SPRING 2002

PROVIDING CUTTING-EDGE KNOWLEDGE TO GOVERNMENT LEADERS

The Business of Government


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[FROM THE EDITOR'S KEYBOARD]

By Ian Littman

This issue of *The Business of Government*—largely devoted to the subject of human capital—comes at a very opportune time. There continues to be a growing sentiment that the time is now ripe to re-examine our civil service system and to make major reforms in the system. In February, the Brookings Institution announced that it would convene a new National Commission on the Public Service, chaired by former Federal Reserve Board Chairman Paul A. Volcker. The report of the first Volcker Commission was issued in 1990 and contained a series of recommendations to improve and reform public service.

The creation of the Volcker Commission II is only the latest example of an increased interest on the important topic of human capital. Last year, the Partnership for Public Service was created to work toward revitalizing the public service by restoring both public confidence in government and the prestige of public service. Since its creation, the Endowment has worked closely with the Partnership, and our two organizations recently convened a two-day retreat on "Human Capital: Mapping a Research Agenda," the results of which are presented in this issue.

The Volcker Commission II and the Partnership for Public Service join the "old" kids on the block who continue to work diligently on human capital issues: The National Academy on Public Administration and its Center for Human Resources Management, the Council for Excellence in Government, the John F. Kennedy School at Harvard University, and the Brooking Institution's Presidential Appointee Initiative.

On the government side, the Bush administration has made the "Strategic Management of Human Capital" one of the five government-wide initiatives on the President's Management Agenda. Office of Personnel Management Director Kay Coles James, featured in this issue, is leading this initiative for the administration. In 2001, the General Accounting Office placed human capital on its list of "major management challenges and program risks" facing government. Since his appointment as comptroller general, David Walker has consistently emphasized the importance of human capital. On Capitol Hill, Senators Joe Lieberman, Fred Thompson, Richard Durbin, and George Voinovich are all now working on various aspects of the human capital issue.

The topic of recruiting and developing future government leaders is clearly on the reform agenda. But in the future, we need to think differently about this issue than we have in the past. Today's government executives are responsible for multi-million-dollar, and in many cases multi-billion-dollar, annual budgets for which they manage hundreds and even thousands of staff, procure the full range of goods and services, and regularly negotiate significant and complicated deals with their private sector counterparts.

Much of government today is no longer about making or interpreting public policy, but rather is about operating large enterprises within the context of existing public policy. I believe there is critical need for government to attract more graduates of business schools and individuals who have had "real life" experience in the private sector making business-based decisions. Many of today's government managers have not been trained or developed to run large-scale enterprises that are nimble and customer-oriented, and operate in a cost-effective manner. The American public today expects government to minimize waste and to be responsive to customers.

The government of the future is likely to reflect two distinct leadership groups. One group is likely to be composed of public policy/public administration trained individuals who are subject-matter experts. These individuals will continue to help guide their organizations in policy development and policy implementation. The second, perhaps larger, leadership group is likely to include individuals with strong business management backgrounds. This second group will be responsible for managing government's resources and operating large public enterprises.

In examining the future of government and civil service, we should acknowledge this forthcoming need for business talent and start developing new approaches that will attract those with business experience. We need to attract business-oriented individuals who might be interested in second careers in government. We also need to encourage exchange programs between the public and private sectors to foster cross-sector understanding and appreciation.

In developing the forthcoming agenda for civil service reform, we need to keep both groups of future government leaders in mind. We can no longer simply focus on attracting the public policy school graduate to government. We need to attract business leaders to government as well. Given recent events and increased interest in public service, the time might now be ripe to attract this new breed of government executive.

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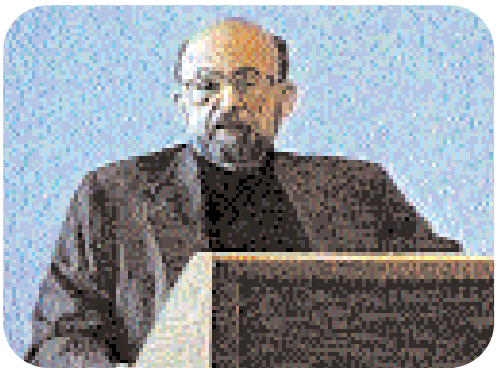
Reflections on September 11th and the Challenge of Homeland Security

(In January 2002, the Campbell Public Affairs Institute at the Maxwell School of Citizenship and Public Affairs, Syracuse University, hosted a Symposium on Governance and Public Security. The Symposium received support from The PricewaterhouseCoopers Endowment for The Business of Government and the Canadian Consulate General, Buffalo. The Symposium was webcast over the Internet. The photos below were taken from the webcast. Excerpts from Symposium papers are presented below.)



DEFENDING AGAINST THE APOCALYPSE: THE LIMITS OF HOMELAND SECURITY

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The September 11 attacks were not simply destructive of lives and buildings. They inflicted profound psychic damage—damage that must be understood if we are to grasp the connections between terrorism and governmental responses. The inner psychological trauma of 9/11 was initially linked to shocking images—planes crashing into buildings, occupants jumping to their deaths, and landmark structures collapsing as panicked crowds sought to outrun clouds of debris.

Much of this was seen in real time by immense television audiences. The consequence was to redefine the scope of the events. They instantly became national, indeed international, with vast numbers of vicarious victims. The effect of mass communications in this case, as in the assassination of John Kennedy nearly four decades earlier, was to transform spectators into survivors.

The imagery of 9/11 was not simply shocking or frightening. It was apocalyptic, for it seemed to manifest world-destroying power. The very name given to the World Trade Center site—"ground zero"—came from the lexicon of nuclear weapons, themselves associated with the capacity to destroy civilization. Such connections were quickly grasped by religious millennialists. John Hagee, a San Antonio evangelist, watched the television coverage and, as he put it, "recognized that the Third World War had begun and that it would escalate from this day until the Battle of Armageddon."

If the 9/11 attacks were characterized by the vividness of the imagery, the anthrax outbreak was precisely the opposite. While some envelopes clearly contained powdered anthrax spores, a number of cases occurred without any visually identifiable disease agent. It scarcely mattered that there were only 23 cases, resulting in five deaths, or that no evidence existed linking the anthrax perpetrators with Al Qaeda. In the popular mind, the anthrax outbreak became an extension of the September 11 "story." Now evil too painful to watch was followed by evil that could not be seen. The dramatically visible was followed by the dramatically invisible, the more unnerving for its very invisibility.

What, then, are the implications for what we now term "homeland security?" In the first place, the events have … played themselves out on two levels: one has been the level of physical destruction that might be quantified in terms of deaths and injuries, persons infected, jobs lost, buildings destroyed. The other has been the level of perception, played out in the minds of millions of Americans. And, as Jessica Stern noted well before these events, one of the dilemmas of

government is whether policy decisions should be based on the one or the other: "In other words," she asks, "should dangers that evoke disproportionate fears receive disproportionate resources?" And what, indeed, does "disproportionate" itself mean in a political system that is supposed to be responsive to the expressed desires of the electorate and where few standards exist for establishing proportionality?

... It is not even clear where the dangers lie. Thomas Friedman said of the 9/11 attacks that they were not so much failures of intelligence as they were failures of imagination. Few had previously considered the use of fully fueled civilian airliners as missiles. Where warfare could once be analyzed in terms of relatively fixed categories of weapons and tactics, we now face a world filled with dangers that we may not be able to conceive. In such a world where "all things are possible," the capacity to adjust to new possibilities necessarily falls behind. It is difficult to create contingency plans for inconceivable contingencies.

At the same time, the pressure on authorities to "do something" cannot be resisted. Thus there has been anti-terrorism legislation on an almost yearly basis. There is little evidence that these measures significantly reduced the danger, but they did serve as exercises in symbolic politics, to soothe an anxious public.

Such efforts began again shortly after September 11 with the creation of an Office of Homeland Security. These efforts are ongoing, and while their full development has not yet taken place, the possibilities are already evident.

From the president's initial comments, it became commonplace to refer to the attacks as "acts of war." The conflict in Afghanistan reinforced this tendency. However, classifying the attacks and the response in terms of armed conflict significantly oversimplifies both public and official reactions. While the analogy to war surely captures much of contemporary perceptions, it also misses a significant element—namely, the extent to which these events have also simultaneously taken on the attributes of "disasters," with consequences similar to those of more conventional fires, plane crashes, and natural calamities. These attributes have colored our perceptions of terrorism as well as actual and proposed governmental responses to it. We have come to view the events of September 11 and the ensuing anthrax outbreak as both "acts of war" and "disasters." Indeed … it is precisely the mingling of the two categories that makes "homeland security" so problematic….

