

The Business of Government

*a publication of The PricewaterhouseCoopers Endowment for The Business of Government
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by Paul Lawrence



As the new administration comes to town, there will be a natural tendency to jump on the e-government bandwagon. While e-government is important and there is much that can be done to improve the delivery of services to the American people via the Internet, I want to use this opportunity to provide a cautionary tale to the new administration. While e-government is neat and offers a world of opportunity, high-tech, low-touch is not the total answer to improving customer satisfaction among the American public.

We learned long ago that individuals who come in contact with both the public and private sectors still value personal touch and personal relationships. I hope the new administration will not forget that government exists to help its citizens, often in times of need or under stress. The new administration's success will be measured and remembered by how government fulfills these needs. These interactions are successes or failures because of the people involved. To see customer service done in a highly professional, effective manner, I urge members of the new administration to take a break from transition meetings to visit Arlington National Cemetery.

My suggestion is based on personal experience. My father, a career Army officer and decorated Korean and Vietnam War veteran, died this spring after a long illness. Amidst the trauma and emotion, my 75-year-old mother had to decide how and where my father would be buried. She quickly dismissed a government funeral, as she lacked the energy and time to deal with what she perceived as "all the hassles."

As we began to search for alternatives, I got a call from my pastor, a retired Marine Corps officer, who urged me to rethink a military funeral at Arlington National Cemetery. Countering my concerns, he told me, "It's the best run operation in Washington." With this recommendation, my mother reluctantly agreed to call. Still her expectations were low, as she imagined that with so many high-ranking dignitaries in the DC area, he might not be offered a plot in Arlington.

My mother's call to Arlington Cemetery was answered quickly and professionally. The person was sympathetic and, within a few minutes, established that, yes, my father was eligible to be buried in Arlington. Since we live in the area, the representative suggested that a person-to-person meeting would be most effective to discuss logistics and then scheduled the meeting.

At that meeting, we learned that the cemetery is run by the Army and that while space is at a premium, there is still room for people like my father. The types of services provided were explained and referrals were provided for anything that they did not do. Because she had chosen a Catholic service, my mother was given a list of choices she needed to make.

As a result of this short meeting, my mother went from government skeptic to an outright fan. More importantly, her mood began to change from one of completing a difficult task to enjoying the process of honoring my father (language she picked up from the cemetery representative who worked with us). Every subsequent interaction we had with the staff of the cemetery was the same — attentive, precise, and understanding.

On the day of the funeral, everything went exactly as they said it would. The church service began and ended on time. My father's casket was pulled by well-groomed horses through the cemetery, followed by a large military band, playing appropriate music, marching sharply. From a personal perspective, it was a moving tribute. More objectively, what I was a part of that day was the crisp delivery of a government service, under trying circumstances, that far exceeded any measure of customer satisfaction.

A week later my mother received a nice note from the head of the organization responsible for funeral services at the cemetery. In it, he asked five questions about how they had done, so that they might improve. Giving the highest score in each category still seemed less than this impressive performance deserved.

Based on this personal experience, I would like to share the following insights with the new administration. First, no websites were involved in this transaction. Technology is great, but people and the personal touch still play an important role in the delivery of government services. Second, the people at Arlington National Cemetery clearly understood their customers and their service. The activities of literally hundreds of people had been planned and executed with our needs in mind. Third, service provided by government is personal. Even though they conduct as many as 30 burials a day, for our two hours, it felt as though my father was the most important person ever to serve in the Army.

Epilogue: Five days later, I visited my father's grave. I intentionally went into the main building and asked how I find a plot, trying to imagine how those who couldn't attend the funeral would fare. Within three minutes I was given the exact location, a map, and detailed directions.

It used to be that "good enough for government work" was a compliment, indicating the high standards that needed to be met. At Arlington National Cemetery, they are still doing that kind of "government work." Wouldn't it be rewarding if the new administration's legacy were to return the original meaning to this expression? ■

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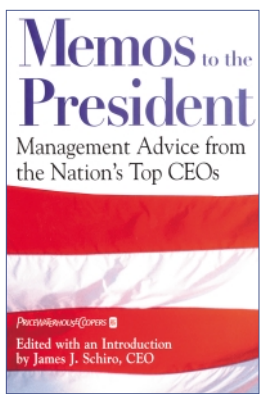
Memos to the President

Deploying Technology and Changing Culture*

From *Memos to the President*

William D. Zollars

Chairman, President, and Chief Executive Officer, Yellow Corporation



The greatest challenges facing your new administration will be your ability to deploy technology to build more effective customer relationships and to change culture in the diverse and numerous organizations that comprise the executive branch. Though you were elected with a mandate to bring change to the halls of government, we both know that will not be an easy task. With that in mind, I'd like to share with you my

experiences in deploying technology and changing culture in a rapidly evolving industry.

In the world of trucking-related transportation services, change has not come easily. Even though Congress deregulated the industry in 1980, real competition did not emerge until a few years ago. While customers (and the economy) have benefited from better service, more choices, and competitive prices, some of the older and more established trucking companies have really struggled with the transition.

During the first decade of deregulation, financially strong companies like Yellow had little difficulty in the face of competition. They continued to grow simply by picking up business left by the weaker players as they went out of business. But that cycle had ended by the early 1990s. At that time, the industry entered the final stages of deregulation, which lasted until about 1996. This period was marked by severe price discounting, the end of intrastate regulation, and disruptive labor strikes. Many carriers struggled, including ours, and quite a few "old guard" companies were driven out of business.

At the dawn of a new millennium, our industry has finally taken control in this competitive era. With just a few exceptions, the companies that are left are financially strong, battle-tested, and offer greatly improved service. Customers are justly expecting more and more from their transportation providers and receiving better service as a result.

The challenges facing your cabinet and other members of your executive team will be similar to these current business dynamics in some important ways. The federal government is a large buyer and seller of services. As service providers, we face nearly identical challenges in utilizing the potential of the Internet to create new efficiencies in supply-chain management and better channels for delivery of products and services. And we each face the challenge of how to strengthen our relationships with our customers — in your case the American people.

Deploying technology to build relationships in a new business environment

Businesses today operate in an unprecedented way in this demand-driven environment. Point-of-purchase information drives decisions in retailing, manufacturing, and most segments of the supply chain in between. This type of constant change means that a competitive advantage today may not be a competitive advantage tomorrow. With product life cycles now measured in weeks instead of years, speed to market is key. You had better be able to have a new product on the shelf or on the Web very quickly. And it's equally important to be able to turn on a dime, exiting quickly when conditions change.

The key to a sustainable competitive advantage for most businesses today is having a well-oiled supply chain. This

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requires strong strategic partnerships with many parties, including manufacturers, distributors, and transportation partners. In fact, the transportation relationship may be the key to making the whole supply chain work. The need to form fast and powerful alliances is shared by all industries and businesses today. I have no doubt that the same will be true for organizations within the federal government.

With the explosion of e-commerce in the digital age, the complexity of the supply chain for most businesses (both bricks-and-mortar and virtual) has increased by a factor of four or five or more. Supply chains — sourcing networks and distribution channels of all sorts — now stretch around the globe. With the increased number of relationships that must be managed, many logistics and procurement professionals are simply overwhelmed. The companies that learn how to take the pressure off these individuals and work as true strategic partners will have sustainable competitive advantages themselves.

Building important relationships. Building strong business relationships can be tough. An effective partnership is like a marriage, where good communication, listening skills, and flexibility are mandatory. The relationship is a dynamic learning process that begins when each party agrees to listen and to do their best to understand what the other has to say. Many companies boast about their strong customer relationships but the reality is that there are very few solid ones in our industry. Good customer relationships can be very fragile things.

Do we have to accept the reality of delicate relationships as a fact that can't be changed? Absolutely not. Technology is changing business dynamics at warp speed, giving us new methods to dramatically improve these all-important relationships. That, in my opinion, is the most dramatic result of an investment in technological advances. While it's valid to focus technology investment on cost savings or operating efficiency, the returns begin to diminish if that investment is not also improving the customer's overall service experience.

Simply using technology does not create a competitive advantage for a transportation services provider, or any business for that matter. Focusing technology investment on simply maintaining legacy operating systems is a losing strategy. At Yellow, we practice the "2-to-1 Rule." For every dollar invested in legacy system support, we invest two dollars in development of new systems and technology. In addition to

employing the "2-to-1 Rule," we avoid programs and projects that take more than three years to complete. The entire industry has moved on by the time those projects are finished. Your cabinet secretaries would certainly benefit from challenging each of their chief information officers to tell them whether the "2-to-1 Rule" is applicable to the federal government in general and each of their departments specifically.

Reaching untapped markets. In our industry, the Internet will not relieve existing pressure to engage in commodity-based transactional pricing. When a buyer simply wants commodity service, price drives the buying decision. From airline tickets to home mortgages, the Internet lets buyers comparison shop like never before. A certain amount of price-driven comparison shopping is inevitable in the digital marketplace for transportation of products and materials. There are many transportation services companies willing to function within

WHILE IT'S VALID TO FOCUS TECHNOLOGY INVESTMENT ON COST SAVINGS OR OPERATING EFFICIENCY, THE RETURNS BEGIN TO DIMINISH IF THAT INVESTMENT IS NOT ALSO IMPROVING THE CUSTOMER'S OVERALL SERVICE EXPERIENCE.

that business paradigm. The low-cost business model does have its place in every industry.

However, transportation services providers who believe that we will inevitably return to the days of one-size-fits-all commodity service, with uniform and highly discounted pricing, are missing the real potential of the Internet. That was a defining characteristic of our regulated era. Today, the digital age is giving us the power to customize service and manage relationships like never before, offering alternatives to price-driven buying.

That's the business model Yellow has adopted. We believe that the Internet actually will open up vast untapped markets for value-added services that will be much larger than the relatively small pond we fish in now. The total market for transportation services, including air freight and rail, is around \$440 billion today. The sector in which Yellow presently competes represents approximately \$26 billion, or 6 percent of the total. But the sector can hardly be described as a commodity service market anymore. Our research shows us that less than one-fourth of our customer base makes purchase decisions based on price alone. The

remainder say service quality is the most important factor when choosing a partner.

Thanks to technology, we now have the ability to say “yes” to the manufacturing manager who has 16 shipments that must be picked up at the same time and then must each move to different parts of the globe at varying speeds and finally be delivered to the consignee within a one-hour time window. You can’t meet demands like that with commodity service.

Increasing accountability. Technology has to be placed into the hands of the people on the front lines who have the best chance of using it to create, maintain, or strengthen a positive relationship with the customer. The investment can’t stop with giving your people better tools. You also must deploy technology that gives your customer better access to information that in turn helps them manage their own business. It may be information about a shipment moving through our system, a status report on an invoice, or advice on filling out a bill of lading or customs documentation. Whatever information the customer needs, we have to be ready to provide it in real time. It’s increasingly true that our ability to move information is just as important as our ability to move products and materials.

The technology revolution in our industry has raised the threshold of accountability. It’s increasingly difficult to make excuses for poor or erratic service. The slipups just don’t get past the customer anymore. By giving the customer the ability to track shipments and retrieve documentation, chronic problems stand out pretty quickly. Yellow is giving customers an unprecedented level of control over their shipments while they move through our network so that potential errors can be derailed. Shipments that are in danger of being late can be sped up or rerouted or even returned. Offering compensation to customers experiencing problems is an important counterpart of this service. Within our industry, the idea of giving our customers choices and then holding ourselves accountable with guarantees was nearly unheard of in the past. Today, technology is driving more and more companies to hold themselves accountable for the quality of service they provide.

Changing the cultural DNA

The technology revolution requires a dramatically different corporate culture. But changing an existing culture is one of the hardest things any company can do. It is essentially changing a company’s DNA. It can’t be done in a month or two. It requires constant and relentless attack over a long period of time. You and your new appointees will face this challenge if you truly desire to change the culture of your organizations.

The first thing you have to do in order to transform a culture is to defeat complacency by creating a sense of urgency. In doing so, you need to be careful not to create anxiety. People don’t function well in an environment ruled by fear. They either burn out, run for the exits, or just do everything in their power to sabotage your efforts. A sense of urgency means giving people clear direction and expectations, setting aggressive goals, and then establishing a generous reward system for meeting the goals. They must feel like participants in a joint mission. Implementing this strategy at Yellow has resulted in a real turnaround on our bottom line.

The next important step is to adopt a clear and simple vision for where you want to go as a company. At Yellow, we started this process three years ago by articulating that we wanted to be the leading provider of guaranteed, time-definite, defect-free, hassle-free transportation and related services. Earlier this year, we recognized that the vision wasn’t as clear and easy to understand as it should be. So we refined it by engaging in a little self-analysis and asking ourselves: “What is our core purpose as a company?” We agreed that our core purpose is simply “to make global commerce work by connecting people, places, and information.” We believe that statement reflects the essence of our vision.

Communicating the vision. The next important step in changing the culture is to relentlessly and repetitively communicate the vision to employees. The rule of thumb in advertising is that a selling message must be repeated at least three times for it to register with a potential buyer. That principle also works in communicating important messages to employees. Communication is a difficult but necessary task in both the public and private sectors.

Communication must start at the top with a management team that connects the dots for employees. They must show employees the bigger picture and put every necessary change and activity within the larger context. They must constantly ask: “Is this move consistent with our vision? Is this where we want to go as a company?” With enough repetition, employees begin to internalize the vision and test the consistency between it and their daily actions on an ongoing basis. No doubt, civil servants, like those in my organization, also seek to understand the bigger picture. In addition to spending time outside of their organizations — talking to constituents, interest groups, business, government, and Congress — your cabinet secretaries and agency heads must also allocate time to communicate your vision of a better government with their own employees.

Creating short-term wins. It's also important for morale and long-term productivity to create short-term wins. By establishing interim goals that can be achieved quickly, employees begin seeing that their efforts are paying off. At Yellow, that effort was centered around a company-wide process improvement program in which best practices were identified throughout the company, taken apart and reengineered, and then institutionalized across our entire network. In so doing, we have the opportunity to turn our best minds loose to truly innovate.

Our "Gold" processes were the result of that effort. They have established benchmarks of efficiency and predictability for every important activity involving the movement of 15 million shipments per year. The Gold processes create short-term wins that every employee can see and relate to. They are an important base to build on as we now move to other activities that will improve the overall service experience for each customer.

Empowering employees. An effective culture also must have a structure that supports the strategy to strengthen or change it. One of the biggest fallacies in business today is the idea that any organizational structure will work as long as good people are in place. Talented people alone won't get a job done. The truth is that winning organizations have superior people operating within a superior structure. In 1997, as part of our effort to reinvent our company, we radically reshaped our entire management and organization structure. Our goal was to move decision-making authority closer to the customer and to get more people involved in bringing innovative ideas to the table.

The final element in creating real change in a culture is to reinvigorate passion. Vince Lombardi once said: "The difference between a successful person and others is not a lack of strength, not a lack of knowledge, but rather a lack of will." That idea holds true for organizations, too. Pride and passion are the foundations of willpower. People have a competitive fire that makes them want to succeed. They want to be proud of what they do. When you demonstrate to them that they have reason to be proud and the ability to impact results, they will supply the passion. If you reward incentive, you will keep passion alive.

It's been a long road for the people in our company, through deregulation and into an era of competition ruled by the power of the marketplace. Technology is the tool that has helped us emerge as a completely new company positioned to thrive and prosper in the digital age. It is inevitable that the change that new business dynamics has enforced will have a profound impact on how you and your executive team choose to handle internal and external relationships, culture issues, and redefinition of your own business models and goals. ■



About William D. Zollars

As Chairman, President, and CEO of Yellow Corporation, Zollars leads one of the largest and most recognizable transportation services companies in North America. Zollars was named to his current position on November 9, 1999. Prior to that, Zollars was President of Yellow Freight System, a position he accepted on September 6, 1996, as part of a major management transition for the company. Under Zollars' leadership, Yellow Freight has moved rapidly through a period of market repositioning, operational reengineering, and growth.

Prior to joining Yellow, Zollars was Senior Vice President of Ryder Integrated Logistics, a \$1.2 billion division of Ryder System, Inc., based in Miami, Florida.

In addition, Zollars spent 24 years in various executive positions at Eastman Kodak, including assignments in London, Toronto, and Tokyo.

Zollars holds a B.A. degree in economics from the University of Minnesota.

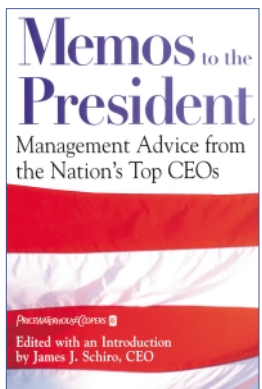
Memos to the President

Changing Results by Changing Behaviors*

From *Memos to the President*

Fred Hassan

President and Chief Executive Officer, Pharmacia Corporation



Just like the United States has the vision to be a “best-governed country,” Pharmacia has set itself a vision of being the “best-managed company” in its own industry. Being big, by itself, does not bring greatness. But being best managed can lead to greatness — in governments, just as in companies.

