travel management. "We might consider adding such services in the future," states Fields, "but our focus is elsewhere now."



About George Fields

"The federal government was a new experience for me," recalls George Fields. "After working in state and local government, I always thought that it would be difficult to make change in an organization as large as the federal government."

From 1987 to 1996, Mr. Fields was deputy secretary of General Services for the Commonwealth of Pennsylvania. He served two terms under Governor Robert P. Casey and was reappointed by Governor Tom Ridge in 1995. Prior to that position, he served as manager of employee relations for Arlington County Government in Arlington, Virginia. Earlier in his career, he served as assistant director for human relations for the City of Kansas City, Missouri. Mr. Fields has also worked in the private sector.

Although working capital funds, or reimbursable programs, have long been around government, they are now operating much differently than in past decades. Many of the new organizations, such as TASC, have internal boards of directors from their customer agencies. They are attempting to bring "private sector" practices into government, along with a strong customer focus. It will be interesting to watch these organizations in future years to see if they continue growing and providing cost-effective services. ■

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For more information on TASC, call (202) 366-4747 or visit its web site at www.tasc.dot.gov.

How to Apply for a Grant

During 1998-99, grants for research, conferences, and sabbaticals will focus on increasing knowledge in the following three areas: Outstanding Leaders; New Tools, Techniques, and Delivery of Services; and Changing Organizations, People, and Cultures.

	RESEARCH	CONFERENCES	SABBATICALS
Who Is Eligible?	Individuals working in: • Universities • Non-profit organizations • Journalism	• Academic institutions • Non-profit organizations	Executives (GS 15, Senior Executive Service, or equivalent) in federal, state, or local government
Application Process	Interested individuals should submit: • A one-page letter of application; • A three-page description of the proposed research; and • A resume, including a list of publications.	Interested organizations should submit: • A one-page letter of application; • A three-page description of the proposed conference describing the topic to be addressed; • A list of potential conference participants; • A one-page description of the sponsoring organization; • A budget describing total conference costs including the portion to be contributed by the sponsoring organization; and • A brief description of the executive conference center.	After an individual receives permission from his or her organization to apply, the individual should submit: • A one-page letter of application; • A three-page description of the proposed research project; • A resume, including a full description of current and previous positions; and • Two letters of recommendation. Applicants will also be interviewed by a selection panel.
Application Deadlines	There will be four funding cycles with deadlines of: December 31, 1998 March 31, 1999 June 30, 1999 September 30, 1999	There will be four funding cycles with deadlines of: December 31, 1998 March 31, 1999 June 30, 1999 September 30, 1999	There will be four funding cycles with deadlines of: December 31, 1998 March 31, 1999 June 30, 1999 September 30, 1999
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