In the end, "disaster" is better understood as a mental construct that people place on experience. What matter most may be the prevailing sense of vulnerability, the adequacy of available explanations of misfortune, and a society's representations of death and destruction. Depending upon these factors, some collective-stress events are perceived as "disasters," while others may be borne with a stoic sense of the vicissitudes of life. Events as dissimilar as the World Trade Center attack and the anthrax outbreak may be similarly categorized despite enormous differences in the scope of damage.

… Insofar as recent terrorism is concerned, we are therefore in the process of blurring the line between "attack" and "disaster," with profound policy implications. To the extent that we understood September 11 as an "attack," it was an "act of war" that implied a military response. That response began in Afghanistan on October 7th.… To the extent that we understood September 11 as a "disaster," that implied a civilian emergency response. As in disasters generally, the "first responders" to the World Trade Center were civilian police, firemen, and rescue workers. They took casualties far heavier than those so far borne by U.S. military personnel in Afghanistan.

One can, of course, argue that the dual military and civilian responses were dictated by characteristics of the situation. The political agenda of the hijackers, and Al Qaeda's pres-

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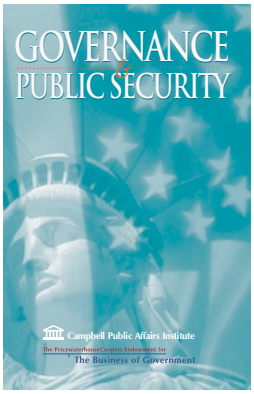

The full papers from the Symposium are available by visiting the Campbell Public Affairs Institute Symposium website: security.campbellinstitute.org

A book version of the Symposium is available on the website in .pdf format. A print version of the Symposium book is also available from the Campbell Institute and can be obtained by visiting the website, e-mailing the Institute at info@campbellinstitute.org, or calling the Institute at (315) 443-9707.

ence in Afghanistan, mandated a projection of American military power; while the immediate needs at the World Trade Center and the Pentagon automatically activated the appropriate civilian agencies.

… The idea of an open-ended "war on terrorism" links the old conception of war-as-armed-conflict with more recent metaphorical usages, such as the "war on poverty" and the "war on drugs." Unlike the latter, however, the present struggle can potentially result in a permanent condition of domestic vigilance institutionalized in law and practice.

Such an outcome is made more likely by the contemporary overlapping of "war" and "disaster." It implies that all forms of emergency response must be linked, whether civilian or military, national or local. This potential breaching of boundaries between types of response mirrors the breaching of conventional boundaries among types of threats. Thus, there are no longer clear distinctions between war and peace, war and crime, and war and disaster. Rather, myriad forms of "low-intensity" conflict inhabit a transitional zone of ambiguous events.

The temptation to follow these changes with parallel alterations in governance is considerable, yet in my view need to be resisted. In the first place, they threaten to radically destabilize the federal system by shifting law enforcement responsibilities, traditionally state functions, toward the national government….

Second, by combining disaster-response with an open-ended war on terrorism, advocates of proposals such as those of Hart-Rudman in effect routinize emergency. The notion of routinized emergency may seem oxymoronic until we remember that, like "disaster," "emergency" is a construction placed on the world rather than an objective condition.

… The danger posed by such a governmental reorientation is greatly lessened when the emergency is brief, and where an idiom like "the duration" remains meaningful. However, clear boundaries are precisely what modern terrorism lacks. It cannot be definitively tied to a territorial base. Rooting Al Qaeda out of Afghanistan does not prevent its re-emergence elsewhere. These are, to some extent, "acephalous" organizations, unlikely to have a single "head" whose removal will immobilize the constituent cells. Because such organizations operate in secrecy, it is difficult to be sure of their size, resources, or intentions. As a result, the capabilities of terrorist groups are far more likely to be over-estimated than under-estimated.

Despite the wish to take account of worst-case scenarios, there are substantial reasons to avoid responding by institutionalizing major changes in governance.

First, we have been without a clear enemy for 10 years, ever since the Soviet Union collapsed. While that was the cause for rejoicing, it also deprived the West of a moral vision of a struggle between good and evil that had persisted since the late 1940s. For more than 40 years, our sense of national identity was closely linked to the presence and hostility of the Soviet Union. Once the threat was removed, the world and our place in it became at once confusing and blurred. Osama bin Laden has restored the sense of foreign policy as a struggle between the forces of light and the forces of darkness, but the fact that such simplicity is psychologically comforting does not mean that it should be the basis for far-reaching structural changes.

Second, there is as yet no evidence that any proposed homeland security measures will in fact produce greater security, although they may well create the perception of greater security in the same manner as the troops at airport security checkpoints. The fact that we may feel more secure must be distinguished from any actual reduction in terrorist incidents.

Third, many of the recent and proposed changes have been most strongly driven by fear of weapons of mass destruction. Bin Laden and his circle have clearly been interested in such weapons (as, by the way, have some domestic extremists). It hardly needs emphasizing that we must prevent if at all possible their acquisition of nuclear, radiological, biological, or chemical weapons. Fortunately, however, these weapons tend to be extremely difficult to obtain, maintain, and utilize. Against this one must weigh the fact that even very modest casualties, such as those produced by the anthrax mailings, can provoke high levels of fear.

If I end on a note of uncertainty, it is because so much remains uncertain. Since that is the case, the one conclusion that seems inescapable is this: the temptation to launch broad, systemic changes should be resisted, both because they may not do good and because they may do harm. Instead, a more prudent path is that of incremental experimentation, where outcomes can be monitored, approaches modified, and initiatives developed. While this may lack the immediate political appeal of the "grand gesture," it suggests a strategy more conducive to long-term safety.

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MISSION IMPOSSIBLE? THE WHITE HOUSE OFFICE OF HOMELAND SECURITY

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This paper explores the history, authorities, structure, and potential limitations of the Office of Homeland Security, established by the president following the attacks of September 11, 2001. It questions whether the authority of that office is sufficient to effect the necessary discipline into the federal bureaucracy and provide the mechanism for close working relationships with states and localities for a national approach to combating terrorism.

HISTORICAL CONTEXT

The Clinton administration had attempted, through executive action, to establish a process for implementing executive branch programs for combating terrorism. The executive orders vested in the attorney general the responsibility for "crisis management" and for "consequence management" in the director of the Federal Emergency Management Agency (FEMA), and created an interagency coordinating mechanism led by designated individuals on the National Security Council staff. The results were the establishment of numerous coordinating committees and subcommittees and a series of seemingly endless meetings—all of which did little more than try to execute existing programs and practically nothing to formulate strategy, policy, or budget priorities for developing and executing a national approach for combating terrorism more effectively….

Over the course of last summer, Vice President Cheney and his staff undertook a review of the reports of various commissions and other entities that had specifically addressed the related policy and structure issues, as well as pending legislation in the Congress, with a view toward making recommendations for improvements to the president in the fall…. September 11 upset the timetable of the vice president's deliberative process and the plans for FEMA to have a larger role. In his address to the Congress and the nation on September 20, President Bush announced his selection of then-governor of Pennsylvania Tom Ridge—a close political confidant and supporter—to head the administration's "homeland security" efforts. By executive order of October 8, the president established, within the Executive Office of the President, the Office of Homeland Security, with Ridge at its helm.

THE DEFINITIONAL ISSUE

The phrase "homeland security" suffers from the same defect as many other terms in the field of terrorism—"crisis management," "consequence management," and "weapons of mass destruction." None is clearly defined, and there are conflicting definitions of such terms. (There is, in fact, no universally accepted definition of terrorism itself, not even a standard one for the federal government.) Is defense of the United States from ballistic missile attack part of "homeland security"? Is stopping illegal drugs from entering our country an element of "homeland security"? In each case, it could logically be so argued. It is unfortunate that the executive order establishing the Office of Homeland Security does not explicitly define the term.

THE AUTHORITY ISSUES

The mission of the Office of Homeland Security is relatively straightforward. It is:

> [T]o develop and coordinate the implementation of a comprehensive national strategy to secure the United States from terrorist threats or attacks ... [and to] perform the functions necessary to carry out this mission.

The executive order generally describes the functions of the office to be "to coordinate the executive branch's efforts to detect, prepare for, prevent, protect against, respond to, and recover from terrorist attacks within the United States."

One specific area where the office may lack the necessary "teeth" is in the budget arena. The executive order does not give the director any budget control mechanisms. It only provides a process for the office to "review and provide advice to the heads of departments and agencies" on their respective programs and to "provide advice to the director [of the Office of Management and Budget] on the level and use of funding in departments and agencies" and whether funding levels are "necessary and appropriate" for homeland security-related activities. Absent the specific authority to implement some specific budget controls—direct budget decertification, funds

sequester, directed reprogramming—it is doubtful that the office can have any significant long-term influence on federal program priorities.