In government, as in business, there is often a preoccupation with organizational structure. Get the structure right, so the thinking goes, and a more efficient operation will follow.

There’s no question that having an organizational structure that matches the strategy is important. However, as both private sector and public sector organizations become far more complex, a focus on structure can obscure what is becoming a far more critical factor in management success: effective management behaviors.

Horizontal work processes, well executed, will differentiate the successful companies from the also rans in the twenty-first century — just like the twentieth century ushered in the era of scientific management that emphasized division of labor, vertical specialist functions, and sophisticated organization charts.

In fact, as we are finding in our own fast-changing global company, instilling effective management behaviors is a way of overcoming the barriers and silos that naturally result from organizational structures, however sophisticated. This is because no single organizational structure today can respond to the very fast changing global environment, or to the increasingly complex demands of customers — who, for you, Mr. President-elect, will be every American citizen.

We are also finding that a common set of well-understood core behaviors for managers creates unity and direction across the organization, integrating different locations, business units, and cultures.

However, the kinds of behaviors that we are demanding of our managers are not easy to instill, because many of them run counter to territorial human instincts. So we’ve also devoted a great deal of time and effort to rewarding the right behaviors among managers — assuring, in other words, that what we say in this critical area is what our people also do.

At Pharmacia, we have distilled our behavioral code into five simple, but, I believe, profound directions for our managers. These five points apply to managers in every part of our very diverse business, from managers in charge of production workers in our global supply operations in the United States and Europe to R&D managers directing our highly talented and individualistic research scientists, and to country presidents responsible for our commercial operations in dozens of locations worldwide.

We call these five points the Pharmacia “Best-Managed” behaviors. This code reflects our commitment to becoming the best-managed company in our global industry — because by being best managed we will become best at serving our customers and patients, which in turn will generate industry best performance. I believe that the implementation of these same five core behaviors can dramatically improve the functioning of our government organizations — because “best-managed” in that context is no less than “best-governed.”

1. Shared accountability and transparency

Most organizations today focus strongly on accountability — but mainly, it is accountability of individuals or of specific units for meeting their goals. In increasingly complex and

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fast-changing environments, however, it is not enough for individuals or single business areas to be responsible for “rowing their own individual boats” — because company results are usually a function of different people in different departments relying on the results of others for their own success.

For this reason, we are building a management behavior of shared accountability. The message to all our managers is that to a large extent, their success is collective and interdependent. Managers need to be responsible collectively. By creating an atmosphere and expectation of shared accountability, we move the instinctive process from “I” to “we,” and from individual or department results to the total organization’s satisfaction of customer needs. This of course also requires setting broader performance goals. Success for an R&D unit, for example, must be defined not simply in terms of the number of new compounds it files for approval, but instead in terms of the relevance of the group’s discovery and development to key areas of medical need and to the commercial results in the marketplace.

With shared accountability for results goes transparency. It’s amazing how secretive individual work units can be about such basics as budgets and management decision making. However, as behaviors that result from shared accountability take hold, it is the managers themselves who begin to demand transparency from each other. They reasonably begin to expect that if they are to be held accountable for the total results of the organization, they also have the right and responsibility to influence decisions in units outside their direct management areas. And of course, the additional sunlight, coupled with peer review, in the end improves everyone’s processes and enhances overall results.

2. Participative management

Participative management is closely tied to shared accountability for results. Like shared accountability, it goes against some of our most basic human, territorial urges. But like shared accountability, participative management offers a step change in organizational effectiveness.

Participative management — in contrast to the traditional command and control management — seeks to bridge the gap between those who direct and those who execute so that there is a fuller involvement, and commitment and shared ownership for the task at hand.

As we all know, teamwork has become a buzzword in the workplace today. Yet while most organizations have made a lot of

progress in achieving teamwork within individual work groups, the great challenge for this new century will be teamwork between work groups. More and more, the management challenge for all complex organizations will lie in creating a seamless flow of effective actions across a series of business units.

In the pharmaceutical industry, this is illustrated by the drug development process, from early discovery of new compounds to the delivery of new treatments to patients. Often it takes 15 years from the start of the project to the delivery of the drug to the patient. Each project needs innovation, speed, and flexibility to adjust to changing assumptions. Each area of

MANAGERS NEED TO BE RESPONSIBLE COLLECTIVELY. BY CREATING AN ATMOSPHERE AND EXPECTATION OF SHARED ACCOUNTABILITY, WE MOVE THE INSTINCTIVE PROCESS FROM “I” TO “WE,” AND FROM INDIVIDUAL OR DEPARTMENT RESULTS TO THE TOTAL ORGANIZATION’S SATISFACTION OF CUSTOMER NEEDS.

responsibility along the chain — research, development, manufacturing, marketing, and sales — can be doing excellent work in its own silo, and yet the result can be suboptimal — because as each silo tosses the project on to the next, knowledge, value, and efficiency may be lost.

The concept of participative management is aimed directly at overcoming this challenge. The key is cross-functional teamwork. We make it part of our managers’ job descriptions to create team relationships with the various units “before” them and “after” them in the product flow chain. We also set the clear expectation that their people will demonstrate the same behavior. The way we put it is “be exquisitely good at your functional role within your unit — but achieve your goal by collaborating outside your unit.”

What’s interesting — and also productive — about this new behavior is that the relationship between managers and their reports changes dramatically. The top-down, hierarchical management style disintegrates because employees are liberated to work and formulate decisions outside their formal reporting structure, as part of cross-functional teams.

The benefits of participative management are quantifiable and striking. One of the most critical success factors in the pharmaceutical industry is the minimization of time from the dis-

covery of an innovative new medication to the submission of its complete data package to regulatory authorities. Several years ago, we consciously implemented participative management behaviors in the units across the company that were working on a revolutionary new antibiotic called Zyvox. Late last year we filed Zyvox with the FDA: 4.9 years from first dose in man to market, with the industry median at 6.8 years. It is already making an enormous difference to thousands of patients who have access to a life-saving treatment earlier than anyone had thought possible.

3. Continuous improvement against benchmarks

Most managers set goals against internal budgets and standards. That's normal and necessary to some degree — but it's not a good way to keep up with competitors, who may be setting higher goals, or with customers, who may be setting higher standards.

As part of our “best-managed” behaviors package, we are training our managers to set their performance goals against external benchmarks defined by two critical groups: our competitors and our customers.

In our field force, for example, we've focused our district managers on benchmarking the number of calls on doctors and products discussed per call compared to what our top competitor's medical representatives accomplish per day — a key measure of productivity. We have also taken independent

4. Listening and learning

I tell our managers regularly that I learn as much on the job each day as I did each day in business school. That learning comes through effective listening to others. Dynamic listening and learning is probably the single most important component of success in my CEO role.

For example, one of my most important sources of listening and learning is my regular meetings with small groups of employees at the grassroots, where I ask for advice on how I can do my job better.

Yet most managers are deficient in both these areas — partly due to time pressures and partly due to learned behaviors of command and control.

We focus on building listening and learning behavior in managers both internally, to our own people and each other, and externally, to the competitive environment and our customers.

With a few exceptions, effective listening and learning in a managerial role does not come naturally to people. They are skills that need to be learned. “Active” listening in particular is a skill that comes through coaching and practice. Getting employees, colleagues, or customers to say what they really think and properly understanding what they said calls for active listening techniques that include an understanding of behavioral psychology.

TEAMWORK HAS BECOME A BUZZWORD IN THE WORKPLACE TODAY...THE GREAT CHALLENGE FOR THIS NEW CENTURY WILL BE TEAMWORK BETWEEN WORK GROUPS. MORE AND MORE, THE MANAGEMENT CHALLENGE FOR ALL COMPLEX ORGANIZATIONS WILL LIE IN CREATING A SEAMLESS FLOW OF EFFECTIVE ACTIONS ACROSS A SERIES OF BUSINESS UNITS.

surveys that tell us how the doctors, and especially the high-volume doctors, rate the quality of our representatives' calls versus those top-performing competitors. Sometimes what we learned was discomfoting, but it has forcefully fostered new thinking and new actions. We are seeing concrete results: steady improvement by our teams against the benchmarks and steady improvement in the utilization of our products.

feel comfortable giving feedback and recommendations to management. Our company consistently becomes smarter. Everyone benefits, especially our customers.

5. Coaching

The last of our five “best-managed” behaviors is coaching and developing other employees.

Once these listening and learning behaviors start to be adopted by managers, we see them spread to other employees. They too begin listening and learning with each other — and with customers. A great side effect is increased mutual respect and trust. Our managers begin to regard their work team as a source of knowledge, not just a means of executing their commands. And our people begin to

Coaching is different from the more widespread concept of mentoring. Mentoring is a great idea, but it is a top-down process from mentor to mentoree.

Coaching, by contrast, can and should take place in all directions: from above, from peers, and even from subordinates.

Across our organization, we encourage different responsibility areas to be coaches to each other. For example, in cross-functional meetings and one-on-one interactions, our commercial people coach their research and development colleagues on the customer behavior aspects of our business — and vice versa.

A very important factor in building a coaching environment is also building a receptivity to coaching among the people — especially, receptivity to being coached by peers and even subordinates in the organization. One needs managers to feel very secure and comfortable and to understand the coaching concept as a 360-degree approach to improvement.

Changing behaviors in an organization is perhaps the most profound change you can undertake. So to implement our best-managed behaviors package we have recognized that we need to place these desired behaviors very high on the radar screen of our people and to back them up with major incentives.

So we've done just that. We ask all of our senior managers to incorporate these behaviors in some form into their own personal objectives for each year. To send the right signal, implementing these behaviors is one of my own five personal objectives as CEO.

We are also using our incentive program to dramatically reinforce this priority. Around 30 percent of our top management group's variable compensation is tied to their commitment to, and practice of, the five best-managed behaviors at Pharmacia.

The need to have consistent incentives is one of the most important lessons I have learned. To implement best-managed behaviors one is asking people to operate in ways that initially can be very uncomfortable and threatening. One needs to convey very strongly the message that "we are serious about this," combined with the message that "in the end, the individuals will benefit, and so will the organization." It's hard work, but I know it's been worth it for us. I am sure it can work for you as you set about the task of building a best-managed government and a best-governed country. ■



About Fred Hassan

Fred Hassan has served as President and Chief Executive Officer of Pharmacia Corporation since its creation in March 2000 through the merger of the former Monsanto and Pharmacia & Upjohn companies. Prior to the merger, Hassan served as President and CEO of Pharmacia & Upjohn.

Hassan has more than 25 years of experience in the pharmaceutical industry. He joined Pharmacia & Upjohn in May 1997 and led a dramatic turnaround in the performance of the company. Before joining Pharmacia & Upjohn, Hassan was Executive Vice President of American Home Products (AHP) Corporation, and also headed Genetics Institute, Inc., a wholly owned biotechnology subsidiary. While at AHP, he played a critical role in the successful 1994 acquisition of American Cyanamid Corporation and was elected to American Home Products' Board of Directors in 1995. Earlier in his career, Hassan spent 17 years with Sandoz Pharmaceuticals Corporation (now Novartis) and headed its U.S. pharmaceutical business. He joined Sandoz in 1972 and became Sandoz's head of U.S. Pharmaceuticals in 1984.

Hassan graduated from the Imperial College of Science and Technology at the University of London in 1967 with a bachelor's degree in chemical engineering. He obtained a master's of business administration from Harvard Business School in 1972.

Hassan is a member of the boards of directors of the Pharmaceutical Research and Manufacturers of America (PhRMA), the Healthcare Institute of New Jersey, and Avon Products, Inc. In November 1999, the *Financial Times* newspaper named Hassan CEO-of-the-Year in the global pharmaceutical industry "for his significant advancements in corporate transformation, strategic vision, management style and innovative strategies."

The President's Management Council: An Important Management Innovation

By Margaret L. Yao

During summer 2000, The PricewaterhouseCoopers Endowment for The Business of Government conducted a series of interviews with 20 current and former members of the President's Management Council (PMC). The objectives of the interviews were to ascertain the impact of the PMC since its creation in 1993 and to assess what changes, if any, should be recommended for the future operations of the Council.

Introduction

The President's Management Council (PMC), which has operated without fanfare, is a proven innovation in federal management that would serve a new administration well. The PMC, chaired by OMB's deputy director for management (DDM), consists primarily of the highest-ranking political officials operating as chief operating officers (COOs) in their departments and selected major agencies. In addition, PMC members include the heads of the General Services Administration and the Office of Personnel Management, the secretary of the cabinet at the White House, and the director of the National Partnership for Reinventing Government (which originated as the National Performance Review, or NPR). At the discretion of the chair, COOs of additional independent agencies are rotated into the Council.

The COOs are high-ranking political appointees who have responsibility for the day-to-day inside operations of the government — most typically serving as the deputy secretary, or the department's No. 2 official. There have been some exceptions, most notably in the Departments of Justice, Defense, State, and Treasury, where at times the COO role has been assigned to individuals holding other positions, such as an under secretary, chief of staff, or, in one case, to an assistant secretary for management. All members have been political appointees except one, General John Dailey, a career official who was acting deputy administrator at the National Aeronautics and Space Administration (NASA).

Study Findings

The Council elevates management to the appropriate level.

The federal government hadn't ever had a management council of appointees with this much authority or responsibility

until the PMC began operating in November 1993. Conceived in the pages of the Vice President's National Performance Review final report as "the President's chief instrument to retool management systems throughout the executive branch" (September 1993, p. 89), the PMC and COOs were authorized by a Presidential Memorandum soon after.

Short of the cabinet, whose meetings were held infrequently, there has never been a council of officials ranking this high that has met on a regular basis in recent history.

The PMC differs from other management councils in two important respects:

- The members, individually and as a council, provide an integrating mechanism for policy implementation within and across agencies. With few exceptions, the members possess department-wide authority for management.
- No surrogates — "principals only" — are permitted to attend the meetings, making the PMC's effectiveness highly dependent on a personal level of commitment by its members. This was a rule decided by its membership. Members underscored the importance of getting to know one another through the PMC's structured monthly forum to work together on real and difficult issues.

The Council is a significant management innovation. The PMC members interviewed expressed widely differing opinions about procedural preferences, but were strikingly unanimous in advocating the PMC's value for both tangible results and intangible benefits:

- The value of the PMC to the President for developing and implementing the administration's government-wide management policies; and
- The value of the PMC to the members' agencies and to themselves personally in anticipating, jointly learning, and problem-solving critical management issues, based on the relationships created through the regular forums.

Examples of tangible government-wide actions taken by the PMC include working on electronic government, developing balanced performance measures for senior executives, obtaining “buyout” legislation, and organizing quickly in response to the government shutdown and Y2K crises.

PMC members stressed that the intangible benefits were at least as important as the tangible results. What fueled people was the talent in the room, the energy, and the shared desire to make things work smarter and better. “It was a patriotic experience being a member of this group,” said one member of the PMC.

Set up to be “member-owned and member-operated,” the culture facilitated problem solving as a group and informally between members. Members “stole” ideas from one another. As the group matured, it started to engage in joint risk taking in management innovations, such as e-government, and it helped embolden innovation by COOs within their agencies.

The principals-only rule, revisited annually and recommitted to by the PMC, was one of its hallmarks. The PMC consciously and successfully created and sustained over seven years a high-trust, collegial vessel for confidential, sometimes tense, discussions. The candor — needed in working through streamlining mandates or dealing with issues such as poor performers — provided for dialogue that members believe couldn’t have occurred elsewhere.

The PMC challenged itself to focus on so-called “A” issues, those issues that are the most important and often the most difficult because no one else is likely to take them on and be successful. It distinguished between the “A” issues and the “B” issues, which often may be easier to do because they are more readily definable.

The Council requires high commitment from members.

Improvements can be made in the Council. Not every meeting was riveting. There were lapses. When the PMC strayed from the “A” issues, dove into the technicalities of a specific issue, or transitioned through the six changes in council leadership, interest and attendance often waned and little was accomplished. Some departments stopped showing up, affecting the import of the group. Some felt that certain issues were beaten to death and issues weren’t triaged well. The use of subcommittees died for a time. Some members showed up only to protect their agency’s relationship with OMB.

Still, members struggled through these periods and found ways to produce significant decisions and actions, illustrating the resilience of the group and its culture. This underscores the importance of the chair’s vigilance and ability to exert decisive leadership balanced against nurturing the participative culture of the group.

The Council is an important vehicle. The PMC is an appropriate vehicle for initiating as well as carrying out the administration’s management agenda. The mechanism has proven useful in reacting in crises and short-term budget battles, as well as proactively embracing longer-term change requiring vision and follow-through.

Recommendations

For the first time, a council of deputy secretaries have come together to focus on government-wide management issues. Present and former members of the PMC declared it valuable and worth continuing. The President should reestablish the Council to carry out his major management initiatives and to provide a venue for forging interagency cooperation and problem solving through the PMC. Here are five simple but powerful steps to get the PMC underway.