Compare the budget authority of this office to the Office of National Drug Control Policy (ONDCP). Scholars, policymakers, the media, and rank-and-file citizens can disagree about the effectiveness of ONDCP in reducing the trafficking and use of illegal drugs. What cannot be fairly argued is whether ONDCP has strong budget authority to help further its mandate. That authority is statutory and provides for the decertification of budget of non-complying departments and agencies. The existence of that authority and the prospect of its use have essentially been sufficient to create the necessary atmosphere for compromise between the various agencies and ONDCP. The "proof" for that proposition: the decertification authority has only been used fully one time, and while ONDCP did not get everything it was seeking, it got most of it.

Members of Congress and others have suggested that the Office of Homeland Security should have a statutory basis for its authorities, including certain budget controls, in the same way, perhaps in different detail, that exists for ONDCP, and that its head should be subject to Senate confirmation. So far, there appears to be a willingness among members not to push the issue until they see how the office will work under the authority of the executive order.

AN EXAMPLE: THE BORDER CONTROL ISSUE

What does the lack of budgetary authority mean in practical terms? Consider the issue of improving enforcement of the various laws and regulations at our borders.

The Hart-Rudman Commission was on the right track when it recommended in its phase three report the formation of a new entity, a significant responsibility of which would be to enhance border enforcement operationally. The proposed entity was to be a merger of FEMA, the U.S. Customs Service, the U.S. Coast Guard, and the U.S. Border Patrol, a subordinate element of the Immigration and Naturalization Service (INS), as well as some offices within other agencies. That proposal had, however, several notable shortcomings. First, it overlooked the fact that most immigration enforcement is conducted by INS inspectors—not by the Border Patrol, whose mission only involves the area between the fixed ports of entry into the United States. The September 11 terrorists all entered the United States through fixed ports. Hart-Rudman also did not include in their proposed new entity other agencies with significant "border" responsibilities, including the U.S. Secret Service and other Department of Treasury enforcement authorities (for the international flow of illegal financial resources), the Department of Agriculture (for the illegal importation of agricultural commodities), or the Department of Health and Human Services (for international disease prevention and control). Perhaps most important, many of the agencies mentioned (especially the two entire agencies tagged by Hart-Rudman to move from their existing agencies—Customs and the Coast Guard) have significant responsibilities beyond looking for terrorists. Customs has significant revenue collection responsibilities for imported goods—the primary reason for its existence. The Coast Guard has responsibility for marine safety and for marine search and rescue—two very significant missions.

Moreover, the intent of Hart-Rudman—"operationalizing" border enforcement more effectively—can be implemented without the Draconian approach of that proposal; and the Office of Homeland Security should have the authority to direct it and to ensure that appropriate resources are available for its implementation. The proposition is simple: create operational joint tasks forces with elements of those agencies with border responsibilities on an as-needed basis. Bring together those field-operating elements of border agencies—where needed, in the right structure for the specific mission, for the required duration—to accomplish identified tasks. There is not merely historical precedent for such entities; history has shown that, when field-operating personnel from various agencies are required to operate collectively, they usually find effective solutions to the problem at hand.

Clearly, Tom Ridge could seek a presidential decision to implement such an operational activity, but why should he need to do that? If the president needs to give his approval to every such undertaking, why not simply have a staff develop proposals for his consideration? It would not take someone of Tom Ridge's stature to do that.

CONCLUSION

It is obviously too soon to judge the effectiveness of the new Office of Homeland Security within the parameters of its existing authority. As long as the head of that office enjoys the full confidence and the backing of the president—and at any point in time everyone understands that—it may work very well. If the people or the relationships should change, then the results could be different. The activities of that office over time will likely indicate if additional authority is warranted. Congress is likely to watch the process very carefully and will, no doubt, step in at some point if members are not satisfied with the new structure and process.

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TRANSFORMING BORDER MANAGEMENT IN THE POST-SEPTEMBER 11 WORLD

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A funny thing happened on the way towards globalization in the 1990s—as nations increasingly opened their borders to facilitate trade and travel, no one paid much attention to security.… The tragic events of September 11 and our response to them have brought into stark relief one of the central paradoxes of the modern age. On the one hand, nations must remain open to the movement of people, goods, and ideas if they are to prosper. At the same time, openness without credible controls makes possible the rapid spread of a whole range of transnational threats including biohazards, contagious diseases, crime, and terrorism. As these problems proliferate, they create greater pressures on the state to play a more aggressive role in filtering the bad from the good.

… while the economic integrative imperative of globalization calls for borders to become increasingly porous, policymakers anxious about reining in globalization's dark side look to the border to fend off contraband, criminals, illegal migrants, and terrorists. The clash associated with this border dialectic—as a line that links versus one that separates—in our post-September world promises increasingly to be a messy one. But it also could and should be avoided. Developing the means to manage terrorist threats and other transnational muck that is contaminating the integrative process within the global community is essential, but we need to liberate ourselves from the notion that the border is the best place for accomplishing this. Indeed, an overreliance on the border to regulate and police the flow of goods and people can contribute to the problem.

… we face something of a border control paradox: rising crime and security risks lead policymakers to hardened borders, but the chaotic environment associated with hardened borders can be a boon for criminals and terrorists. Is there any way around this conundrum? There is, if we are willing to look beyond the border as the locus for securing public safety and security.

A stepping-off point is to rein in the homeland security rhetoric that proclaims the need to do more to "protect" the nation's borders—nobody in Canada or Mexico is trying to steal them! America's vital interests are not tied to defending a line in the sand to the south or among the trees to the north, but to advancing greater regional and global market integration while managing important safety, security, and other public policy interests. This balancing act can be accomplished by: (1) developing the means to validate in advance the overwhelming majority of the people and goods that cross the border as law-abiding and low-risk; and (2) enhancing the means for agents to target and intercept inbound high-risk people and goods away from the border. Accomplishing the first is key to succeeding at the second, since there will always be limits on the time and resources available for agents to conduct investigations and inspections. The goal must be to limit the size of the haystack in which there are most likely to be illicit and dangerous needles.

Verifying legitimate cross-border flows as truly legitimate is not as fearsome a task as it might first appear. The aggregate numbers suggest that border control agents are facing impossible odds. Legal entry into the United States is authorized at 3,700 terminals in 301 ports of entry. In 2000 alone, approximately 489 million people, 128 million passenger vehicles, 11 million maritime containers, 11.5 million trucks, 2.2 million railroad cars, 964,000 planes, and 211,000 vessels passed through U.S. border inspection systems. And the majority of this traffic was concentrated in just a handful of ports and border crossings. One third of all the trucks that enter the United States annually, for example, traverse just four international bridges between the province of Ontario and the states of Michigan and New York. In fact, more trade flowed on the back of trucks crossing just one bridge between Windsor, Ontario, and Detroit, Michigan, than the United States conducts with all of China….

Since the overwhelming majority of people, conveyances, and cargo are both legitimate and familiar, the border management function would be well served by developing the means to reliably validate its legal identity and purpose. In so doing, two things can be accomplished. First, it will be easier to identify with confidence travelers or goods that are, in fact, low-risk. Second, when regulatory and enforcement agents have intelligence that a person or good may be compromised, they can target their detection and interception efforts with greater precision.

To confirm the legal identity and purpose of international travelers, off-the-shelf technologies could be readily embraced to move away from easily forgeable paper-based documents such as traditional visas or passports. Governments could embrace universal biometric travel identification cards that would contain electronically scanned fingerprints or retina or iris information….

Confirming in advance that the contents of a freight container are what they are advertised to be is a daunting task, but it is a doable one. Worldwide, several million companies are in the business of moving goods and loading more than 50 million containers, sealing them with a numbered plastic seal, and sending them around the planet. At present, there are no standards governing who and what loads these containers, so every one is essentially a mystery box until it is opened and its contents inspected.… The international community should establish standards that mandate that containers be loaded in an approved, security-sanitized facility.

… market pressures are mounting for participants in the transportation and logistics industries to embrace standards and adopt processes that can make many border-control activities redundant or irrelevant.… The U.S. government could provide further incentives for these kinds of investments by making new investments in transportation infrastructure at and near the border with intelligent transportation system (ITS) technologies built into that infrastructure….

An additional incentive could come by moving many of the border entry inspection processes away from the physical border itself and instead consolidate them into a single trilateral "NAFTA inspection facility" and locate it on a dedicated traffic lane that leads to the border.… But simply relocating where inspections take place is not enough. Border control agencies need to fundamentally change the way they are doing business as well. The days of random, tedious, paper-bound, labor-intensive border inspection systems—the bane of every legitimate international traveler and business—should be numbered. The manpower constraints inherent in traditional border-control practices guarantee their continuing inability to adequately police the surge in NAFTA commerce. What is the alternative? The answer lies in a relatively new concept being developed by cyber-security experts, known as "anomaly detection."

… the overwhelming majority of the vehicles, people, and cargo that move through international transportation networks move in predictable patterns. If we have the means to analyze and keep track of these flows, we will have the means to detect "aberrant" behavior such as high-valued goods being shipped on slow conveyances via circuitous routes. In short, "anomaly detection" of cross-border flows is possible if the regulatory and enforcement agencies whose daily tasks are to police those flows: (1) are given access to intelligence about real or suspected threats, and (2) are provided the means to gather, share, and mine private-sector data that provides a comprehensive picture of "normal" cross-border traffic so as to enhance their odds of detecting threats when they materialize….

… there remain important bureaucratic impediments among U.S. border control agencies in achieving them.... While the stakes associated with getting border management right are enormous, there is no one ultimately in charge of accomplishing it. Responsibility for inspecting cargo is split among the U.S. Customs Service that is a part of the Department of Treasury; the Food and Drug Administration (FDA) and agricultural inspectors that belong to the Department of Agriculture; and, for hazardous materials, the Environmental Protection Agency (EPA), which is an independent agency. Responsibility for inspecting people at the ports of entry is the task of the Immigration and Naturalization Service (INS), which is an agency within the Department of Justice. The U.S. Coast Guard is responsible for inspecting ships and securing ports. Its commandant reports to the Secretary of Transportation.

The front-line inspectors for all these border control agencies desperately need communication and decision-support tools to carry out their jobs. The data-management systems that support their work are old and frail computer mainframes…. Inspectors and investigators assigned to border control agencies will continue to play a critical role in the timely detection and interception of anomalies. To be effective, however, a serious effort must be made to improve their pay, staffing numbers, and training, and to push them beyond the border itself into common bilateral or multilateral international inspection zones….

Fundamentally transforming border management will certainly be costly in terms of resources, bureaucratic angst, and political capital. But, the costs of not making changes are greater. In light of the events of September 11, it would be irresponsible for the U.S. government not to attend to the vulnerabilities associated with trade and travel networks so open that they practically invite terrorists to do their worst….

… Focusing on point of origin security measures, and embracing the use of new technologies all support the homeland security mission by enhancing the ability of front-line agencies to detect and intercept global terrorist activity before it can arrive on U.S. soil. This approach also precludes the need to impose Draconian measures in response to the terrorist

threat along our national borders and within our airports and seaports that has the effect of imposing a self-embargo on the American economy. It will require providing meaningful incentives to companies and travelers to win over their support. It mandates a serious infusion of resources to train and equip front-line border control agencies to operate and collaborate in this more complex trade and security environment. And it involves mobilizing U.S. allies and trade partners to harmonize these processes throughout the global transportation networks.

… Ultimately getting border management right must not be about fortifying our nation at the water's and land's edge to fend off terrorists. Instead, its aim must be to identify and take the necessary steps to preserve the flow of trade and travel that allows the United States to remain the open, prosperous, free, and globally engaged society that rightly inspires so many in this shrinking and dangerous world.

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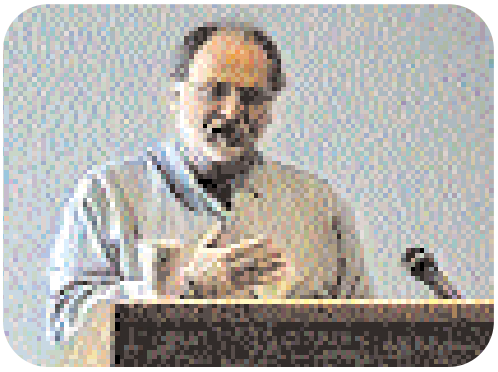

INTERDEPENDENCE, GLOBALIZATION, AND NORTH AMERICAN BORDERS

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…The Canada/U.S. border today is a jumble of contradictions. The publics in our two societies retain apparently conflicting sentiments about it. They expect it to pose no impediment to their movements, but they also treat it as an essential attribute of sovereignty, necessary for the protection of national security and the integrity of national institutions….

Governments had, until recently, largely neglected border reform as a strategic priority. They did so, it should be said in their defense, in a spirit of realism as well as expediency. They had a clear sense of the limits on what even a well-tended border could do, given geography. More important, they were acutely aware of the difficulties implicit in trying for real change, given contradictory public expectations and bureaucratic inertia. Nonetheless it was clear to both governments, even before September 11, that the persisting mismatch in the purposes and capacities at the border was becoming expensive and risky. They were moving, carefully, to fix it. What were the risks that governments saw?

… Whatever the differences in the intensity of interdependence, the fact that the border was not keeping up with growth in traffic has been a growing source of concern in both countries, the more so since impairment of its capacity is at least partly self inflicted. The bulk of Canada/U.S. traffic moves by road, and crosses at seven points. Most of the goods crossing the border do so free of duties or quantitative restrictions, subject to health and safety regulations that are as effective on one side of the border as on the other. Yet all these shipments are subject to the same levels of verification. Effective risk management requires a different approach....

More dramatic improvement is possible on both fronts. What it requires is sustained political attention even once the immediate anxieties raised by September 11 have passed. This will be the more important because meaningful change will also need to involve a reassessment of what responsibilities the border now fulfills, and of the differences in social and economic policy that it is meant to safeguard. But making the border more efficient will address only part of the problem. Traditional borders are less and less capable of providing security from global threats.

COPING WITH EXTERNAL THREATS

Information Technology Circumvents Borders

Borders exist to control the movement of people and of physical goods. They continue to perform that role, but now advances in information technology make it possible for significant flows to circumvent the physical border altogether. Flows of benign information—news, culture, capital, scientific data, non-governmental networking—as well as virulent information—illicit funds, propaganda, terrorist networking—cross borders in virtual form. The view that physical borders can impede these growing flows is manifestly outdated.

Physical Borders, Alone, Are Powerless to Control Virulent Physical Flows in a Globalized World

… Similarly, new approaches, which place less stress on the physical border between Canada and the United States, are

also demanded by global traffic in arms, drugs, people, capital, and hazardous goods. These flows are the domain of sophisticated criminal organizations operating on a global basis; they are aimed at both the United States and Canada (among other societies whose openness and affluence provide markets). The border that separates our own two polities can only serve as an incidental line of defense against these offshore flows….

Adding National Security to the Mix of Objectives to Be Served on the Inner Border

Pressures for border reform were already in conflict before September 11. The first, to protect our joint economic security by ensuring that the border was as seamless as possible and offered the least possible impediment to the growing flows that were both the foundation of North American prosperity and critical to our identity as open societies. The second, to protect "human security" by ensuring the best possible controls to impede "vicious" flows of drugs, trafficked people, arms, hazardous goods, hate propaganda, the circulation of laundered money within North America.

"WE MUST REINVENT OUR BORDERS, BOTH THOSE THAT LIE BETWEEN US AND THOSE THAT WE PRESENT TO THE WORLD, AND MAKE THEM PART OF A BROADER FRAMEWORK OF SECURITY AND COOPERATION IN THE WORLD."

Changes on the Border since September 11

Government actions that followed the first frenetic days have been measured and constructive. Cooperation among agencies, already closer since December 1999, was intensified and, by all accounts, works well. The Bush administration sent signals of determination by expanding security spending and powers as well as measures like the temporary deployment of the National Guard to provide backup at border crossings. The Canadian government took unprecedented steps to limit abuse of its refugee and immigration systems. It strengthened anti-terrorism legislation in ways that would have been politically unacceptable before September 11. It bolstered investment in security dramatically, including (but not only at the border), in part, to ensure that Canada's determination to prevent terrorists from ever reaching the U.S. border was beyond reproach.

Despite these improvements, fundamental change in mandate is still required. The border is still a dividing line between two compatible societies. It is still a hazard to the flows between two interdependent economies; it is still landlocked, irremediably permeable by dint of geography, and still anachronistic as a principal line defense against global threats. Many improvements are possible and in the works, both relating to improved infrastructure and better use of technology.

… But even with dramatic improvements in effectiveness and efficiency, the inner border, by itself, can do no more than provide modest protection for our security. The best way to ensure that it provides value, paradoxically, is to downgrade it. It should become one element in a broader arsenal to ensure continental security.