- 1. Launch the Council quickly, visibly, and personally.** This would be a clear signal to the members and others of the commitment and interest of the new administration in the PMC. Working on the administration’s management agenda should become the group’s immediate task.

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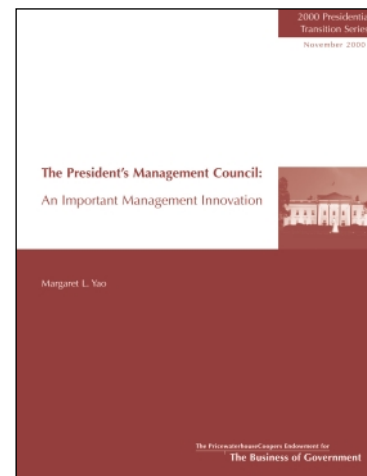
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Transforming Organizations: Lessons Learned About Revitalizing Organizations

Over the last year, The PricewaterhouseCoopers Endowment for The Business Government awarded a series of grants to outstanding academics to prepare case studies of the most successful transformation initiatives of the Clinton administration. The goals of the studies were to document the transformation initiative and to identify lessons from the successes that could be shared with newly appointed political executives seeking to bring about change in their new organization. The Endowment selected three transformation initiatives for analysis:

- The Veterans Health Administration (VHA) under the leadership of Ken Kizer and Tom Garthwaite (prepared by Gary Young, Boston University)
- The Federal Emergency Management Agency (FEMA) under the leadership of James Lee Witt (prepared by R. Steven Daniels, California State University at Bakersfield, and Carolyn Clark-Daniels)
- Procurement reform at the Department of Defense (DoD) spearheaded by four leaders: William Perry, Paul Kaminski, Colleen Preston, and Steve Kelman (prepared by Kimberly Harokopus, Boston College)

From the three case studies, eight common lessons emerged about how an administration and its appointed political executives successfully undertake large-scale transformation initiatives. For newly appointed political executives seeking to transform organizations, there is much to learn from the experiences of their predecessors.

Experience counts: appoint the best. The three successful transformation initiatives all began with the White House appointing the right people to the right job in the right agency at the right time. Daniels and Clark-Daniels write, “Recruitment leadership may be one of the President’s ... most critical decisions at the start of an administration.” In selecting James Lee Witt to head FEMA, President Clinton selected an individual with extensive experience in emergency management, a departure from past appointments to the agency. Director Witt

then used his influence in the appointment process to select a team of political executives who were all experienced and highly qualified in emergency management. Daniels and Clark-Daniels conclude that the cumulative experience of the senior political appointees vastly improved the organization’s capability and made its transformation possible.

The selection of highly qualified, experienced individuals was also key to the success of transformation at DoD and VHA. Harokopus writes, “The leaders of the defense procurement reform were remarkably well suited for the tough job at hand. They all had experience with the acquisition process — some as practitioners, others as researchers, still others as members of the defense industry....” From his analysis of the VHA transformation, Young concludes, “VHA’s transformation highlights the importance of having leaders whose backgrounds and experiences fit the needs of the transformation.”

Clarify mission and develop a focused, coherent transformation plan. Both Kizer and Witt followed similar paths during the early days of their tenure. James Lee Witt spent his initial days refocusing FEMA’s mission on emergency management rather than national preparedness. This change in focus redefined the agency’s primary target as disaster victims and served as the central tenet of all the management reforms that followed.

At VHA, Ken Kizer spent his early days spearheading the creation of a vision for the transformation of the organization. In describing the blueprint report, *Vision for Change*, Young writes, “The document articulated the basic philosophy, principles, and organizational framework to which a transformed VHA would adhere.”

Get the structure right. Again, Kizer and Witt followed similar strategies. Within the first year of the transformation, Kizer proposed and enacted a sweeping change in the agency’s organizational structure. The new structure entailed the reorganization of all VHA operating units into 22 networks. To better structure the agency to pursue its newly refocused mission on disaster management, FEMA created

new agency directorates organized around the basic functions of emergency management.

Capitalize on the changing environment. The key to the success of any political executive is aligning the organization's mission and activities with the current external environment. Both the DoD team and Kizer used the changing external environment to bring about internal transformation of their organizations. Harokopus writes, "The era of defense procurement reform was also an era of political, technological, and national security changes.... While these conditions created a climate for reform, it was key individuals, taking advantage of those circumstances, which made the crucial difference. Opportunity is worthless unless it is seized. These leaders recognized the opportunity for tremendous change in public management *and* they acted on it."

The situation at the Veterans Health Administration was similar. By the early 1990s, Young reports, VHA had become out of sync with the prevailing trends in the delivery of health services. The advent of health maintenance organizations and developments in medical technology had begun the shift away from inpatient-based medicine to outpatient-based primary care medicine. Kizer himself concluded that change within VHA must move in harmony with environmental or externally focused change. Kizer writes, "Top managers, particularly those in the public sector, cannot hope to stand against the 'forces of nature'.... In the case of the VHA, that means being in sync with broad trends, such as the national revolution in health care, the explosion of biomedical research and knowledge, the shift to 'an information society,' and the aging of the eligible VHA population."

Communicate, communicate, and communicate. All three case studies conclude that effective communication is crucial to the success of any transformation initiative. In the case of procurement reform, Harokopus writes, "... each leader sustained a remarkable communications strategy with constant but varied platforms for publicizing their message. From public speeches at symposia, conferences, and industrial gatherings, to brown bag lunches, town hall style meetings, and electronic chat sessions, there was always a variety of styles, media, and audience. The end result was an environment charged with enthusiasm over the new possibilities for acquisition."

At FEMA, James Lee Witt concluded that external communication was crucial to reshaping the agency. Daniels and Clark-Daniels report that when Witt arrived, he found that "FEMA was used to operating in anonymity, and had no effective plan for involving the media and, by extension, the public in FEMA operations." Under Witt, the agency reshaped FEMA's communications to actively engage the media throughout the response and recovery period. "By making

LESSONS LEARNED ABOUT TRANSFORMING ORGANIZATIONS

- Experience counts: appoint the best
- Clarify mission and develop a focused, coherent transformation plan
- Get the structure right
- Capitalize on the changing environment
- Communicate, communicate, communicate
- Involve key players outside of government
- Don't forget to develop and reward your employees
- Persevere in the presence of imperfection

the agency more accessible and by providing the media with prompt answers and information, FEMA disarmed much of the inevitable criticism that arose in the immediate aftermath of a disaster. More significantly, the agency opened a two-way channel for information between itself and the disaster victims it was serving," write Daniels and Clark-Daniels.

Involve key players outside of government. In all three case studies, a key to the organization's successful transformation was the realization that there were nongovernmental entities deeply interested and involved in the organization's business. The challenge was then to find innovative ways in which to engage them in support of the organization's mission. In the case of FEMA, Director Witt consistently emphasized the importance of partnerships with state and local governments, nonprofit organizations, and the private sector.

At the Department of Defense, Secretary William Perry clearly recognized the importance of involving the defense contractor industry in the dialogue over procurement reform. Harokopus writes, "Perry's team was convinced that the acquisition community should be the primary source for reform initiatives." Perry, reports Harokopus, made the entire acquisition community — both those inside and outside of government — party to the problem as well as part of the solution. The Department's Process Action Teams (PATs) were charged to seek defense industry involvement in the development of all procurement reforms.

Don't forget to develop and reward your own employees. Another lesson is that while undergoing transformation, agency leadership must pay special attention to their own employees. Young reports that while VHA had planned several educational and training initiatives as part of their transforma-

tion, most of the initiatives were not in place at the time the agency was undergoing its sweeping change in structure. Looking back, Young concludes that “VHA’s senior leadership placed too little emphasis on training and education.” As a consequence, Young recommends, “... in situations where swift change is deemed necessary, senior managers should not overlook the importance of training and education to support employees in developing needed skills in a timely manner.”

At the Department of Defense, recognition, awards, and training were integral to the defense reform initiative. Harokopus writes, “Defense procurement could not change without acceptance by the practitioners.... The leadership understood that for practitioners to become reform enthusiasts, they would need incentives for accepting change and reinforcement from top leaders. Acquisition practitioners needed to know that their opinions were valued and their participation was essential. As a result, the leaders focused on a strategy that included recognition, awards, and training.”

Persevere in the presence of imperfection. The final lesson is that it isn’t going to be easy. Transforming organizations is hard work. The challenge is described well by Gary Young:

“All transformations generate controversy and criticism. Such criticism and controversy often distract leaders of transformations from focusing on the central goals of the change effort. In the case of VHA, the senior leadership kept its sights fixed on key transformation goals while making mid-course correction to address technical problems as they were recognized.”

“No transformation will be perfect,” writes Young, “and those who oppose the changes will seek to exploit flaws or limitations to derail the effort. Leaders of transformation need to be responsive to legitimate criticisms, but they also must avoid being swallowed up in technical details.”

Transforming and revitalizing government organizations is possible. It is hard work, but it can be done. The leaders profiled in these three case studies demonstrate that change is possible. From their collective experience, eight lessons were learned about the “how to” of organizational transformation. New political executives can learn much from their experience. ■

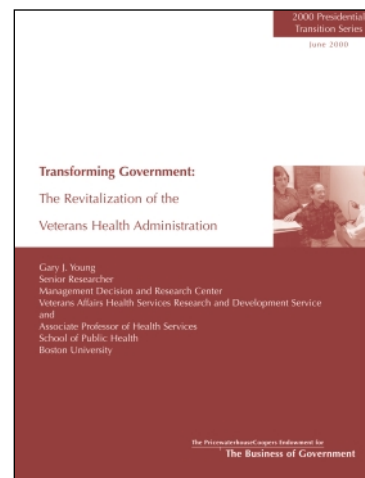
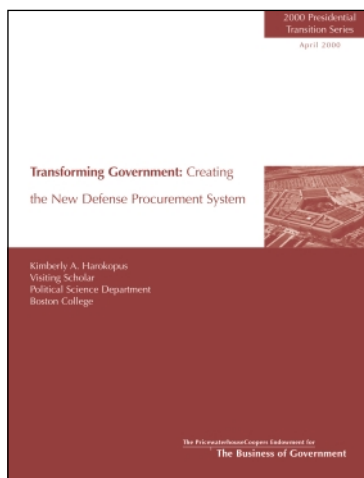
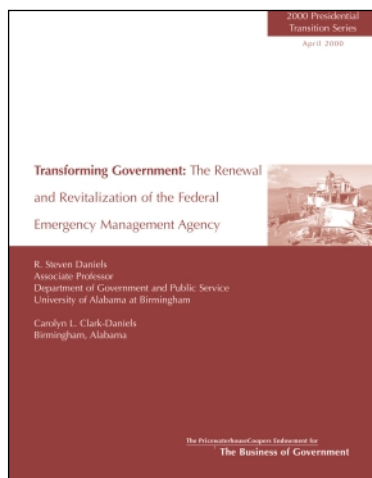
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The Executive as Futurist

By Mark A. Abramson



In the summer 2000 issue of *The Business of Government*, we discussed the new government executive as a leader/manager who faces the challenge of both leading and managing. Based on recent conversations with six outstanding government executives, another role for the 21st

century government executive emerged: the futurist.

I have long been intrigued by the work of Elliott Jaques, who argues that individuals' salaries should be linked to their time horizon — how far out into the future they are thinking. Individuals looking 10 years into the future should be paid more than those looking only one year or five years into the future. Consequently, people at the top of the organization should be the highest paid since they have the longest time horizon — 25 to 50 years. While it is probably unlikely that the federal government will overhaul its pay system to comply with Jaques' proposal, there is an important lesson to be learned from his work. Individuals in executive positions *ought* to be constantly looking ahead and speculating about alternative futures for their organizations. The future should be a major component of an executive's present.

In a series of recent interviews on *The Business of Government Hour* radio show, hosted by The PricewaterhouseCoopers Endowment for The Business of Government, the government executives interviewed and profiled in this issue of *The Business of Government* all discussed the "future" component of their present position. Dr. Thomas Garthwaite, under secretary for health at the Veterans Health Administration in the Department of Veterans Affairs, discussed the future as one of his major current challenges. "Clearly, the emergence of technology and how to use it, how to deploy it, how to pay for it, how to ... get over the hump from the old technology to the new technology safely and effectively is certainly a challenge," states Garthwaite. He also raised his concern about the "huge issue" of the future workforce, in which VHA will face increasing competition for health care professionals.

The future of the workforce is also an issue that squarely confronts Janice Lachance, director of the Office of Personnel Management (OPM). She speculates that her successor will have to spend much of his or her time looking at least a decade ahead at future trends in the workplace. A major challenge for the next director will be to "look at an overall reform of the system ... ways to make it more responsive to agency needs, more flexible." Director Lachance also advocates an increase in government workforce planning, as well as developing a long-term orientation for identifying future government leaders. She states that agency heads must "understand that they have to start thinking about the kinds of skills they're going to need, not just next week or next month, but a year from now, five years from now, and even 10 years from now, and start today developing the leaders that they'll need...."

Melissa Allen, assistant secretary for administration at the Department of Transportation, is also thinking about the workforce of the future. In the years ahead, Allen speculates, the government might need new tools to bring on senior civil servants for fixed periods of time. "... at its most extreme," states Allen, "... you would have an executive service where we actually enter into employment contracts ... that say, 'In X number of years, I'm going to get Y done for you, and at the end of that period, we can renegotiate my contract or else I can go find another job.'"

The challenge of looking into the future is clearly a major component of the job of government chief information officers. James Flyzik, deputy assistant secretary for information systems and chief information officer at the Department of the Treasury, faces the challenge of thinking far ahead and continuing to work within the government's current budget process. "... we're trying to look two to five years out in the future and do our budget process and work. I think it takes us longer in government to respond to changing the technology needs because of the way the budget process works and our lead time — and we need to work on that. We need to find ways that the government can live in so-called Internet time."

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Melissa J. Allen

Assistant Secretary for Administration U.S. Department of Transportation

For Melissa Allen, assistant secretary for administration at the U.S. Department of Transportation (DOT), organizational change is about “changing the way we work, not the way we are organized.” Allen has been intimately involved in a new management strategy called ONE DOT, which aims to create an environment that encourages collaboration across all of the agencies that comprise the department.

The Department of Transportation is made up of 11 individual operating administrations, including the U.S. Coast Guard, the Federal Aviation Administration, the Federal Highway Administration, and the National Highway Traffic Safety Administration. DOT’s mission is to ensure a fast, safe, efficient, accessible, and convenient transportation system.

Allen joined the federal government in 1968 as a management intern at the Department of the Navy, where she held progressively responsible positions concerned with organization, staffing, and motivation of the workforce in the activities of the department. In 1975, she moved to the Department of the Treasury, where she was involved in studies leading to improvements in federal accounting procedures and regulations. She came to the Department of Transportation in 1986 as deputy assistant secretary for administration.

Her involvement with ONE DOT has taught Allen a few things about large-scale organizational change. “It take an awful long time — I think that probably goes without saying. It also takes a great deal of dedication on the part of the most senior people to keep it going, and if you lose sight of it for any period of time, the people don’t believe that you’re really serious about it,” she observes.

One way of keeping sight of desired changes at DOT is the weekly meeting with the Secretary, focusing solely on ONE DOT. “It’s that concentrated attention that is making progress, but we can’t stop here, because if we do, it will just all fall apart,” Allen asserts.

Empowerment of employees is a key to implementing ONE DOT, which seeks to cut through traditional organizational boundaries and encourage people to collaborate. “[Employees] don’t have to go up the bureaucracy and back down the bureaucracy to get the connection made,” Allen states. “They

can, in fact, pick up the phone and call a fellow worker and say, ‘I need your help on this.’”

The department has also established high-priority projects, or flagships. “We’ve put career people, normally at the GS-15 level, in charge of those projects, and those career people report to the Secretary and his immediate team of 20 people,” Allen explains. “They are empowered to create action plans, request budgets, work across organizational lines, and report successes and plead for help when they need assistance. And it’s made a large difference. People are beginning to reach out.”

Employee training is also an integral component of change implementation. “At the very beginning ... we had a course that was known as ‘Partnering for Excellence’ that was basically learning how to work across organizational lines and how to collaborate and share assignments,” she explains. “We have also had seven leadership conferences where we’ve invited speakers from the private sector to come in and talk to us about the leadership challenges that they face. How does a General Electric face a leadership challenge? What does an IBM, a K-Mart, a Wal-Mart, or Home Depot do? What is it that they have faced as a leadership challenge that we can learn from?”

When she looks to the future, Allen sees ONE DOT changing the way the department does business. “We will work much more collaboratively with local communities, with all sorts of interests, and we’ll require a different skill set of our employees to be able to do that,” she predicts. “I mean, it’s a different skill set to be able to make a decision and just run with it, as opposed to listening to all sides of an argument and coming to a conclusion.”

A career civil servant, Allen also sees changes and challenges ahead for the civil service system. “The first [challenge] is to instill — not a sense of accountability, because I believe that that’s there — but a way of measuring accountability and holding people accountable at the most senior levels of the career civil service,” she remarks. “... I think we’re challenged to hold people accountable to what is expected of them in the outcomes that the Government Performance and Results Act (GPRA) talks about in terms of what we’re delivering to the American public.” ■

“WE WILL WORK MUCH MORE COLLABORATIVELY WITH
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EMPLOYEES TO BE ABLE TO DO THAT.”



Radio Interview Excerpts



Melissa J. Allen
Assistant Secretary for Administration
U.S. Department of Transportation

THE PRESIDENTIAL TRANSITION

On change

I think the first thing to recognize is that change, particularly significant change like this, is always fairly nerve-wracking.... We've established eight years of relationships with the current political people. We understand their foibles, they understand our foibles and preferences and how we interact. I think that it's important that career people recognize that this is going to be a relatively nervous time.

But if they go back to their bedrock values, as I'm trying to do — that I'm here for public service, and I know I can do a good job, and I know that what I'm doing in terms of the way I'm doing things is the right way — then I think that no matter who wins in November, we can create the type of loyal civil service that has always been envisioned and that is what we work for whichever party is in power.

On a successful transition

The most successful transition was probably characterized by the outgoing team saying that they will be nice to the incoming team — setting the mode that they aren't going to either get everything done that they haven't gotten done in the past four years or eight years, or however many years it was, or that they will burn all the bridges and leave the dust to the incoming people. And in terms of the career civil service, that helps because then the relationship is a lot smoother in terms of the transition. It's not who-are-you-loyal-to during the period between November and January.

On starting early to think about transition

My experience is ... that we probably are thinking a lot more about the process of transition this time than we have in the past. We probably won't get around to policy papers until actually about election time. But we really are — and a lot of agencies around town are apparently doing this — beginning to focus on what are the things that we've done organizationally, or in the way we work with the American people or with

the Congress, that we either want to improve on or that we think are good and that we need to maintain.

On work pace

I don't think anything really stops [during a transition]. I think the government keeps on going. There are things, operational things, which happen every day and will continue to happen. There are policy decisions that will continue to need to be made. And I think that the leadership in the career civil service knows enough and has enough experience to be able to step forward and help make those decisions when they're called upon to do so.

A CAREER IN PUBLIC SERVICE

On the advantages of working for government

If I were to counsel somebody coming into government, I would say to them, don't think of this as a 30-year career, but think about what advantages you can get from working in the government and then what advantages you could get from working in other sectors.

On mobility

I think the biggest thing that I would encourage people to do is to move around, to not assume that their career path is necessarily in DOT, not necessarily in one functional area. I mean, I think one thing that's held well for me is the fact that I could never hold a job for very long, or never wanted to hold a job for very long, and got a lot of different experiences. And that they shouldn't be shy about sometimes leveling out in their career and maybe not always advancing. You don't always have to go for the next promotion — it might be the next experience and to reach for that.

And, finally, to avail themselves of as many opportunities as they can to interact with some of the senior people so that they can understand that sort of process of decision-making and to observe it and participate in it as much as possible.

"IF I WERE TO COUNSEL SOMEBODY COMING INTO GOVERNMENT, I WOULD SAY TO THEM, DON'T THINK OF THIS AS A 30-YEAR CAREER, BUT THINK ABOUT WHAT ADVANTAGES YOU CAN GET FROM WORKING IN THE GOVERNMENT AND THEN WHAT ADVANTAGES YOU COULD GET FROM WORKING IN OTHER SECTORS."

HUMAN RESOURCES

On recruiting

I think we do probably what a lot of other agencies do — we hire a lot of technical people, a lot of people with engineering backgrounds. We recruit at the best schools, we go out and make internships available, we go out and have programs with scholarships attached to them to help young people understand that they can find a career in the government. The other thing that we do is that we challenge them to understand that their contribution, no matter how long they're here, is going to be a significant one, that they will make a difference. I mean, it's, in a way, appealing to their altruism, but it's also that you will have significant responsibilities as a very junior person.

On mentors

At the time I wouldn't have thought of them as mentors, but certainly Admiral Isaac Kidd, who was the chief of Naval Materiel with the Manpower Action Council, was a mentor. Howard Messner, who hired me over to Office of Management and Budget (OMB) and raised me up through the management side of OMB, was a mentor. And within the Department of Transportation there have been several, including the current Secretary, who has given me rein to do a lot of different things that I never thought I could get done and would get done.

[Having a mentor] is valuable in the sense that it helps you be able to advance and sort of stretch yourself. On the other hand, I don't think you can depend on mentors to do that for you, and I think you just ... you have to listen to what they're saying to you and push them and push yourself to stretch and do things.

ON FUTURE CHALLENGES FOR THE CIVIL SERVICE

On measuring accountability

I think there are two big challenges for the civil service. The first is to instill — not a sense of accountability, because I believe that that's there — but a way of measuring accountability and holding people accountable at the most senior levels of the career civil service. I have said this before in some of the PricewaterhouseCoopers Endowment forums and I'll say it in other forums, that at its most extreme, it seems to me, eventually you would have an executive service where we actually enter into employment contracts, and we enter into employment contracts with an agency that say, "In X number of years I'm going to get Y done for you, and at the end of that period we can renegotiate my contract or else I can go find another job." That's probably the ultimate type of thinking in terms of where I can see the accountability issue going. But in the interim, I think we're challenged to hold people accountable to what is expected of them in the outcomes that the GPRA talks about in terms of what we're delivering to the American public.

The Business of Government Hour's interview with Melissa Allen will be rebroadcast on Sunday, December 24 (8:00 pm) and Tuesday, December 26 (9:00 pm) on WWRC (570- AM) in Washington, D.C. The interview will also be simulcast nationwide on the Web at www.businessradioam570.com.

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

Gene L. Dodaro

Chief Operating Officer U.S. General Accounting Office

Gene Dodaro, chief operating officer of the General Accounting Office (GAO), has a vision for the future of the federal government: “more responsive, more focused on results and outcomes, and [a government] that can operate across departments and agencies, and not just within the traditional government structures of individual departments and agencies.” To Dodaro, that vision is attainable. “I believe the federal government’s up to it,” he asserts. “I think, with a lot of partnership between the Congress and the executive branch, that the federal government can be prepared to meet all these challenges very effectively.”

Dodaro is well positioned to comment on the government of the future, with more than 25 years of service at GAO and experience in a variety of issues — from the new federalism to the Government Performance and Results Act to Y2K. The General Accounting Office is the investigative arm of Congress. It gathers information to help Congress determine how well executive branch agencies are doing their jobs. GAO evaluates how well government policies and programs are working; audits agency operations to determine whether federal funds are being spent efficiently, effectively, and appropriately; investigates allegations of illegal and improper activities; and issues legal decisions and opinions. Ultimately, GAO ensures that government is accountable to the American people.

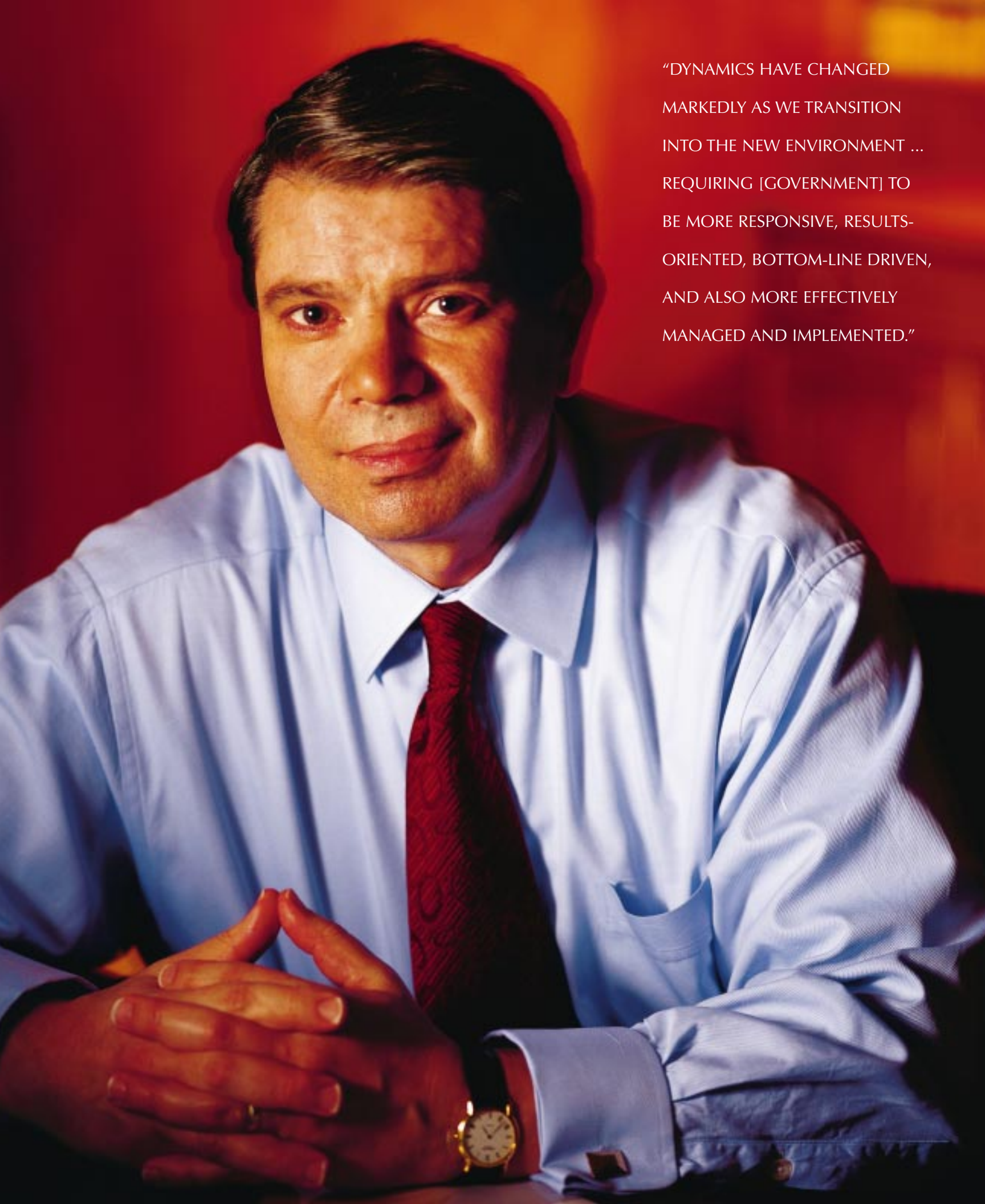
In his 27 years at GAO, Dodaro has been highly involved in efforts to increase government accountability. As assistant comptroller general for GAO’s Accounting and Information Management Division, he directed the first-ever audit of comprehensive financial statements covering all federal departments and agencies for fiscal year 1997 — one of the largest and most complex audits in history. “This was a major achievement,” states Dodaro. “The federal government was the last major segment of our economy to really impose on itself the management discipline of a financial audit.”

As director for GAO’s General Management Issues, Dodaro led management reviews of the Department of Justice, the Internal Revenue Service, the Office of Management and Budget, and the Office of Personnel Management. The findings of these management reviews — including an absence of strategic planning and performance measures at all agencies — helped lead to the creation of the Government Performance and Results Act of 1993.

Dodaro provided leadership to the federal government in confronting the Year 2000 computing challenge, conceiving GAO efforts to produce landmark guides to help organizations address the Y2K issue and working with Congress and the President’s Y2K Conversion Council. “I think the Y2K experience has several profound lessons,” he reflects. “It demonstrates that when the federal government applies its talent, resources, and has effective leadership, it can get a problem solved. The successful transition into the year 2000 and the very few disruptions that occurred was very much a testimonial to the dedicated efforts of federal employees throughout the federal government.” He also cites the successful engagement at the state, local, and international levels, particularly in the private sector. “I think this provides effective lessons learned going into computer security and critical infrastructure protection, where the federal government needs to have an effective partnership with the private sector, which owns most of the computer assets in the country.”

As chief operating officer, Dodaro assists Comptroller General David Walker in providing leadership for the GAO. Recently, Dodaro and Walker testified before the Senate Committee on Governmental Affairs on managing in the new millennium. “The basic message of that testimony was that dynamics have changed markedly as we transition into the new environment,” explains Dodaro. “For the time being, we’ve got a window of opportunity here, and it’s an opportunity to look at the dynamics that are changing the shape of the federal government and the environment which it operates in. Globalization, changing demographics, changing security threats, quality of life considerations, are all changing the federal government’s expectations for government and requiring it to be more responsive, results-oriented, bottom-line driven, and also more effectively managed and implemented.”

He sees the current period as pivotal. “There’s a huge opportunity now with the budget surpluses to look ahead — in a more long-term fiscal posture — at what the federal government does and how it conducts business,” Dodaro states. “And there’s an opportunity and an obligation to look forward now, to scrutinize the federal government’s basic programs. A lot of programs were started many years ago for well-intended purposes. Times have changed, the environment has changed, and now is a good time to take a look at that.” ■



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Radio Interview Excerpts



Gene L. Dodaro
Chief Operating Officer
U.S. General Accounting Office

THE GENERAL ACCOUNTING OFFICE

On GAO's reorganization

[The reorganization] is a major change for us. We've made many changes and improvements over the years, but this is a fundamental realignment of GAO. It's being done to provide us more alignment with our strategic plan that we've worked very closely with the Congress in shaping.

GAO also has had a significant downsizing during the late 1990s, going from an organization of roughly 5,500 people to an organization now of almost 3,300 people. So we've looked at our field structure, we've streamlined the field offices and are in the process of closing some now.

At headquarters, we've also moved to flatten the organization. We've eliminated divisions, which were the major operating units of GAO structure, and have reduced the number of areas from 31 issue areas of the government to 11, in effect, flattening the organization considerably.

There are a number of transition issues that need to be dealt with. We're moving to a major effort to push accountability down in the organization and build quality into our reports and investigations that GAO produces, to continue to make improvements in our ability to serve the Congress, and to have a more flexible, nimble organization moving into the next century.

HUMAN RESOURCE MANAGEMENT

On recruiting

We had a hiring freeze in place for about five years. As a result, we have more people at the mid-level and the upper levels at the GAO than we do at the entry level. So a big effort is underway to reinstitute and reinvigorate our recruiting efforts to get people into the organization. And it's particularly important because, like a lot of other federal entities, we're facing the potential loss of a lot of our senior managers over

the next five years. In fact, one-third of GAO's entire workforce is eligible to retire by 2004, 55 percent of our senior executives. So it's very important — particularly because the Congress looks to us for continuity and as the institutional memory of the government — that we'd be able to replenish our workforce and have a steady succession planning effort so that we can be responsive to the Congress in a timely fashion.

On skill inventory

We're also going to be conducting a skill inventory across the organization to be able to look at our strategic plan and what kinds of skills that we're going to need in the next five to six years, evaluate what we have in-house already, and that will help dictate what type of training activities we need to provide, as well as what areas we need to target to recruit.

On improvements

We're looking at our performance appraisal systems. We've established an employee advisory council, broadly representative of GAO, to work with us. We've instituted very detailed surveys of our employees to learn their interests and concerns, and we are opening up two-way communications throughout the organization to solicit ideas. We've instituted an employee suggestion program.

THE GOVERNMENT OF THE FUTURE

On globalization

The government of the future is going to have to be much more responsive and flexible to be able to change with the dynamics that are unfolding. Take globalization. Now, in the United States, we are a party to over 300 trade agreements, with the potential for increases in world trade. World exports have almost doubled as a percent of gross domestic product over the past 10 years. Foreign investment in the United States has increased, which helps our economic development, but it also makes us vulnerable to changes in other economies. And so, the federal government is becoming much more intertwined as global interdependence increases,

“[GLOBALIZATION] IS A CHALLENGE TO THE STRUCTURES AND INSTITUTIONS OF GOVERNMENT BECAUSE IT REQUIRES WORKING ACROSS AGENCY BOUNDARIES, ACROSS DEPARTMENTS, AND THE FEDERAL GOVERNMENT NEEDS TO CREATE NEW STRUCTURES AND PROCESSES IN ORDER TO IMPLEMENT THAT EFFECTIVELY.”

and it's transcending a number of different areas in the federal government. That is a challenge to the structures and institutions of government because it requires working across agency boundaries, across departments, and the federal government needs to create new structures and processes in order to implement that effectively.

On changing demographics

The changing demographics are going to profoundly change this country. By the year 2020, about 20 percent of the United States population will be 65 or older, up from about the current 13 or 14 percent. We could have as many people in this country 65 or older as we have 20 or younger. That will change the service requirements for the federal government in not only entitlement reform areas in Social Security and Medicare, but also transportation requirements and other attendant housing concerns.