RECOMMENDATIONS

The leaders of our two countries (and Mexico when it is ready) should commit now… to a new security partnership. … (W)e are in a war now against shadowy enemies who rely on access to our territory for profit or victory. To respond, we should advance our existing cooperation to the development of an "Area of Mutual Confidence." Under such an umbrella, each country would act within its own territory to defend not only itself, but, by extension, also its neighbor. The sovereign actions of one partner would be recognized and reciprocated by the other. Authorities of both would cooperate intensively in our shared space and offshore.

Such a partnership would not imply eliminating our "inner" border, but would allow it to perform functions that it can reasonably be expected to fulfill in a way that respects the basic balance among economic, human, and state security imperatives. It could still continue to protect such areas of difference in our policies and in our constitutional space that we each consider important to our sovereignty.

Agreement on such an approach between two (and potentially three) partners of greatly disproportionate size and power will be, to say the least, a challenge. It would only be possible if it were conceived in a spirit of respect for and in support of our sovereignties. Its purposes would have to be clear and receive the support of our societies. It would have to be based on the partners' acceptance of agreed obligations. It would, nonetheless, be a historic achievement, inconceivable (though already necessary) before September 11. It is perhaps possible, today. What would be needed to make an "area of mutual confidence" reality?

THE FOUR RINGS OF NORTH AMERICAN SECURITY

The way to security in a globalized environment lies in building multiple borders that address the multiplicity of challenges it poses. One way to see these multiple borders is to view them as concentric rings of action.

- **Ring One:** Both our countries provide security within their territory and at external borders. This effort is already being intensified. This "domestic" action already provides the first guarantee of our societies' security. It could be made a component of a broader strategy if the two countries formally recognized each other's efforts and built on them cooperatively. Such an inner ring of security, within our sovereignties, could operate in a spirit consistent with national values and constitutional imperatives. It would do so at a level of intensity that met an agreed set of objectives. There is, in this sense, no contradiction between harmonizing our goals and mutually recognizing the validity of each other's efforts.

- **Ring Two:** The second ring should be our borders, reformed. The paper has … pointed to the need for a more complex and strategic approach to borders, inside and outside North America and in virtual space. We now have no institution to lead in formulating such a joint strategy. We must invent one. The importance of the undertaking demands it; the urgency of the moment may, uniquely, permit it. One approach would be to assign leadership to a senior-level, summit-mandated, bi-national body, a "Joint Border Commission."

- **Ring Three:** The third would lie offshore. The notion that a line around the continent would, of itself, defend North America is fanciful. This is a world where threats come from networks without geography. Offshore cooperation then would need to take the form of networks to monitor and anticipate threatening flows. There is already considerable, if greatly uneven, information sharing among authorities worldwide. Canada and the United States should initiate an institutionalized, extended, and intensified approach to networking. The effort needs the involvement of all societies concerned about global threats from terrorism and the traffic in drugs, people, hazardous waste, and illegal and corrupting capital. That means pretty much the whole world, and cooperation on that scale could best be built on multilateral principles and structures. Our partnership with Mexico (through the Puebla process) and with Europe would appear to be among the first upon which to build toward this goal. This international security cooperation would then be the third ring of our security.

- **Ring Four:** The fourth ring is to increase "human security" outside our area. Terrorism is a monstrous perversion in the conduct of human affairs. It is perpetrated by individuals who have to hide in, and draw sustenance from, a broader environment of resentment created by want, insecurity, ignorance, and intolerance. There is, more broadly, ample misery distributed through the world to foment threats other than terrorism to our security: Drug cultivation provides what is often the only alternative to absolute poverty. The illegal migrations that so concern our societies are the tip of an iceberg. Over 150 million people are on the move involuntarily around the world. No amount of border restrictions will stem such a tide, caused as it is by material misery, lack of basic rights, and paralyzing personal insecurity. The disregard of human, civil, and property rights; corruption in the practice of democracy; ineffective legal and public security systems; pandemics that decimate populations; environmental degradation; and lack of economic and educational opportunity are all real threats, direct and indirect, to our security in a globalized world. Given this reality, the last ring of security has to be a renewed commitment to action for positive change in the broader world. This is not a new imperative. What it needs is not to be forgotten as we focus in on the threats we see as imminent. It needs more than that; it needs our leadership, commitment, resources, and institutions to implement it.

CONCLUSION

The idea of "borders" we now have is obsolete. Our shared border, in particular, is a weak instrument for the protection of our societies. The best way to address the real threats that we share is to address them on their own terms, through a mix of domestic action, continental partnership, and global cooperation. On the short term, in order to ensure that our shared border is efficient enough not to affect our economic security adversely and acts as a meaningful filter for threats against our societies, we must invest in and reform it. For the longer term, we must reinvent our borders, both those that lie between us and those that we present to the world, and make them part of a broader framework of security and cooperation in the world. That broader framework will require a vigorous commitment to multilateral cooperation to address both direct and the less direct threats to our security.

The issues raised here are public policy challenges whose successful management would need sustained commitment. Our political leaders need to consider how to engage with stakeholders and publics to secure it.

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KNOWLEDGE RELATED TO A PURPOSE: DATA-MINING TO DETECT TERRORISM

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September 11 created uncertainty in America—uncertainty about the government's ability to protect its citizens from those who would do us harm. Accordingly, the American public is questioning as never before the government's ability to counter these terrorists' acts….

Countering terrorism first requires detection—detection of either the person's intent to execute a terrorist act or the means by which that person intends to deliver the terrorist act—i.e. a bomb, a biological weapon, a hijacked airplane. The foundation of detection is intelligence. There is mounting frustration that while spending billions on intelligence, we can still fail. The business of intelligence is not simply data or information; it is a process where data is transformed into knowledge related to a purpose (stop terrorists, prevent fraud, change leadership, etc.). If data is not transformed into substantive information and is not accessible to those charged with the mission, appropriate action cannot be taken.
To do a better job of detection, the government must consolidate and manage all available data of various forms—imagery, human intelligence, communication, intelligence summaries, for example—in a way that makes all known information about an individual or group who proposes to do harm available for decision-making. This consolidation can be accomplished using modern technology in a data-mining/data-warehousing environment….

FRAGMENTED INTELLIGENCE

The events of September 11 indicate that while the United States may have had the necessary intelligence in aggregate, current fragmentation of that intelligence across government entities does not provide anyone with the total perspective.

News reports continue to gain momentum that the "government" was informed on numerous occasions that a terrorist attack was imminent. Yet it seems that whatever data or intelligence may have been known was not analyzed into a single unified picture. The dispersal of this data among numerous individuals and agencies or departments is an inherent result of the stove-piped nature of our national security and law enforcement intelligence infrastructure.

There are many root causes for the apparent intelligence failure leading to September 11, many of which are founded in the very fundamentals of the democracy….

- **Lack of a National Police Force:** Historically, the U.S. has placed a high emphasis on not having a national police force in either reality or perception. Although this is regarded as a hallmark of a free society, it means that our system for investigating and preventing criminal acts is spread among many departments and agencies at both the national and state levels….

- **Law-Enforcement Requirements:** Currently within the federal government alone there are roughly 40 separate entities engaged in intelligence gathering. These entities at times work at cross-purposes insofar as the target of one investigation may be a confidential informant providing useful information to another agency….

- **Classification and Compartmentalization of Data:** Much of the intelligence information that is critical is the product of processing highly classified data…. Classified information is often "compartmented," allowing access to a minimum number of people deemed to have a "need to know."…

- **Judicial Process:** Further complicating the issue of detection is the judicial process…. In most instances, if information is to be used in the prosecution of a suspect, the attorney representing the defendant has the right to full disclosure and authentication of the information. Yet it is often impossible to disclose intelligence information without at the same time betraying the sources and methods by which such information was developed.

- **Desire for Full Disclosure:** Another factor that has grown in the past years is the desire on the part of the American public to know the details of what its government is doing and have total transparency to the activities of its agents.

BORDER CONTROL: WE DON'T KNOW WHO'S HERE

Most persons traversing our borders do so through visas

whose issuance is the responsibility of the State Department, and this is where the current approach first starts to break down. The central problem is that there are numerous databases containing differing data about the same individuals, and these databases do not share data. The State Department Bureau of Intelligence and Research maintains a classified database containing records on individuals who have been identified as involved in terrorist activities. The Immigration and Naturalization Service (INS) Border Inspection System contains information on individuals who may be inadmissible or removable from the United States, or subject to enforcement actions by another U.S. law enforcement agency. The INS IDENT system is an automated fingerprint identification system that the INS uses during secondary inspections to match the individual's fingerprints to those of known illegal aliens.

It has become clear that no U.S. government agency has the capability of tracking the entry or exit of foreigners who legally (or illegally) enter the United States. We don't know who is in the United States—much less where they are.… Most visitors enter from Canada and Mexico, and most are not required to have visas. Foreigners are currently tracked only if they are under scrutiny of the FBI's counter-intelligence division or arrested by local police for a criminal or traffic violation.