Also, the labor force in the United States is becoming more diverse and not growing at an exceedingly fast pace, calling into question whether or not we'll have the necessary skills in the labor force to move as information technology and other demands call for a more highly skilled workforce, and that has attendant issues associated with it in regard to immigration and other issues.

On technology

I think technology holds tremendous promise for improving the responsiveness of the government; restoring confidence in government with citizens; and enabling the government to interact directly with the citizens, both in terms of answering their questions and helping them find information they need about their government, and in providing information to the public to increase public confidence and safety.

MANAGEMENT LEGISLATION

On the Chief Financial Officers Act

The Chief Financial Officers Act has had a very important cultural effect on the federal government. Basically, it's moving

the federal government to institute effective fiscal discipline. It's a major change and it's very difficult, if you can imagine a large corporation that operated for 50 or 60 years, spending billions of dollars and not having financial reporting, state-ment reporting, and auditing in place. The federal government also has a very decentralized accounting structure. The CFO Act is helping the federal government impose the discipline to get on top of that and to provide the type of accountability over federal funds that the public really expects and demands. And I think if the act is effectively implemented, it will go a long way to restoring public trust in the federal government.

On the Government Performance and Results Act

I think the GPRA ... is introducing another very important paradigm shift in the federal government to focus more on results, away from process and inputs to outcomes. I think it's important to note that, even though the act was passed in 1993, just this past spring we've completed, across the federal government, the first full cycle of the act, having strategic plans developed in 1997 for fiscal year 1999. And now the first reports against those performance plans are being produced.

So we're still somewhat in the early stages of government-wide implementation. Progress is being made. More agencies are taking it seriously. More committees on the Hill are legis-lating with this in mind, but there's a number of additional things that need to be done, again, to make this a day-to-day management reality and integrated with the budget process.

The Business of Government Hour's interview with Gene Dodaro will be rebroadcast on Sunday, November 26 (8:00 pm) and Tuesday, November 28 (9:00 pm) on WWRC (570- AM) in Washington, D.C. The interview will also be simulcast nationwide on the Web at www.businessradioam570.com.

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James J. Flyzik

Deputy Assistant Secretary for Information Systems and Chief Information Officer, Department of the Treasury

"I sometimes say the government in the past would be compared to a restaurant that would close at lunch and dinner-time. When the individuals who do business with government need government, the government is closed," says James Flyzik, deputy assistant secretary for information systems and chief information officer (CIO) of the Department of the Treasury. "We were a 9 to 5 operation, and, of course, in the world of the Internet — and the world we are living in today — the customers of government will not accept that. There is no reason why you need to take a day of vacation from work to renew a passport or a license."

In his role at Treasury, Flyzik provides oversight, strategic planning, and management direction on all information technology (IT) and information infrastructure programs within the department and its 14 bureaus. He came to Treasury after 15 years with the U.S. Secret Service, where he held key IT management positions, from computer programmer to computer specialist to director of communications. In February 1998, he was elected to serve for two years as the vice chair of the federal government-wide CIO Council.

As CIO, Flyzik manages \$2 billion in information technology investments. Making smart IT investments is a challenge for federal CIOs, who must operate within the constraints of the budget process. "Right now, we are working on our year 2002 information technology budgets. We like to think that as CIOs, we are smart on the technology, but if you go back just two years and try to predict what we have today, you would find that the portals we have and the web-based services that are out there, and the things we are doing, were largely not seen two years ago," Flyzik says. "So now we're trying to look two to five years out in the future and do our budget process and work. I think it takes us longer in government to respond to changing technology needs because of the way the budget process works and our lead time — and we need to work on that. We need to find ways that the government can live in so-called Internet time."

Another challenge for federal chief information officers is the difficulty of funding interagency and intergovernmental IT projects. "The appropriations process is set up to allocate dollars to individual agencies, yet what we want to do are intergovernmental projects," Flyzik explains. "Funding intergovernmental projects has been very, very difficult, as we

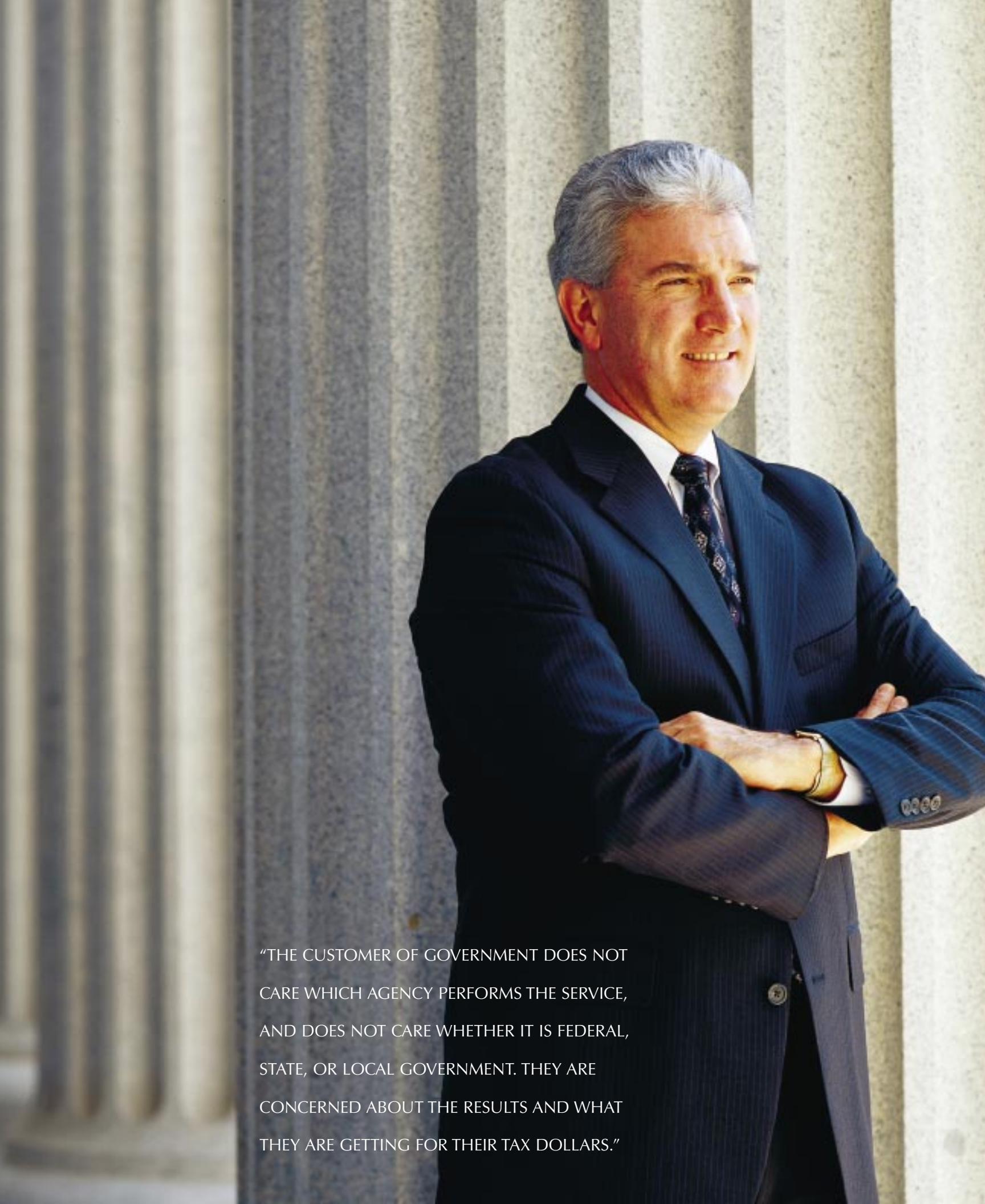
have been using the so-called 'pass the hat' approach, where each agency throws in some money and we fund the project. That's not efficient and it doesn't work well. The appropriations process doesn't support that."

One potential way to address this challenge is to create a new Cabinet-level position, a government-wide chief information officer. On this point, Flyzik says, "We need some type of empowerment process. Now, whether that is an individual, whether that is empowerment of a council, whether that's the deputy director of OMB [the Office of Management and Budget], is not so much important to me as it is to have the ability to get this done, because I think we could move the government by huge leaps and bounds forward if we find ways to overcome some of these very difficult issues we have with coordination of interagency and intergovernmental kinds of programs."

Such progress is demanded by the customers of government, who want a streamlined way to access government information and services without having to know which agency handles what. "The customer of government does not care which agency performs the service, and does not care whether it is federal, state, or local government," Flyzik asserts. "They are concerned about the results and what they are getting for their tax dollars."

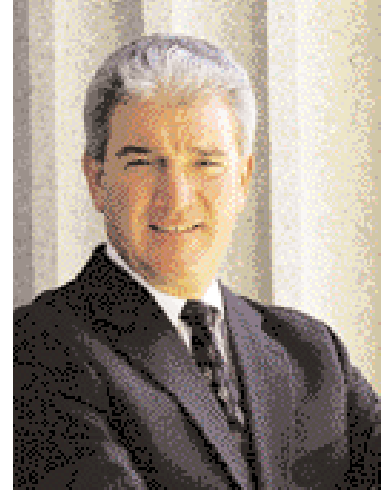
Flyzik sees technology creating a new environment for government and citizens. "Looking out into the future, it's going to be a totally different world we are going to be living in as we move forward with e-government. We're going to be looking at the whole financial and banking industry changing. Smart card technology, public e-infrastructure, digital signatures, and biometrics are going to change the world we live in dramatically, and we need to think of how we do that in government," he says.

Given all these advances, it is important for government to respond in an integrated fashion. "We don't want the citizen walking around with 35 smart cards, one for every government program. We want integrated programs integrated. So it's going to drive the government to change the way it operates, the way it is structured.... I think we've barely scratched the surface of some of the exciting things we are going to see in the future." ■



"THE CUSTOMER OF GOVERNMENT DOES NOT CARE WHICH AGENCY PERFORMS THE SERVICE, AND DOES NOT CARE WHETHER IT IS FEDERAL, STATE, OR LOCAL GOVERNMENT. THEY ARE CONCERNED ABOUT THE RESULTS AND WHAT THEY ARE GETTING FOR THEIR TAX DOLLARS."

Radio Interview Excerpts



James J. Flyzik
Deputy Assistant Secretary for Information Systems and
Chief Information Officer, Department of the Treasury

IT INVESTMENTS AT TREASURY

On the Capital Investment Review Board

We have established what we call a Capital Investment Review Board that oversees all the large investments. We've also required each of our bureaus to have an investment review board. At the department level, we make selections based upon a number of things, whether or not it's a very, very high dollar value investment. Does it have implications, political implications? Is it something that's been in the media? There is a lot of attention for those investments that we review at the department level.

We require the bureaus to have an investment review process themselves, and in order to promulgate some things through the budget process, we require an investment review to take place to look at the return on investment, the business case.

On strategic planning

In terms of higher level management, we have essentially three levels. We have a process in which we do a strategic plan for all of our investments and that starts several years in advance, how we anticipate the Treasury Department evolving.

We then link the Government Performance and Results Act and look at those performance measures that we can then define to talk about how are we moving against that strategic plan. Are we making a positive advancement? What kinds of results can we actually measure?

And, finally, we have implemented something called the Information Technology Investment Portfolio System, which is an automated system where we inventory all of our key strategic projects and monitor their progress and we're able to make changes as appropriate to keep projects on track.

CHIEF INFORMATION OFFICER

On CIO skills

I think that the key thing is understanding how to apply information technology to the business of government and to the understanding of the mission of the government and how to really use information technology.

You need to know a little bit about the technology, but, more important, how it can enhance the business and how it can enhance what you are doing in government. So, it takes a combination, I think, of business savvy skills, along with some technology knowledge.

On the Clinger-Cohen Act

I think Clinger-Cohen is really moving along well. I think it has dramatically changed the way we think about investments. It really is an empowerment process, empowering CIOs and agency heads to be more accountable for their operations.

The feeling now with Clinger-Cohen is we have moved that responsibility to the agency heads and via the chief information officer, so I think it is clearly going in the right direction. We are always looking for better ways and ways to improve, but I think most CIOs are pleased that we are making a lot of progress.

On public sector CIOs versus private sector CIOs

I've had a number of opportunities to participate with private sector CIOs in a number of interesting forums and have this ... discussion. We quickly find out that the issues that we are dealing with are quite similar, the key technology issues.

What is different, though, is some of the unique statutory and regulatory requirements that are imposed on the federal government. We have the Clinger-Cohen legislation, which lays out specifically responsibilities for a federal CIO — and since we are the federal government, of course, we are responsible not just to our agency, but the integrity of all our actions are responsible to U.S. citizens.

"I THINK THAT THE KEY THING IS UNDERSTANDING HOW TO APPLY INFORMATION TECHNOLOGY TO THE BUSINESS OF GOVERNMENT AND TO THE UNDERSTANDING OF THE MISSION OF THE GOVERNMENT AND HOW TO REALLY USE INFORMATION TECHNOLOGY."

So we need to recognize we have some unique responsibilities and unique needs. For example, in the areas of complying with government-wide policies, reducing paperwork burdens on the public, as well as maintaining sound records management programs. We need to preserve historical archiving, disseminate government information.

Some other areas that I find with my counterparts in the private sector — their ability to respond quickly to changing technology needs. As you are aware, the Internet has really changed the paradigm of the whole information technology landscape.

Consequently, things change so rapidly that CIOs in the private sector can respond to that change. They can talk to the CEOs, they can change their investment decisions, they can change the direction they are going.

In the government, it is much more difficult because we work through various layers of government, the budget process oftentimes, for example. Right now, we are working on our year 2002 information technology budgets. We like to think that as CIOs we are smart on the technology, but if you go back just two years and try to predict what we have today, you would find that the portals we have and the web-based services that are out there, and the things we are doing, were largely not seen two years ago. So now we're trying to look two to five years out in the future and do our budget process and work. I think it takes us longer in government to respond to changing technology needs because of the way the budget process works and our lead time — and we need to work on that. We need to find ways that the government can live in so-called Internet time.

RECRUITING IT WORKERS

On a Cybercorps

We're looking at this concept of a "Cybercorps" — this concept of individuals agreeing to work for the government following their undergraduate work. The government, in turn, would help finance their graduate work and, perhaps, offer some type of certification that they have completed a number of years in government.

Now, what that probably will mean ... is after perhaps three to five years when they become certified, they probably will be hired away to the private sector for more money. However, if you think about it, they'll go to the private sector, work for contractors here in the Washington, D.C. area, and they will be working, in essence, for the government anyway, just from the contractor point of view.

From my perspective, if I can continually have fresh new talent coming into the government every three to five years, keep them for three to five years, train them and then have them move on and support us from a contractor basis, I think that scenario would work, and I think it is realistic.

What it means is the government will need more program and project management skills and will rely on the private sector and outsource many of the more technical skills.

The Business of Government Hour's interview with James J. Flyzik will be rebroadcast on Sunday, December 10 (8:00 pm) and Tuesday, December 12 (9:00 pm) on WWRC (570- AM) in Washington, D.C. The interview will also be simulcast nationwide on the Web at www.businessradioam570.com.

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Dr. Thomas L. Garthwaite

Under Secretary for Health

Veterans Health Administration, Department of Veterans Affairs

“You’ve got to give people a reason to change,” states Dr. Thomas Garthwaite, under secretary for health at the Veterans Health Administration (VHA), Department of Veterans Affairs (VA). “You have to make sure that they understand the importance of that change and that it makes sense to them.” Dr. Garthwaite is familiar with change — the VHA recently went through the greatest period of transformation in its history.

With more than 150 VA medical centers nationwide and 3.5 million veterans enrolled for care, VHA manages one of the largest health care systems in the United States. The VHA also conducts research and education, and provides emergency medical preparedness.

Dr. Garthwaite joined the VA in 1976, after receiving his medical degree from Temple University and completing his internship and residency at the Medical College of Wisconsin. His career includes nearly 20 years of experience as a physician and clinical administrator at the Milwaukee VA Medical Center. He served as the medical center’s chief of staff for eight years.

In 1995, when Dr. Garthwaite was deputy under secretary for health, the VHA embarked on large-scale transformation, leading to impressive results. The number of full-time equivalents (FTEs) has been reduced by more than 14 percent, while the number of patients treated per year has increased by more than 25 percent. Annual inpatient admissions have declined by more than 32 percent, while outpatient care visits have increased by more than 45 percent. Approximately 60 percent of hospital beds have been eliminated, and patient satisfaction scores have improved by more than 15 percent.

“In the past, it was competing facilities — each trying to have all the programs that were possible in medicine, each trying to have the tertiary care, each trying to have the latest and greatest technology,” Dr. Garthwaite explains. “But what was missing was the coordination of care and the preventive medicine, the primary care for the rest of that population before they needed that tertiary care. So, in the end, what we were able to do was to refocus all of our staff on the concept that it is really about that population [of patients], not about the facilities.”