MINING DATA FOR INTELLIGENCE

… Ultimately, the prevention of terrorist acts is best achieved by the absolute identification and apprehension of those persons intending to commit such acts. And, absolute identification through biometric technology is achievable. But the adoption, acquisition, and the necessary cross-boundary implementation of such technology and the creation of biometric databases of those who intend to do harm cannot be done in the short term.…

The immediate focus should be to efficiently interact with the multiple entities possessing data which, when viewed collectively, may allow the government to identify the potential terrorist.… technology advances provide the means to efficiently achieve such an objective through automated feeds from the entities into a large-scale data warehouse. The concept would be that of "mining" data from the numerous agencies, departments, state and local law enforcement entities, and foreign members of the anti-terrorism coalition. This warehouse then becomes a master set of data giving the Office of Homeland Security a comprehensive profile of suspected terrorists and terrorist organizations.…

… this warehouse will simply be that—a warehouse of data. To turn it into information it must be "transformed into knowledge related to a purpose"… and rapidly disseminated to national policymakers, intelligence agencies, the military, and law enforcement agencies.…

SHARING DATA SAFELY AND QUICKLY

Building an intelligent repository of "suspects" and the data about them will be no trivial effort. It could take several months, if not years, to analyze all our intelligence needs and build suitable business rules to craft a comprehensive system that fully meets our requirements. The risk here is that it might take too long and our requirements might change even before we get our initial reports. Our suggested approach is therefore based on the following concepts:

Expediency: Look for quick-hit opportunities with a minimum data set that is easy to extract, clean, and standardize across the initial selected agencies. In order to accomplish this in the shortest time frame feasible, the interconnected system should make maximum use of currently available networks.

Targeted Data Set: The initial data loads will come from a select group of key agencies such as the CIA, FBI, DoD, Department of State, and INS to meet specific intelligence goals.

Evolutionary Build: The warehouse design will permit evolutionary growth. After meeting the initial goal, additional capabilities, dimensions, volumes, and business intelligence can be added.

Cross-Agency Data to Merge Stovepipes: By aggregating information from various agencies, we can develop a fuller picture of individuals and groups.

Sponsorship: … such a project will not succeed without commitment at the highest agency levels to determine and extract relevant data from the source systems at these agencies.…

APPLYING THE SOLUTION TO BORDER CONTROL

… How would the principles of intelligence data management outlined above apply in the area of border control? First, we advocate that source data from the Department of State and INS immediately be integrated into the repository such that all agencies involved in granting visas and guarding the border have access to the same data.

We strongly recommend that an effort begin immediately to start collecting a set of biographic and biometric data about every non-immigrant. This data will evolve into an available, reliable source of information for the intelligence and law enforcement communities.

Improving the background checks (to include a positive identity and a criminal history background check) conducted

prior to issuing visa identification cards and extending these background checks to everyone wishing to enter the United States (including Canadians, Mexicans, and those countries currently under the Visa Waiver Program) ensures we have access to important data from the start and may prevent known terrorists from ever gaining entrance. For those non-immigrants already in the United States on visas, we must quickly ascertain their status and require, as we used to, that they regularly check in so that we can track their movements in the United States and out of the country.… We envision bolstering existing processes with proven technology available now, such that non-immigrants are quickly subject to the process laid out below:

Before Entering the United States: Anyone wishing to gain entry into the United States (tourists, students, employees, and all others) undergoes "universal fingerprinting" at the Department of State consulate or other overseas State entity. The applicant's fingerprints, photograph, and signature are captured as part of the application process. Everyone wishing to gain entry into the United States is subject to a background check (including both a fingerprint and name check) against a supra-database (including watch list data originating from INS, FBI, and other intelligence agencies). The applicant's biographical and biometric data are stored in a tracking database.

Upon Entry into the United States: At the U.S. port of entry, the non-immigrant presents his/her identification card and two fingerprints are taken electronically. The two prints provided at the port of entry are compared to both the fingerprint data on the identification card as well as the fingerprint data stored.

While in the United States: While in the United States, the non-immigrant regularly checks in with INS at a local Application Support Center (ASC) and also checks in to report any changes to address, contact, or status information. At each check-in, the ASC employee verifies the non-immigrant's identity against the data provided on the card as well as the tracking database, and updates data in that database.

Upon Departure from the United States: The non-immigrant presents his/her identification card upon departure from the United States. The non-immigrant's identity is again verified and their departure date, port of entry, and forwarding address are posted in the tracking database.

INTEGRATION IS IMPERATIVE

The foregoing has provided an overview approach to the issue of detection of known or suspected terrorists through the rapid and efficient deployment of technology. Once operational, this technology could then be made available to innumerable agencies, departments, and private enterprises on a limited need-to-know basis, protecting our intelligence infrastructure while at the same time providing comprehensive, meaningful information to those people making decisions on both a strategic and tactical level. At a minimum, the integration of those systems necessary in order to make informed decisions about those who cross our borders, either legally or illegally, is imperative….

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GOVERNANCE UNDER FIRE: ORGANIZATIONAL FRAGILITY IN COMPLEX SYSTEMS

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POLICY PROBLEM

Maintaining public security is the quintessential function of government. The events of September 11, 2001, provided an extraordinary test of existing governmental policy and practice. While the response to these events demonstrated remarkable courage by public agencies and personnel, winning national recognition for their effort and dedication, the fact that the events occurred and the scope of the losses endured compel us to re-examine the concepts, design, and context for action of public agencies that are legally responsible for the protection of life and property. This is not a simple task, and requires a fresh look at some long-held assumptions about governmental operations in complex environments.

Existing administrative procedures generally assume a stable, organizational environment with regular procedures operat-

ing under normal conditions with time to plan actions, allocate resources and attention, and identify and correct errors before they cause failure. Sudden, threatening events require a rapid shift in perspective, a capacity to absorb damaging information, the mental agility to re-assess the situation in light of changing events, and an ability to formulate new strategies of action in uncertain environments. The difference in decision processes between stable and dynamic operating environments has been noted by theorists in cognitive psychology, business, and military affairs, but has drawn less attention in the field of public administration and policy. The events of September 11 no longer allow the luxury of ignoring the substantive difference in decision processes for public agencies operating in dynamic environments or failing to consider the interaction between organizational and technical structures that facilitate the rapid assessment of risk and mobilization of response vital to maintain public security.

… The events of September 11 revealed that some governmental operations proved very effective, while others suffered from serious failures. In a classic "after-action review," it is imperative to ask tough questions. At what point do interorganizational operations fail? What are the limits of existing governmental systems? What changes can be made to strengthen governmental performance under threat? How can we learn from this sobering experience?

ORGANIZATIONAL FRAGILITY CURVES

In the field of engineering, the concept of a fragility curve implies that a building, as an engineered structure, does not fail all at once, but is subject to strains and stresses that cumulate until it reaches a point where it loses structural viability and collapses. Organizational systems, as socially designed structures, are similarly subject to stresses and strains that cumulate until they reach a point where the system loses viability and collapses, or is no longer able to function effectively….

In governance, relatively little attention has focused on developing organizational capacity for adaptation to changing environments, and almost no attention has been given to the measurement of an interorganizational system's capacity to function under severe threat. At present, there is no viable measure of organizational fragility curves for organizations performing under stress.

The events of September 11, 2001, offer a striking opportunity to study both types of fragility. The engineered structures of the World Trade Center collapsed under the intense heat of 2,000 degrees from the jet-fueled fires. Similarly, organizational structures designed to protect security also failed under the incomprehensible threat of suicide aircraft bombers. The security checks at Logan Airport in Boston, Dulles, and Newark Airports did not detect the box cutters and knives used by the hijackers to wrest control of the planes from crews and to subdue the passengers. More soberly, sensemaking failed on the flights from Boston and Dulles as crews and passengers followed previous procedures for coping with hijackers in expecting to negotiate a release from danger, without detecting the hijackers' true intent. In each instance, the crews and passengers on these planes faced unimaginable events. They did not recognize the risk, and were unable to act to avert danger.

Other incidents on this fateful Tuesday indicate similar failures of organizational sensemaking in the face of unrecognized danger. The loss of 343 personnel from the New York City Fire Department followed from standard departmental procedures to establish their command post close to the fireground to serve as their base of operations. The location of the Emergency Medical Services (EMS) triage station under the bridge between the towers would ordinarily have offered welcome shelter to this critical operation. But without knowledge of the structural vulnerability of the buildings, the entire EMS station was lost when the Tower collapsed onto the bridge.