An additional change that this brought about was a new focus. “That also changed us from specialty care to primary care. It

changed us from inpatient care to outpatient care. It changed us from end-of-disease care to prevention. So it had dramatic effects just going from a facility-based organization to a population-based organization,” Dr. Garthwaite observes.

An emphasis on prevention not only saves lives, but also money. “Years ago, I think we waited till the end of a disease, and we came in with tubes and scalpels and tried to save the patient at the end stage of an illness,” recalls Dr. Garthwaite. “Last year, we had immunization rates approaching 90 percent for pneumonia and influenza, and we believe that in [cases of] patients who have lung disease and who are elderly, that every time we give a shot, we not only save lives and prevent hospitalizations, we save \$294 with each shot that we give.”

Performance measurement was a key to making the new vision a reality. “The use of performance measurement did several things for us,” he asserts. “One, it forced us to have conversations about what’s most important, what the real goal is. Secondly, it forced us to then say, ‘What would be a measure of that?’ And, third, it said, ‘What kind of progress have we made?’ It gave us an opportunity to chart our progress towards those goals. So, I think, more than anything else, performance measurement really led to the dramatic changes we’ve seen.”

Many challenges lie ahead for VHA, including adopting new technology, recruiting workers, and dealing with changing veteran demographics. “The good news is that, by reinventing and transforming the VA, I think the potential roles that the VA could take on in the future have expanded,” Dr. Garthwaite asserts. “I think five years ago, one wouldn’t look to a large, lumbering bureaucracy that couldn’t demonstrate the quality of care that it gives for any new tasks. But, today, I think you have a much leaner VA that’s very responsive, that’s high technology, that’s high touch, that can demonstrate to anybody who wants to look at the kind of quality of care we’re capable of providing. We’re having trouble finding systems out there that have benchmark performance measures as good as ours. So I think that we have the potential of really being a model system and one that also provides valuable service in research and education.” ■



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Radio Interview Excerpts



Dr. Thomas L. Garthwaite
Under Secretary for Health
Veterans Health Administration, Department of Veterans Affairs

LEADERSHIP

On vision

The quality of a good leader is to have clarity of vision, because if you don't have clarity of vision, it's hard to develop a shared vision with all the employees of the organization. I think if you don't have a shared vision with all your employees, you can only get them to go part way towards any goal.

I mean, we really only go where we believe we want to go. We can be ordered to go someplace, and we'll go reluctantly if there's enough of a power structure there. But when we really go enthusiastically somewhere, it's because we see the goal, we agree with that goal and that vision, and that's how we get there. So, to me, the first part is to really have that clarity of vision.

On the ability to listen

It's impossible to know everything, but in an organization of 180,000 people, for instance, we have somebody who has a good idea about almost everything. The hard part is to listen. You can find a lot of people who will be quiet while you're speaking, but you find relatively few people who actually listen to what you have to say, incorporate that into their thinking and then turn it into a true dialogue with you.

So I think that's another key piece of leadership, especially in today's society, which I think is moving from a kind of hierarchical command-and-control structure to more integrated and virtual organizations and more democratic leadership.

NEW APPROACHES TO MANAGEMENT

On performance measurement

We've been able to focus people on key measurements that we think really reflect our progress, both as facilities but also as a larger system. By picking things to monitor and to measure that are critically important to patients, we've turned the focus of what your job is from the old days, where it was kind

of impressing the person higher than you are in the hierarchy to now making some measurable change in the lives of veterans, their immunization rates, their surgical mortality, the number who are put on aspirin and beta blockers after a heart attack — you go down the list — the customer or patient satisfaction scores for your facility.

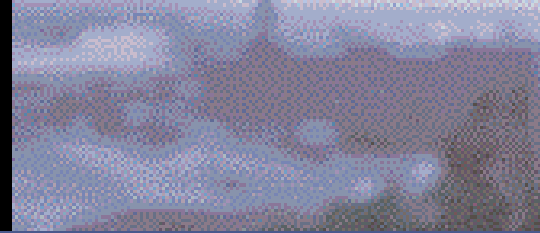
All those things that we measure, you're going to have to change how you do the process of care and make it better to make them change. So that's made for a lot of focus in local facilities and nationally on how to make that happen, which is all about the process of delivering care, and I think it's made us a much better organization.

On emphasizing patients

I would just go back to a very simple premise. You know, in a previous presidential election, the phrase, "It's the economy, stupid," was used, and I tell people, "It's the patient, stupid." If you really focus in on the patient, if you're worried about their waiting times and if you're worried about our communication with them; if you design systems that make sense to the patient, then you're going in the right direction.

Whereas, if you just say, "Well, we have to preserve this old structure that we've had for so many years because my goal in life was to be the assistant chief of that structure," that's not the same as saying, "You know, it doesn't matter what my title is as long as the patients don't have to wait in line, that they are treated with courtesy and respect, that they get the proper diagnosis and proper treatment."

That's what we're really about as an organization. We're not about creating management structures and titles that people aspire to; we're about creating outcomes that patients care about.



“THE QUALITY OF A GOOD LEADER IS TO HAVE CLARITY OF VISION, BECAUSE IF YOU DON’T HAVE CLARITY OF VISION, IT’S HARD TO DEVELOP A SHARED VISION WITH ALL THE EMPLOYEES OF THE ORGANIZATION.”

TECHNOLOGY

On information systems

The ... thing that’s ... really dramatically different in the years that I’ve been in the VA is the emergence of information systems, and the VA’s really been a leader in information systems dedicated to patient care.

You know, we didn’t have to bill for many years. In the private sector, the computer systems were developed and maintained primarily around billing. Since we weren’t billing, we developed and maintained them primarily around the delivery of health care. And if you think about it, ultimately, the most effective and efficient and the highest quality way to deliver health care would be supported by good informag [information management] systems around the process of delivering care. So I think we’re a little ahead there. Unfortunately, we had to begin to bill, and so we’re catching up with the private sector in how to bill, but I think we’re ahead in how to use computers to deliver care.

On technological challenges

Clearly, the emergence of technology and how to use it, how to deploy it, how to pay for it, how to kind of get over the hump from the old technology to the new technology safely and efficiently and effectively is certainly a challenge. That’s not only computers, but also fancy diagnostic machinery, and fancy therapeutic machinery, and new medications, and genetic testing, and all those sort of things.

HUMAN RESOURCES

On future challenges

I see huge issues in the workforce, from competition for workers with the wonderful economy that we’re experiencing, to finding people that want to go into health care and nursing. That competition for workers has an upward pressure on pay. It has been noted that all of the government workers are getting older and closing in on retirement, so there’s some very

special issues related to the federal government and the retirement systems and the age of the average government worker, and that’s even worse in VA for nurses. These are some real issues in the workforce for us.

On recruitment

One thing we have on our side is we have a wonderful mission. It’s pretty noble to take care of America’s heroes, do research, train tomorrow’s health care providers. But altruism only goes so far if the salary structure isn’t any good. So we’ve tried to make sure that our salary is the best that we can make it within the current legislative mandates that we have.

We also try to challenge our employees. We want them to feel like it’s fun to come to work. We want them to feel that it’s challenging to come to work, that it’s a good thing that they have a noble mission. We’d also like them to believe that, for working with the VA, they will grow as professionals and as people, that they will have an opportunity to learn things and at their level of confidence, and that the things they know are marketable inside the VA and outside the VA.

On reductions in staff

Most of our reductions have been through attrition. We’ve proposed some involuntary separations — or as the government calls them, reductions in force, or RIFs — but we’ve ended up separating relatively few people via that mechanism. We’ve used buy-outs, early retirements, and general turnover to try to restructure the workforce.

The Business of Government Hour’s interview with Dr. Thomas Garthwaite will be rebroadcast on Sunday, December 17 (8:00 pm) and Tuesday, December 19 (9:00 pm) on WWRC (570- AM) in Washington, D.C. The interview will also be simulcast nationwide on the Web at www.businessradioam570.com.

To read the full transcript of *The Business of Government Hour’s* interview with Dr. Thomas Garthwaite, visit the Endowment’s website at endowment.pwcglobal.com.

Janice R. Lachance

Director Office of Personnel Management

“There are no results without people,” observes Janice Lachance, director, Office of Personnel Management (OPM). People are the focus at OPM, the federal government’s human resources agency. OPM ensures that the nation’s civil service remains free of political influence and that federal employees are selected and treated fairly and on the basis of merit. OPM supports agencies with personnel services and policy leadership. It manages the federal retirement system as well as the world’s largest employer-sponsored health insurance program, serving more than nine million federal employees, retirees, and their family members.

As director, Lachance oversees the agency’s workforce of 3,700 employees and has an annual budgetary authority of approximately \$27 billion composed of discretionary and mandatory requirements. She also has responsibility for the administration of the federal retirement, health, and insurance programs, which total about \$488 billion. Lachance came to OPM in 1993 as its director of communications. She later served as chief of staff. Prior to joining OPM, she served as communications and political affairs director for the American Federation of Government Employees. Her early career includes extensive congressional experience, including communications director for Representative Tom Daschle, administrative assistant to Representative Katie Hall, and staff director and counsel for the Subcommittee on Antitrust and Restraint of Trade of the House Small Business Committee.

As director of OPM, Lachance is keenly aware of the current human resource challenges facing government, including an aging workforce and a tight labor market. “We have to go all out,” Lachance asserts. “We have to have a wartime effort of the same levels that we had during World War II to compete with the private and nonprofit sectors for the very, very best and brightest employees.”


While she acknowledges that the federal government will never be able to compete dollar for dollar with the private sector, she is confident that government can win the “war for talent” because employees are looking for factors other than simply salary. Based on research and interviews with young people entering the workforce, she cites four factors that new workers seek — an opportunity to do good, a family-friendly

environment, training, and mentoring opportunities. Lachance asserts that the government can deliver in all of these areas. She elaborates: “People no longer want to spend 12 hours a day chained to the desk. They want flexibility, they want to be able to spend time with their children. They have elderly parents they have to care for and want to care for. We can give them that. We’re a large employer. We should be the model in family-friendly policies and flexibilities.”

New workers are also looking for an employer who’s willing to make an investment in training. “We can do that as well,” states Lachance. “That’s part of the President’s Task Force on Training Technology ... where we want to be able to take all of the training that’s available, not just traditional classroom training where you go off for two or three days and learn something, but something that you can incorporate into your work life and your workday every day in the office to constantly be improving your skills.”

Finally, new workers are looking for good leaders who will mentor them. “We can also do an extraordinary job with that,” Lachance says. “We have incredible people working for the federal government who have a tremendous amount of dedication and expertise and who, if they were willing, could take young people under their wings and give them the kind of mentoring and leadership training that they need to be successful.”

In terms of human resource challenges for the next administration, Lachance remarks, “I think the next administration is really going to have to look a decade out to make a real difference in the administration and the management of federal personnel.... [It] is going to really have to look at an overall reform of the system, some way to make it more responsive to the agencies’ needs, more flexible. There are a variety of mis- sions across this government, and the idea that one size fits all just doesn’t make sense anymore. So we have to find ways to give agencies the flexibility while maintaining this solid foundation and safety net of the merit principles. I think we shouldn’t compromise on those. I don’t think they should be updated. I think those are timeless values that are embodied in this system and that we can make work even in this very exciting 21st century.” ■



"WE HAVE TO GO ALL OUT. WE HAVE TO HAVE A WARTIME EFFORT OF THE SAME LEVELS THAT WE HAD DURING WORLD WAR II TO COMPETE WITH THE PRIVATE AND NONPROFIT SECTORS FOR THE VERY, VERY BEST AND BRIGHTEST EMPLOYEES."

Radio Interview Excerpts



Janice R. Lachance
Director
Office of Personnel Management

LEADERSHIP

On enunciating goals

I think the most important thing you can do as a government leader is set out a goal for the organization. I think if everybody understands the goal, and it's clear and it can be easily enunciated and people can relate to it, then I think that's half the battle.

On leading by example

I think the other part of the battle is leading by example. I think you have to be the kind of person you want your employees to be. If you don't want people leaving at five minutes to 5:00 instead of 5:00, then make sure you're putting in the extra hours as well. I think that there is an extraordinary amount of watching and observing that goes on, and I don't think we should ever undersell the idea of leading by example.

On bringing in stakeholders

I think [enunciating goals and leading by example] are important, coupled with an ability to bring in stakeholders and make them feel as though they're a part of the process. Whether it's elected officials or members of a labor union or a trade organization or a professional organization, get them all at the table, build a consensus toward what you want, get buy-in, and get everybody marching toward that goal or that vision that you set out for the organization.

On delegating

I'm also a big believer in delegating. I have a great leadership team at OPM. I don't have to be right there with them every time. I trust them, and I think it's important for leaders to trust their leadership team. But I also trust my front-line employees. I know that the people who are answering the phone on our retirement customer-service lines are extremely devoted to those annuitants who count on them to give them the right information they need to plan their retirement with some sense of financial security and dignity. So, I think the best thing to do is delegate, let people do their jobs, and listen. Let them tell you what they need to do their jobs and then go out there and fight to get them the resources to do it.

HUMAN RESOURCE MANAGEMENT

On workforce planning

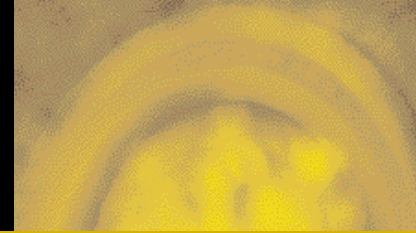
I think overall the government has really been lax in overall workforce planning, and we haven't done a very good job of thinking ahead. I think your natural inclination is always to look at the next vacancy and how we're going to deal with that. What I think we need now is a more comprehensive approach to workforce planning, but with special attention to the Senior Executive Service (SES) because they are such a valuable resource and particularly in this political year, where the role of the SES becomes ever more important to making sure that the policies and the programs of government continue uninterrupted.

On a long-term orientation

I think it's critically important to start thinking ahead. We have an obligation to identify potential leaders very, very early in their careers. We're working very hard with all of the agency heads to make sure that they understand that they have to start thinking about the kinds of skills they're going to need, not just next week or next month, but a year from now, five years from now, and even 10 years from now, and start today developing the leaders that they'll need or knowing where to look for them.

On mobility

We have a real issue with mobility in the federal government. I think there are too many people who set their sights on a particular job and then just don't want to let go. But the fact is they'd be so much better and so much more effective if they maybe had a different kind of experience under a different kind of leader with different types of coworkers. Maybe they'd understand the budget process better if they'd spend a little time in a CFO's office. Or they'd be more proficient on their computer if they understood the importance of technology from the perspective of a chief information officer. I think mobility is critical if we're going to continue to have the best SES that we can have.



“IT USED TO BE THAT WE WERE VERY PROCESS-ORIENTED, THAT IT WAS ALL ABOUT CHECKING OFF THE BOXES. NOW WE’RE LOOKING AT WHAT OUR CUSTOMERS WANT, WHAT THEY’RE LOOKING FOR FROM US, WHAT WE CAN DO FOR THEM, AND ALWAYS, ALWAYS, HOW WE CAN DO IT BETTER.”

I think too, unfortunately, that we have a tendency in the federal government to move people around only when they’re not meeting expectations, and I think that’s a tragedy. We have to turn that on its head and make sure that mobility is a reward and it’s a signal that you’re going to be a star, so you need the broadest kind of experience possible rather than something that may be perceived as being punitive.

On a focus on results

We have worked very hard over the last several years to make human resources and the people of government an integral part of the government’s strategic planning process. I think the entire government has gone through an incredible shift over the last few years from process to results. Even though OPM might have done it a little bit sooner than the rest of the government, the fact is that the one factor that was left out of the process was the people, and we really didn’t spend a lot of time thinking about how and what kind of people and what kind of skills you needed to accomplish your mission. We talked about the missions, we talked about the goals we wanted to achieve, and we talked about how to measure it, but nobody talked about how it was going to happen.

CHANGE AT OPM

On downsizing

I think the most noticeable change at OPM is that we are half the size that we were in 1993. We underwent two very significant privatizations of some major units at OPM — our training function and our investigations function.

On redefining success

At OPM we decided we were going to redefine success. Most of the time you define success by an increase in your budget or by adding more people or starting a new program. At OPM, we decided that we were going to be successful if we could have the kind of agency that the American people could be proud of and that our customers valued. I think we’ve done that, and it doesn’t matter that our budget is

lower and that there are fewer people. The fact is we’re accomplishing our mission in the most effective and efficient ways possible, and we have every reason to be proud of our record.