The sobering events of 9/11 provide an unusual opportunity to assess the fragility of the interorganizational systems involved in protecting public safety. These events revealed dramatic failure in governmental systems, but also a remarkable capacity to regroup, reorganize, and redesign workable strategies for previously unimaginable circumstances as the sequence of events evolved.

RESPONSE OPERATIONS FOLLOWING THE SEPTEMBER 11 ATTACKS: AN INTERORGANIZATIONAL SYSTEM

The disaster response process in the United States has been developed largely in response to natural disasters: earthquakes, hurricanes, floods, fires, tornadoes, and severe winter storms. It has been honed in practice, particularly in the vulnerable states of California, Florida, and Texas, but every state in the Union has been affected by disaster. Conceptually, the process moves from the local community, where the event occurs, to ever wider circles of assistance and resources…. The assumption is that the federal government will be the responding agency of last resort. But this process is exactly the kind of linear, rational procedure that often does not fit the dynamic conditions in which disaster is occurring. It is designed primarily to track the money and materials that are expended in disaster operations and to compensate jurisdictions and victims for losses already incurred, rather than to provide information or resources needed to reduce risk or anticipate the impact of damaging events upon communities.

Shared Risk

The threat of a terrorist attack is similar to the threat of earthquakes, hurricanes, floods, and fires in that it represents public risk. That is, the risk is shared by all members of the community, whether they contributed to the circumstances that led to its occurrence or not. Consequently, actions taken by any one member may increase or reduce the risk for all other members in the community….

Creating an intergovernmental system that acknowledges the threat of terrorism, ill-defined and uncertain in its timing and location, means reviewing carefully the fragility of existing governmental systems that are intended to protect the citizenry from destructive events. Since the primary characteristic of a terrorist act is surprise, and its major targets include civilian populations, the traditional strategies of military defense are all but irrelevant. The major burden in the defense of communities against terrorist attacks will necessarily be borne by civilian emergency response agencies at the local level: police, fire, and emergency medical services, coupled with a careful monitoring by their public and private owners of the interdependent infrastructure systems that serve large numbers of people: communications, electrical power, transportation, water, gas, and sewage distribution systems….

Complex Adaptive Systems in Disaster Environments

Viewing organizations as sociotechnical systems, dependent upon communications to achieve coordinated action, provides a beginning means of assessing the fragility curves of organizations engaged in coordinated performance. It also offers a plausible explanation for differences in response to sudden threat by different organizations operating in disaster environments. Other factors also affect the ability of organizations to adapt to changing environments, and identifying these factors contributes to the careful assessment of organizational capacity to function under stress.

Types of Adaptation in Response to Threat

Systems can be characterized by technical, organizational, and cultural indicators. The technical indicators include measures of the technical structure, e.g. transportation, electrical power structure, communications. Organizational indicators include measures of organizational flexibility, e.g. adaptability to changing conditions, style of communication among members, leadership or lack thereof. Cultural indicators include cultural openness, e.g. willingness to accept new concepts, new patterns of action. The emerging systems vary in terms of the indicators, and the interactions among these three sets place limits on the system's capacity for adaptation to a damaged environment. The response systems reflect these limits, defined largely by the initial conditions in which the damaging event occurred.

The four types of adaptive systems identified in field studies of earthquake response systems are:

- **Nonadaptive systems** are systems that are low on technical structure, low on organizational flexibility, and low on cultural openness to new information. They function under threat largely dependent upon outside assistance, but revert to previous status after the threatening event.

- **Emergent adaptive systems** are low on technical structure, medium on organizational flexibility, and medium on cultural openness to new concepts of operation and organization. These systems develop a mode of organization and action to cope with the threat during disaster operations, but are unable to sustain collective action after the immediate threat passes.

- **Operative adaptive systems** are those that are medium on technical structure, medium on organizational flexibility, and medium on cultural openness to new information. These systems function well in response to threat, but prove unable to translate methods of response into new modes of sustained operation and threat reduction.

- **Auto-adaptive systems** are those systems that are high on technical structure, high on organizational flexibility, and high on cultural openness to new information. Such systems represent a rare achievement, but in practice these systems prove effective in response to threat and are able to transfer lessons learned from prior experience into a sustained reduction of threat.

In terms of organizational fragility observed in the events of 9/11, the organizational subsystems that represented the flights from Boston into the World Trade Center illustrate nonadaptive systems. Both flights showed the collapse of sensemaking, as crews and passengers confronted previously unthinkable events. Cut off from communications with their air traffic control towers, the crews had no access to external assistance. Following previous procedures that likely anticipated negotiations with the hijackers, the passengers apparently waited for further instructions. Crews and passengers were unable to recognize the danger, and therefore unable to act.

Flight #93 from Newark illustrates an emergent adaptive system. Given similar circumstances as the flights from Boston, the hijackers moved to take control of the plane. But the passengers, through the use of cell phones, learned of the crashes into the World Trade Center. With this information, they were able to recognize the threat, and mobilized as an emergent system to thwart the hijackers. The plane crashed in the

struggle, and all lives were lost in the process, but the self organization of the crew and passengers to take collective action stands as striking evidence of organizational capacity for adaptation in response to threat.

The response of the federal agencies to the attacks illustrates an operative adaptive system. With judgment honed in response to severe natural disasters, senior personnel at the Federal Emergency Management Agency, the U.S. Army Corps of Engineers, the Department of Health and Human Services, and the National Communications Services collaborated in rapid mobilization of response to both the Pentagon and World Trade Center sites simultaneously. Informed by previous experience in training exercises and actual disaster operations, these personnel were familiar with the resources available for response and the capacities of each agency, and were able to communicate easily across agency and jurisdictional lines. Resources were committed upon verbal request, with paperwork to follow, in order to expedite the mobilization of the response system, illustrating the trust and professional respect shared among the operating agencies….

Developing the fourth type, an auto-adaptive system, is the most critical in a continued effort to anticipate and reduce the threat of terrorism, or other hazards. It means integrating the emergency response agencies at local, county, state, and federal jurisdictional levels into a unified system that can easily share information and resources among agencies at each jurisdictional level, and across jurisdictional levels. In the case of international terrorism, as represented by the events of September 11, it means extending this network of communication and coordination to work with other emergency response agencies around the globe.

NEXT STEPS

The threat of terrorism continues. If it is not the Al Qaeda network, it is radical groups that threaten abortion clinics and public figures, or troubled teenagers who bring guns to schools. It is clearly a "man-made hazard," stemming from the discontents, inequalities, and unsolved problems of our society and the global community, but it is not likely to disappear easily or quickly. Governmental agencies that have legal responsibility for emergency response will need new methods of identifying and disabling such threats to protect public security.

The important lesson from September 11 is optimistic. Governmental agencies can and do learn, and public personnel adapt their behavior to meet increasing demands. But facilitating the rate and mode of learning within and between agencies is a major task in a society as large, complex, and diverse as the United States. In a culture that prizes individualism and independent action, the uncertainty created by terrorist threats requires a different form of action, one in which individuals can function effectively in interdependent systems to achieve a collective goal of public security.

Based on a brief review of emergency response actions following the September 11 events, I offer three recommendations for strategies to increase governmental performance in risk reduction and response to hazardous events.

First, we may improve interorganizational performance in the complex environment of disaster by studying systematically the conditions under which organizations fail, and identifying the break-points in the systems and sub-systems that are vulnerable to different kinds of stresses. By learning more about how and when organizations fail, we will also learn new methods of reinforcing them, and devise more effective patterns of communication and coordination to make them more resilient under increasing demands and urgent time pressure. Devising and testing measures of fragility and resilience in organizational systems will contribute significantly to our ability to maintain self-organizing, auto-adaptive emergency response systems.

Second, we must recognize that emergency operations are, by definition, nonlinear and dynamic, and that rational, linear models of problem solving and management will almost certainly fail under the urgent stress of disaster. Instead of a stepwise emergency plan where each lower jurisdiction operates alone until it exhausts its resources before requesting assistance from the next jurisdiction, it is constructive to acknowledge emergency response as an interjurisdictional problem that escalates and de-escalates over varying conditions and time.

Third, maintaining public security in the face of uncertain threat and hazards will require a substantial investment in information technology to facilitate the continuous process of organizational learning essential to achieve an auto-adaptive, self-organizing emergency response system. Auto-adaptive systems depend upon the development of an information infrastructure that can support the rapid transitions from normal to extreme operations in sudden emergencies. Such systems enable communities to withstand extreme events and to translate that experience into informed actions for future protection. With thoughtful reflection, this may be the enduring legacy of September 11.