On customer orientation

In addition to numbers, the fact that we’re half the size that we were, the fact that our budget is one-third lower than it was in 1993, what’s most significant is the agency’s orientation. We have really changed the definition of “customer.” It used to be that we were very process-oriented, that it was all about checking off the boxes. Now we’re looking at what our customers want, what they’re looking for from us, what we can do for them, and always, always, how we can do it better. So, we’ve had a complete reversal in our philosophy in looking at the customer and the results that we’re getting for the customer. We couldn’t be happier in terms of our orientation, trying to be more flexible, trying to provide what people need, while maintaining a very strong foundation in the merit principles — and to me that includes veteran’s preference — and maintaining the kind of system that we can all be proud of as American citizens.

The Business of Government Hour’s interview with Janice Lachance will be rebroadcast on Sunday, December 3 (8:00 pm) and Tuesday, December 5 (9:00 pm) on WWRC (570- AM) in Washington, D.C. The interview will also be simulcast nationwide on the Web at www.businessradioam570.com.

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Jacquelyn L. Williams-Bridgers

Inspector General

Department of State and the Broadcasting Board of Governors

"I think if you enjoy an opportunity to exercise independence of thought, if you enjoy the opportunity to gather as much information — to look at issues from a variety of different perspectives — and if you believe that you can effect a change, then the inspector general is probably one of the very best positions in government to have and to aspire to," says Jackie Williams-Bridgers, inspector general (IG) at the Department of State.

The goals of the Office of Inspector General (OIG) are to improve the economy, effectiveness, and efficiency of the operations of the State Department and the Broadcasting Board of Governors, and to detect and prevent waste, fraud, abuse, and mismanagement.

Williams-Bridgers began her career in the federal audit and evaluation community in 1978. Between 1978 and 1995, she held a variety of positions with the General Accounting Office, including that of associate director for housing and community development issues and assistant director for surface transportation infrastructure issues. She also worked at the Department of Housing and Urban Development for one year, in the Office of Inspector General, Fraud Control Division.

"GAO provided me the fundamentals," reflects Williams-Bridgers. "Their emphasis on training and evaluation techniques, on communication and delivery, on the legislative process was essential to the work that I do now. But at OIG, I had the opportunity to test whether or not I could actually motivate people around a vision that I had for working inside an agency. I also had the ability to work in a global environment, and that certainly is a challenge — not only in communicating in timely ways and conducting your work in timely ways, but being very mindful of cultural context and organizational structure. They are quite different and often make the goals and the programs and activities that you think you know so well not work very well at all."


She cites being thick-skinned as a key quality in a good IG. "We are here to give the good news and the bad news. No one really wants to hear the bad news," Williams-Bridgers asserts. "So I don't take personally people's criticisms of our work, but I just insure that our work meets the test of objectivity and that we've considered all of the varying perspectives that must be brought to bear on any issues."

The role of the Inspector General has changed over the years, Williams-Bridgers has observed. "When Congress established the offices of inspector general ... I think, initially, the focus was much on the watchdog kind of approach to oversight. Let's play the 'gotcha' game. 'Aha, you have misspent money. Aha, you have wasted dollars here.' After all, the Congress wasn't getting that kind of information before the establishment of the IGs until after the fact."

The focus now is different. "I think IGs now are learning that it is as important for them to be engaged early on, working in collaboration with the agencies, as well as identifying when dollars have been wasted," Williams-Bridgers reflects. "After all, I think we're much more effective when we've said, 'Here's an opportunity not to spend an additional \$3 million, or \$4 million, or \$5 million' than it is, 'Aha, here you've wasted that money and lost the opportunity.' I think that it's just a smart way of doing business. I think that the IGs found that they could be more effective if the agencies view them as a free resource."

Williams-Bridgers sees several challenges facing the State Department in the years to come, including the changing workforce. She says, "In cases where you have two people — a couple — and both parties work, how do you accommodate that in a very small embassy where you may only have a handful of Americans working? The issue of nepotism looms large in consideration. How do you insure that there are correct reporting lines?"

Technology is also a key challenge. "Probably one of the most pressing challenges is to make the best use of the Internet while at the same time taking into consideration security needs that we have in our community," Williams-Bridgers states. This includes ensuring that a majority of State Department employees have Internet access, bridging the communications gap with other agencies (particularly overseas), and maintaining current technology on classified and unclassified networks. "I think the department also has to step up to the plate and realize that it has a role in bridging the digital divide that exists in the world among those nations that have and those that don't have the technology access," she asserts. "I don't think that we have quite made our place at the table yet on that issue." ■



"I THINK INSPECTOR GENERALS NOW ARE LEARNING THAT IT IS AS IMPORTANT FOR THEM TO BE ENGAGED EARLY ON, WORKING IN COLLABORATION WITH THE AGENCIES, AS WELL AS IDENTIFYING WHEN DOLLARS HAVE BEEN WASTED."

Radio Interview Excerpts



Jacquelyn L. Williams-Bridgers
Inspector General

Department of State and the Broadcasting Board of Governors

THE ROLE OF THE OFFICE OF THE INSPECTOR GENERAL (OIG)

On OIG as security inspector

We have to look at our security posture in a very different way and we have to realize that the threat is no longer where we traditionally have identified the threat. So, for example, in the course of our security inspections, we want to insure that our embassies are prepared for crises. In the course of an inspection, we will ring the fire alarm, we'll ring the select home system for bombs. We check to insure that the locks are in place on our doors and that our structures will withstand a bomb from several feet away. We check to insure that people have procedures in place to destroy documents.

Also, the Office of Inspector General has engaged the expertise of our auditors, as well as our security experts, to provide very dedicated oversight over the department's use of the \$2 billion it has received over the past couple of years for emergency security enhancement of our embassies. So we're looking to see whether or not management controls are in place, whether or not the funds are being spent well, whether or not we're recruiting and training the types of experts that we now need in order to fend off potential harm to our embassies.

On OIG as educator

I also like the notion that OIG is an educator. We teach what we have learned in the course of our reviews. So most of our auditors, many of our investigators, many of our inspectors participate in all the training sessions at the Department of State. Every junior officer has the benefit of a segment with OIG. Every ambassador, before they leave for posts, has the benefit of a segment with OIG. We tell them where the bright yellow lines are, what mistakes past ambassadors have made that have run them afoul of the law — and also what we've learned are some best strategies for ambassadors and for future leaders in engaging with their own communities to help mobilize the workforce to achieve their own goals.

On enabling decision making

As we all know, organizations tend to do that which they've done best over time. So it's very difficult for them oftentimes to take a step away from the traditional course. But what we

like to do in order to realize positive change is to say, "Here's our best thinking. You make the decision. But here's the results of all of our information before you make decisions, before you commit to new policy, before you commit to new program designs."

On organizational structure

We're looking to realign our structure. We have traditionally been organized around what I call our stovepipes — our office of audits, our office of inspections, our office of investigations — but we know now, just as the rest of the world knows, that you can't work in stovepipes, that you have to take advantage of the expertise wherever it resides in an organization and bring it to bear on issues. So we are refocusing our organizational structure around what we consider to be the strategic issues that the department and the Congress will face in the foreign affairs community and making best use of our staff, be they auditors, investigators, or foreign service officers, to bring to bear on the development of our recommendations.

TECHNOLOGY

On technology and security

One of the most pressing challenges is to make best use of the Internet while at the same time taking into consideration security needs that we have in our community. We still, in the Department of State, do not have desktop access to the Internet for every employee. In fact, in OIG, I probably have one freestanding computer that has Internet access for every 25 or 30 people in our organization because of our concerns about security.

I think the department also has to deal with the proliferation of the hand-held personal digital device. People are using technology to best meet their needs and it has always not kept pace with our security posture. So the department has to come to grips with how to best use that.

On bridging the digital divide

I think the department also has to step up to the plate and realize that it has a role in bridging the digital divide that

“WHEN I BEGAN IN GOVERNMENT, I THINK I IDEALIZED LEADERS WHO TOLD US WHAT TO DO. I THINK A LEADER NOW MUST ASK: WHAT SHOULD WE DO? HOW DO I BEST MEET THE CUSTOMER’S NEEDS?”

exists in the world among those nations that have and those that don’t have the technology access.

On the role of technology in the future

I hope that the American public is able to receive the services that they need much more efficiently and much more responsibly from the U.S. government in the future — the U.S. government making better use of technology. The idea of one-stop shopping for government services is something that we need to aggressively pursue. I just don’t think that there has been the centralized kind of effort in the U.S. government that we need quite yet.

OUTREACH TO FOREIGN GOVERNMENTS

On the need for outreach

I’m quite proud that our Office of Inspector General had the vision to reach out to other governments. It was a reaction to foreign governments coming to us saying that they had seen on the World Wide Web the Office of Inspector General report and were quite intrigued by the disclosure of our audits and inspections and investigations of government officials.

The OIG’s foreign outreach is designed to assist the Department of State in advancing U.S. foreign policy interests in areas such as the rule of law, building democracies overseas, and promoting economic prosperity. What we know very well is that when corruption exists, when civil servants and leaders of governments decide to line their pockets with the assets that have been obtained by the very hard efforts of growing democracies, it eats away at that economic progress. What the United States has learned full well is that institutionalizing internal oversight mechanisms such as the OIG helps to guard against that waste and abuse in government. So our office is looking to share with other governments who are reaching out to learn how best to build these sorts of internal oversight mechanisms in government.

What we share with them are, first, we have an understanding about the differences in the legal frameworks in which we must work, and the government structures in which we must work, and the cultural differences. After all, in some countries

it is expected that you give gifts to those who award business opportunities to you. But, at the same time, we know that there is a very clear line between a simple gift to say, “Thank you” and the gift to say, “May I operate in your country?”

LEADERSHIP

On listening

I think that while it is important to know how to communicate well, listening is so critical. You’ve got to hear what people are saying and react. I think probably as important is to go out and seek feedback from the bottom of your organization to the very top, from inside and from outside, and to continuously re-evaluate whether or not what you are doing makes sense to the people inside. Because if they don’t understand what you’re doing, if they’re not on board, then you’ll never really achieve your goal. The same goes for the people on the outside.... Asking questions, I think, is so very important.

On the new leadership

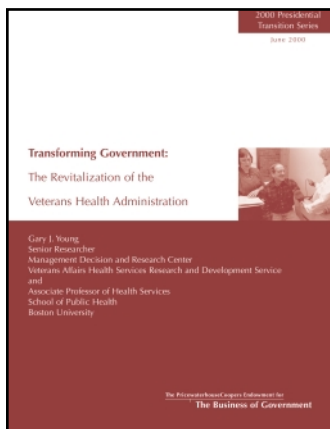
When I began in government, I think I idealized leaders who told us what to do. I think a leader now must ask: What should we do? How do I best meet the customer’s needs? I think also it’s very important for leaders now to move away from small group think and to move toward community thinking — engagement with others.

The Business of Government Hour’s interview with Jacquelyn Williams-Bridgers will be rebroadcast on Sunday, December 31 (8:00 pm) and Tuesday, January 2, 2001 (9:00 pm) on WWRC (570- AM) in Washington, D.C. The interview will also be simulcast nationwide on the Web at www.businessradioam570.com.

To read the full transcript of *The Business of Government Hour’s* interview with Jacquelyn Williams-Bridgers, visit the Endowment’s website at endowment.pwcglobal.com.

Transforming Government: The Revitalization of the Veterans Health Administration

By Gary J. Young



During the 1990s many organizations in both the private and public sectors underwent large-scale transformation to improve their performance. This report presents findings from a longitudinal case study of the transformation of the Veterans Health Administration (VHA). VHA, a primary operating unit of the U.S. Department of Veterans Affairs, is a federally funded and centrally administered health care system for veterans. The case study was intended to gain insight into the opportunities and problems organizations face when attempting large-scale transformation.

This case study has been conducted on an ongoing basis since the transformation began in 1995. VHA employees at all levels of the agency were interviewed, as well as individuals who observed the transformation as members of organizations that interface with VHA. Information for the case study was also obtained by conducting employee surveys and by examining VHA internal documents and data sets.

As a general finding, VHA's transformation has been highly successful. Between 1995 and 1999, the agency has made substantial improvements on a number of important performance indicators. The transformation has also had limitations that reflect the challenges and tensions inherent in large-scale organizational change. Although each organizational transformation is unique, VHA's experiences offer a number of lessons for future transformation efforts. Based on the case study, the following seven lessons have been identified.

Lesson 1: Appoint Leaders Whose Backgrounds and Experiences Are Appropriate for the Transformation.

The individual appointed to lead the VHA transformation had three attributes that were particularly relevant for the task at hand: outsider status, substantial leadership experience in the public sector, and knowledge of private-sector innovations in the financing and delivery of health care services.

Lesson 2: Follow a Focused and Coherent Transformation Plan.

The senior leadership team for the transformation focused on four interrelated initiatives that formed a coherent and effective transformation plan: creation of a vision for the agency, adoption of a new organizational structure, establishment of an accountability system, and modifications in agency rules and regulations.

Lesson 3: Persevere in the Presence of Imperfection.

All transformations generate controversy and criticism that can distract the leaders from focusing on the central goals of the change effort. In the case of VHA, the senior leadership team kept its sights fixed on key transformation goals while making mid-course corrections to address technical problems as they were recognized.

Lesson 4: Match Changes in the External Environment with Changes in the Internal Environment.

Leaders of transformation are often consumed with managing the internal changes of an organization. VHA's transformation reveals the importance of managing external changes to complement internal ones.

Lesson 5: Develop and Manage Communication Channels from the Highest to the Lowest Levels of the Organization.

VHA's transformation offers another of many examples where conventional communication strategies did not work to keep



About Gary J. Young

Gary J. Young is a senior researcher at the Management Decision and Research Center, a research and consulting component within the Veterans Affairs Health Services Research and Development Service. He is also an Associate Professor of Health Services at the Boston University School of Public Health and Co-Director of the School of Public Health's Program on Health Policy and Management. Dr. Young previously worked as a senior associate for a national health care management and policy consulting firm and as an analyst for the Agency for Health Care Policy and Research, U.S. Department of Health and Human Services.

His research and publications focus on organizational, managerial, and legal issues associated with the delivery of health care services. He recently completed a project for the Robert Wood Johnson Foundation that examined the community impact of nonprofit hospital conversions and a project for the Agency for Health Care Policy and Research that examined from an antitrust perspective the pricing patterns of nonprofit hospitals. He is currently conducting a project for the National Science Foundation to identify strategies for managing organizational change efforts in health care organizations. His published work has appeared in such journals as *Health Services Research*, *Inquiry*, *Health Affairs*, *Medical Care*, *Journal of Health Politics, Policy and Law*, and *Journal of Management*. Dr. Young also has served on various advisory groups focusing on health policy issues. He currently serves as a member of a National Academy of Social Insurance study panel on restructuring the Medicare program.

Dr. Young has received a number of awards for his research from such organizations as the Academy of Management and the American College of Healthcare Executives. In 1998, he received the John D. Thompson Prize for Young Investigators from the Association of University Programs in Health Administration (AUPHA).

Dr. Young earned a Ph.D. in management and a law degree from the State University of New York.

frontline employees informed during a transformation effort. To reach frontline employees, future leaders of transformation should carefully consider opportunities for developing communication channels at the lowest levels of the organization.

Lesson 6: Do Not Overlook Training and Education.

During the transformation, many managers reportedly struggled to adapt to a management system that required them to develop new skills and capabilities. The difficulty of this struggle was compounded by a lack of training and educational opportunities for managers.

Lesson 7: Balance Systemwide Unity with Operating-Unit Flexibility.

The transformation entailed a dramatic push to decentralize decision making after years of micro-management on the part of VHA headquarters. However, the swing from centralized to decentralized management appears to have allowed little opportunity for careful planning in the reorganization of certain functions and programs at agency headquarters. VHA's experience reveals the importance of planning decentralization efforts carefully so that an appropriate balance is struck between system-level coordination and control and operating-unit flexibility. ■

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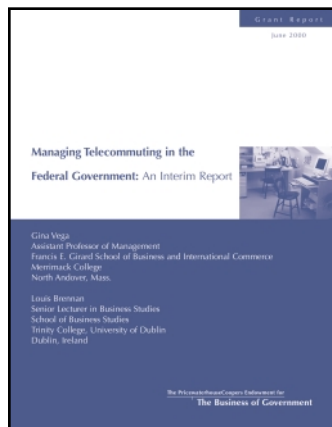
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Managing Telecommuting in the Federal Government: An Interim Report

By Gina Vega and Louis Brennan



Workplace trends are triggered by social movements and political ideology, as well as by technical advances or changes. One such trend that has been enthusiastically accepted by private industry and municipal organizations alike is the movement of workers out of the traditional office and into an alternate work setting in a process called teleworking, telecommuting, or distance working.

The increase in the use of advanced technology in today's workplace coincides with the rise of the two wage-earner family and the concomitant need for more flexible work styles and work hours. This report focuses on the practices and procedures of the federal government as they relate to the development and implementation of a teleworking community of federal employees. It seeks to:

- define telecommuting in the municipal context,
- examine policy differences and their impact on workers and management,
- look at the ways in which public sector managers monitor and measure the performance of teleworkers and the quality of their work,
- consider the impact of telework on the functioning of selected agencies,
- determine whether managers are taking advantage of the potential for synergy that teleworking may provide,
- identify a series of best practices, and
- provide recommendations for future consideration.

With the able assistance and cooperation of federal managers and employees, the authors have been able to render an interim assessment of the status of telework in the U.S. federal government today. It is expected that the data will likely be updated in the near future, as long-overdue federal employment surveys are made available. However, it is not anticipated that these data will create a new or unexpected picture that significantly changes the impressions presented here as of the latest head counts conducted in January 2000.

Teleworking encompasses a variety of government grade levels, job titles, functional areas, tasks, and occupations — most federal workers can qualify for at least episodic telework assignments. In a desire to create and maintain a “family-friendly workplace,” the federal government has encouraged and supported policies that provide for flexiplace work arrangements for nearly all federal workers. This policy had the additional goals of minimizing budgetary expenditures, improving customer service, reducing energy consumption and traffic congestion, and improving environmental conditions. These goals are addressed in the following report, along with issues of management and implementation.

Areas that have been identified as needing further consideration include the second-order consequences of isolation on individuals, communication impacts on relationships, and new ways for managers to perform their managerial responsibilities. These have been addressed in an embryonic manner in this paper.

An application of the government's five criteria for measurement of programmatic success has served as a guide in identifying a set of best practices in telework Phase One — the factors that need to be in place if superior performance is to be attained. Phase Two best practices, those related to the actual implementation of programs, have proven to be a more elusive target. Problems related to funding, training, and governmental managerial uncertainty have blocked some of the hoped-for best practices at this level.

However, the brief lifespan of the teleworking program, coupled with the lack of identification of appropriate benchmarks in the private sector, indicates that federal best practices can at least meet those being established in industry. Telework is likely to continue to create managerial challenges and, at the same time, improve service quality for the American citizen and quality of work life for the American federal worker. ■



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Her career spans both the business and academic worlds. Dr. Vega has specialized in issues of human relations, communication, and organizational design as a consultant and manager at the level of practitioner, as well as in her role as educator and writer. Her passion is the study of the impact of communication processes on relationships, and the development of theories to explain real-world behaviors.

Dr. Vega is a graduate of Queens College/CUNY (1968, BA in romance languages), (1987, MA in urban studies/community development), and the Union Institute Graduate School (1995, Ph.D. in organizational behavior/entrepreneurship).



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Dr. Brennan has taught at several institutions in both Europe and the United States and specializes in international management, industrial engineering, and technology management at the graduate and undergraduate level. He has also worked with corporate education programs, focusing primarily on the design of work systems and global logistics.

Dr. Brennan is a graduate of the National University of Ireland (Galway) (1978, BE in industrial engineering; 1980, master of engineering science in industrial engineering). He holds a Ph.D. in mechanical engineering/manufacturing from the University of Manchester Institute of Science and Technology, England (1983), and an MBA from Northeastern University, Boston (1995). Dr. Brennan is a registered member of the Ergonomics Society.

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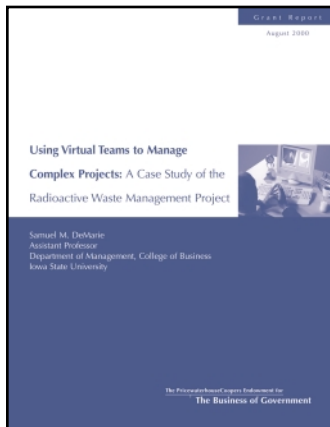
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Using Virtual Teams to Manage Complex Projects: A Case Study of the Radioactive Waste Management Project

By Samuel M. DeMarie



The purpose of this study was to investigate the challenges associated with managing virtual teams — teams with members who are not colocated — and suggest how and where they may be used in the future to improve organizational performance. It provides insights into the limits of new technology in terms of task environments and offers guidance to organizations considering similar initiatives.

Although this study only investigated practices at one unique organization, it did generate insights and recommendations that are likely to benefit a wide range of organizations, especially those struggling to integrate new technology into team-based environments. These insights and recommendations are summarized below:

- **Insight:** High-quality video interactions cannot completely replace the benefits of face-to-face meetings.
Recommendation: Virtual teams, whenever possible, should be launched with a significant face-to-face on-site meeting.
- **Insight:** Training for team members in both the use of new technology tools and the mechanics of effective teamwork can greatly improve team productivity.
Recommendation: Virtual team members should be required to complete formal training in the areas of team dynamics, interpersonal communications, and the effective use of technology tools.
- **Insight:** Virtual teamwork tends to increase members' workload more than anticipated.
Recommendation: Supervisors must closely monitor the number and intensity of employees' team assignments to avoid overload and eventual burnout.
- **Insight:** Gains to team productivity afforded by implementing new technology often are offset by time lost due to systems that prove to be incompatible or unreliable.
Recommendation: Keep systems as simple as possible. Make sure that your systems are adequate to your teams' requirements, but do not overload team members with bells and whistles that they are not likely to use.
- **Insight:** Competent, accessible, and timely technical support is critical to team success.
Recommendation: Do not underestimate the value, amount, and necessity of competent technical support personnel. Superior systems require top-notch technical support to turn potential gains into realized benefits. ■



About Samuel DeMarie

Samuel DeMarie is an Assistant Professor of Strategic Management in the Department of Management, College of Business, Iowa State University. Professor DeMarie earned his Ph.D. degree from Arizona State University, Tempe. He also earned an M.B.A. degree from the University of Nevada-Las Vegas and a B.S. degree in accountancy from Northern Arizona University, Flagstaff.

Professor DeMarie's current research focuses on the effects of new technologies on competition and the workplace, including the emerging phenomena of virtual organizations, virtual teamwork, and e-commerce. He also works in the area of large-scale organizational change initiatives, such as restructuring and downsizing.

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The Executive as Futurist

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The impact of technology is also a concern to many government executives, including Jacquelyn Williams-Bridgers, Inspector General of the Department of State. In working to address the technology needs of Department of State employees, Williams-Bridgers is also thinking about the impact of technology on improving services to the public. "I hope that the American public is able to receive the services that they need much more efficiently and much more responsively from the U.S. government in the future — the United States making better use of technology," states Williams-Bridgers. "The idea of one-stop shopping for government services is something that we need to aggressively pursue. I just don't think that there has been the centralized kind of effort in the U.S. government that we need quite yet."

There are also institutions in government that are charged with looking ahead into the future. One of those organizations is the General Accounting Office. In his role as chief operating officer, Gene Dodaro works closely with Comptroller General David Walker to address the future of the General Accounting Office, as well as the future of the federal government. Earlier this year, Dodaro and Walker testified before the Senate Committee on Governmental Affairs about the challenge of managing in the new millennium. Dodaro stated, "... we've got a window of opportunity here, it's an opportunity to look at the dynamics that are changing the shape of the federal government and the environment it operates in. Globalization, changing demographics, changing security threats, quality of life considerations, are all changing the federal government's expectations for government and requiring it to be more responsive, results oriented, bottom-line driven...."

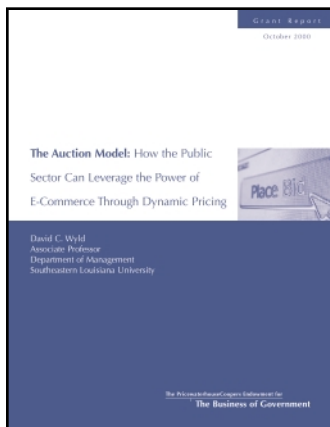
Dodaro argues that there is a unique opportunity right now for government to think hard about its future, especially given the anticipated budget surplus. "... there's an opportunity and obligation to look forward now, to scrutinize the federal government's basic programs....Times have changed, the environment has changed, and now is a good time to take a look at that," advocates Dodaro.

In light of the importance of anticipating the future and working on future challenges, it is interesting to review the current Executive Core Qualifications (ECQ) for the Senior Executive Service: leading change, leading people, results driven, business acumen, and building coalitions/communications. Perhaps during its next revision, OPM might consider adding ECQ 6: future driven. Elliott Jaques and the six executives profiled here would approve. ■

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The Auction Model: How the Public Sector Can Leverage the Power of E-Commerce Through Dynamic Pricing

By David C. Wyld



Way back in Internet time — 1995 — Bill Gates, the founder of Microsoft, envisioned the beginning of a new era of “friction-free” interactions in the marketplace. In his best-selling book *The Road Ahead*, Gates observed that the Internet has the potential to make the “invisible hand” of capitalism a virtual, operative one. The Internet would enable all buyers and sellers in

a market to know each other’s price positions, making possible “a new world of low-friction, low-overhead capitalism, in which market information will be plentiful and transaction costs low ... and society’s resources would be distributed more efficiently.”

Hal Varian commented: “One of mankind’s oldest inventions, the market, is being irrevocably transformed by one of its newest, the computer.” As von Hoffman observed, with the relatively limitless information available online, “the Internet may finally create a free and fair world market.” Queree sees that online auctions are fast becoming a “mainstream model” throughout the world of business. While auction sites have been derisively labeled as the ultimate way of “compulsively wasting time” on the Internet, eBay and Priceline.com were the first companies to show the power of how the Internet can be used to gather “bids” on products and services, bringing the concept down to the level of regular consumers. The early success of eBay and other online C2C (consumer-to-consumer) and B2C (business-to-consumer) online auction sites demonstrated prime evidence of the Internet’s role in economic evolution. This is the fact that “for the first time in history, these sites allowed buyers and sellers to convene without regard to geography.”

As Petersen observed, “What a bunch of Pez traders started at eBay is fast becoming the preferred medium of exchange in the Internet Economy.” Indeed, according to Professor Abra-

ham Seidmann of the William E. Simon Graduate School of Business at the Rochester Institute of Technology, the development of both C2C and B2C auctions have moved us much closer to Gates’ vision of a “frictionless market.”

According to Busch, while there has been much hype and development in C2C and B2C auctions, the so-called “killer application” for online auctions will be in the B2B (business-to-business) sector. Brakeman observed: “The true mind-boggling potential of online auctions lies in the business-to-business arena.” Katz and Rothfeder state that for buyers and sellers alike, online auctions, unlike those in the real world, pose no constraints in regards to the time and place of the exchange. Thus, combined with the fact that the Internet serves to “disintermediate” the middlemen who have typically linked buyers and sellers, both in the B2C and B2B realm, online auctions can serve to transform pricing from a static to a dynamic model. Now, as auctions move to the center of attention in the B2B realm, there is a new term for them — *dynamic pricing*, which is a “sophisticated term for environments where prices are not fixed.”

Much of the focus in the public sector to date has been on how to make government more accessible, more “user-friendly”— and thereby “friction-free” — for citizens. Much in the same way as has occurred in the private sector, the focus of policy-makers has been largely on citizen-consumers, enabling them to have easier, friction-free interactions with government. Today, at all levels of government, the Internet is making it possible for individuals to pay taxes and parking tickets online, even watch their legislatures and city councils at work. Indeed, as Rich Phillips, spokesperson for National Information Consortium (NIC), a firm that helps governments put transactions online — for a fee — observed: “E-government is going to be bigger than e-business.” At present, less than 1 percent of the over \$1 trillion in federal, state, and local government transactions take place online.

Colvin, speaking about the power of online B2B auctions, commented: “This is genuine revolution.” Now, with the focus shifting in the overall economy to the B2B model,

governmental leaders should also begin to shift their thinking to how to apply the “auction model” to the over half a trillion dollars in annual procurement activities performed by the public sector. There is an immense potential for cost savings, along with increased revenue streams, that can be achieved through better and more efficient acquisition, use, and disposition of governmental assets by using auction technologies.

This report will examine the roots of dynamic pricing — the auction model — and how it can be applied to the business of government. Three potential applications of the auction model at all levels of government will be considered in the following areas:

- procurement activities
- disposition of used/surplus/seized assets
- internal management

The report also looks at the specific challenges facing public sector managers and elected officials in implementing dynamic pricing concepts and leveraging the power of “friction-free” government. These include:

- the merging of e-business and “regular” business
- public attitudes
- culture changes
- legislative changes
- regulatory changes
- intra/intergovernmental cooperation
- technological changes

The report ends with a call to action for all in the public sector to closely examine how they can apply the auction model to their specific situations, with a look at the absolute necessity for doing so as “e-business” *becomes* business. ■



About David C. Wyld

David C. Wyld currently serves as an Associate Professor of Management at Southeastern Louisiana University in Hammond, Louisiana, where he teaches courses in business strategy and methods for dealing with contemporary workplace issues. He earned his doctorate in management from the University of Memphis in 1993.

Dr. Wyld has written over 60 journal articles on a wide variety of subjects dealing with contemporary management issues. These have appeared in many leading business, health care, and education journals, including: *American Business Review*, *Business and Public Affairs*, *The Cornell Hotel and Restaurant Administration Quarterly*, *The Entrepreneurial Executive*, *Futures Research Quarterly*, *The Health Care Supervisor*, *Hospital & Health Services Administration*, *International Journal of Management*, *International Journal of Value Based Management*, *Journal of Business Ethics*, *Journal of Business Research*, *Journal of Contemporary Business Issues*, *Journal of Services Marketing*, *Labor Law Journal*, *Management Research News*, *Managerial Law*, *Marketing Intelligence & Planning*, and *Public Personnel Management*.

He has also presented over 80 papers at professional conferences, garnering four best paper awards for these efforts. In the area of grant writing, Dr. Wyld has served as principal investigator on four grants, securing over \$300,000 in funding to upgrade both the classroom presentation technology and computer labs of the College of Business and Technology at Southeastern Louisiana University. In recognition of these accomplishments, Dr. Wyld was awarded the campus-wide “President’s Award for Excellence in Research” in 1998 at Southeastern Louisiana University.

In addition to his traditional teaching duties and research efforts, Dr. Wyld has served as a consultant to major corporations on a myriad of topics. He has participated extensively in delivering college classes to non-traditional students in divergent settings, teaching in executive MBA programs, and working with emerging online universities.

The President's Management Council

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It is unclear whether most appointees will be confirmed early in the administration. But management issues cannot wait. Thus, the OMB deputy director for management should be hired early in the process, and then should convene the group informally to begin working issues for a while until a quorum is present. Because of the importance of the relationships, the PMC should hold its annual retreat once there is a quorum and then plan on continuing annual retreats, as the PMC has done in the past.

2. Choose the OMB deputy director for management carefully but quickly. The statutory description of the DDM job pre-dated the creation of the PMC, which is one of several important interagency council levers a DDM has to be effective in the job. As the PMC chair, the DDM must bring impeccable management credentials to be credible and effective. Several of the PMC members interviewed felt strongly about this.

3. Be explicit about the COO job expectations during deputy secretary recruitment. Whenever possible, in addition to substantive expertise, the administration should seek deputy secretaries that are genuinely interested in management and possess management capability. Real management of large agencies is neither for the faint of heart nor glamour seekers, PMC members cautioned. Even at State, Defense, Treasury, and Justice, think seriously about bucking tradition and finding a deputy who will be COO — it's the most powerful place to oversee management improvement. If not the deputy, then the COO responsibilities should be given to at least an under secretary with authority for management across the agency.

The ideal COO would be a deputy secretary who has relevant management experience, policy expertise, and a close working relationship with the Secretary. The PMC is an empowerment tool for the COO and vice versa: a COO who can speak for and commit an entire department to act in concert with others across the government leverages the power of the PMC.

4. Adhere to the "principals only" attendance requirement, at least in the early months. Members stressed the importance of the PMC's personal relationships for doing business together. Surrogates, they fear, would dissipate one of the PMC's greatest values. To address the continuity issue created by such a rule, the PMC chair should continue a recent innovation, known as the "follow-up phone call," to keep absent members in the loop as to the flavor and content of the meetings. The administration might revisit the rule if the PMC is losing continuity.

The administration should demonstrate its interest and willingness to hold the PMC accountable by both recognizing success and demanding action. The PMC would benefit greatly through increased interactions with the President or Vice President, including their meeting with council members at least on a semi-annual basis.

5. Institutionalize the COOs and PMC by the President issuing an Executive Order. The creation of an Executive Order could be one of the early tasks to which an ad hoc PMC subcommittee might be assigned. The new administration should strive to book some early successes with the new PMC as part of a strategy to develop a statutory mandate for the COO and PMC concepts and their continuing role in management going forward.

Conclusion

The PMC is a powerful tool for an administration for better, not just good, government. It should be continued. Kevin Thurm, deputy secretary of the Department of Health and Human Services, said it best when he said: "The PMC addressed a need. It has filled a need, and if you take it away, then you'll just have that need again. It may be slightly differently shaped, and the pressure may come from different places, but at some point you'll have to create something that looks like the PMC." ■

Margaret L. Yao is an independent management consultant focusing on government performance improvement and organizational change. Her e-mail: MLYao@aol.com.

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