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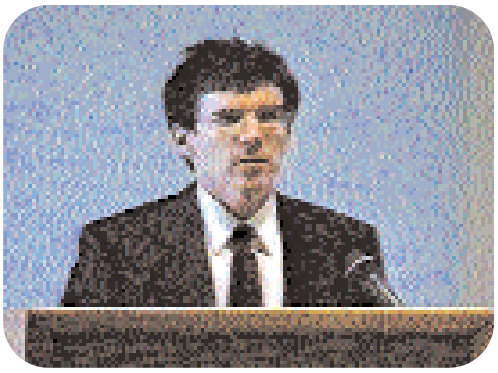

REFLECTIONS ON TERRORISM AND PUBLIC MANAGEMENT

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A NEW PARADIGM

No one, I think, would claim that a full-blown deductive theory underlies the U.S. government's early response to the tragic and alarming events of September 11. Cabinet secretaries have contradicted themselves and stumbled in their public utterances; shrill rhetoric has waxed and waned; positions have hardened and then softened. Still, a paradigm shift may well be underway, even if the nation's principal policymakers are only dimly aware of it.…

Trust in Government: The first and arguably most important element of the paradigm shift is growing appreciation for government officials and the growing conviction that the government and not the private sector must solve the new threats to our homeland security. This reverses a long period of decline in the public's confidence in specific political institutions and, more broadly, in government itself. In the wake of September 11, the percentage of Americans who believe the government in Washington can be trusted to do what is right "most of the time" or "just about always" increased from 44 percent to 60 percent. Confidence in the Congress and the president also improved dramatically….

An early test of whether changing levels of trust in government would have public policy impacts emerged in the debate over whether airport security personnel should be public or private. Despite opposition from Republican members, Congress decided to require all airport security personnel to be public employees, at least in the short run. At the same time, Congress authorized the creation of a new Transportation Security Administration within the Department of Transportation. The federalization of our airport security workforce will add 28,000 employees to the federal bureaucracy, an increase of approximately 1.5 percent. This reverses a steady decline in the number of federal employees during the Clinton years.

The Revival of Planning: The second element of the paradigm shift is growing appreciation for planning as a government function and the growing conviction that we need to be able to anticipate threats and prevent terrorists from carrying out their diabolical plots in the first place. Although planning is hardly a novel concept, it does represent an abrupt departure from the emphasis on accountability that characterized reform efforts from the 1970s through the 1990s. If accountability exemplifies ex post control, planning epitomizes ex ante control. Whereas accountability is backward-looking, planning is forward-looking.

... In the aftermath of September 11, state and local governments have also devoted much more attention to planning, designing, or re-designing emergency response plans to cope with communications blackouts, public health epidemics, and other emergencies. Terrorism response or prevention plans are being drafted or reassessed, and specific measures are being taken to thwart a preventable attack. Governments and authorities in the New York City and Washington, D.C. areas have been particularly active.

The Indispensability of Coordination: The third element of the paradigm shift is growing recognition that coordination across government agencies is not a luxury but a necessity. Better coordination is needed both within policy domains (e.g., law enforcement) and across policy domains (law enforcement, public health, national security). Although few commentators or reformers would oppose coordination, it has not been high on our agenda in recent years.

… The creation of a new Office of Homeland Security, the decision to place that office in the White House, and the appointment of a prominent public official, Governor Tom Ridge of Pennsylvania, to head the office are all signs of the Bush administration's support for the principle of coordination. The decision to designate Ridge as the government's principal spokesperson on homeland security matters enhances the visibility of Ridge's office. It also helps to ensure that the executive branch speaks with some consistency on diverse threats to our security that fall within the jurisdiction of several cabinet departments.

A Well-Informed and Informative Public: Public officials, for whatever combination of reasons, have often taken the position that the American people need to know in advance about threats that may or may not be credible.… The govern-

ment has (also) attempted to enlist ordinary citizens as its eyes and ears. If you note any suspicious activities, we are told, you should inform your local law enforcement agency. And many Americans have responded.

Redundancy: Another key element of the new paradigm is the perception that for certain critical tasks we need to have parallel or redundant systems to ensure success. The most conspicuous example of this is an airport security system that involves intensive scrutiny of all passengers at the initial entry point, intensive scrutiny of a random sample of passengers at the gate, stricter rules concerning passenger conduct, and the presence of armed guards on many flights. The premise, as with other redundant systems, is that if one mechanism breaks down, another will compensate for the failure.

Redundancy, of course, adds to the overall cost of a system. Thus our new emphasis on redundancy, with upward pressure on the public treasury, clashes with a cost-cutting mentality that became embedded in 1981 and has guided most national politicians since that time.

ASSESSING THE NEW PARADIGM

What are we to make of the new paradigm that appears to be emerging in the wake of September 11? First, is it really new? Assuredly, some elements of it are quite familiar, evoking the New Deal, with its emphasis on planning and coordination conducted by a strong central government that enjoys the public's confidence and trust. In some respects, the new paradigm is one that Louis Brownlow might cheerfully have endorsed had he been asked to chair a presidential commission on terrorism in the 21st century. Yet, in other respects, the paradigm is new. The emphasis on public information and on public "snitching" is novel, as is the emphasis on redundancy to eliminate any possibility of error in critical sectors such as air transportation.

Second, is the new paradigm intellectually cohesive? In one sense, the answer is no. If, for example, one uses efficiency as one's criterion, it is possible to argue that redundancy undermines administrative efficiency and that a preference for government over the private sector threatens economic efficiency. On the other hand, efficiency is not the only litmus test for intellectual cohesiveness. In some respects, the elements of the new paradigm fit rather well together. For example, the steady flow of information between the government and the citizenry, with the mass media as intermediaries, provides a modicum of openness in a system that might otherwise seem oppressive.

Third, will the new paradigm last? As Kingdon has argued, opportunities for a policy innovation or a cluster of innovations arise when three "streams" converge: the problem stream, the policy stream, and the politics stream. The catastrophic destruction of the World Trade Centers and the partial destruction of the Pentagon dramatically altered perceptions of terrorism as a public problem. It was this change in the problem stream that triggered the new paradigm in the first place. Ironically, it might well be that another costly terrorist attack on U.S. soil is the surest way to guarantee that the new paradigm persists. If we invest heavily in preparations for additional terrorist attacks, and none materializes, policymakers and citizens may be tempted to conclude that the costs of planning and redundancy are not worth the effort.

IMPLICATIONS FOR PUBLIC MANAGEMENT RESEARCH

In my judgment, the changes in priorities wrought by the events of September 11 have three important implications for public management research over the next decade. First, we need to understand interorganizational coordination better. Second, we need to improve our capacity to create a "culture of trust" between agencies, between governments, and between the public and private sectors. Third, we need to develop a credible conception of what constitutes "acceptable risk" in a world that seems much riskier than the world we previously inhabited.

Networks and Partnerships: … we have largely ignored unresolved challenges of interorganizational coordination within government. How do we get federal agencies such as the FBI to share information with other federal agencies such as the Customs Service, the Coast Guard, and the Immigration and Naturalization Service? How do we get federal agencies such as the Department of Health and Human Services to integrate the disparate efforts of state and local public health agencies? How do we get agencies that toil in different sectors—national security agencies, law enforcement agencies, public health agencies, and emergency management agencies—to work together as if they were part of a seamless web?

The old answer to these questions—hierarchy—seems highly inappropriate in the wake of the global management revolution. To revert to a "command and control" approach would be to reverse a generation or two of reform efforts aimed at promoting teamwork through hortatory controls.

A better answer to these questions is networks. As understood by sociologists, networks are "unbounded or bounded clusters of organizations that ... are nonhierarchical collectives of legally separate units." Networks take many different forms and vary in their effectiveness. They also differ in their formality, size, goals, and durability. Networks are more nimble and flexible than hierarchies; they are better able to adapt to changing circumstances.

The importance of networks to the challenges we face from world terrorists today is twofold: a network is the problem, and networks could be the solution. By all accounts, Al Qaeda is a network or what Weick would call a "loosely-coupled system." Highly decentralized, it relies on just-in-time information to avoid the danger of leaks. Individual cells within the network are highly autonomous.

Whether we win the war against terrorism will depend on whether we manage to master the network as an institutional form. An effective law enforcement network is indispensable if we are to identify and apprehend terrorists. An effective public health network is essential if we are to cope with an outbreak of anthrax, smallpox, or some other life-threatening disease. An effective emergency response network is vital if we are to deal with explosives, chemical weapons, or other attacks that require a massive evacuation of personnel, the hospitalization of numerous victims, or some other crisis response.

Creating an effective network is not easy.… Because organization leaders and members are accustomed to pursuing their own organization's goals and standard operating procedures, with little regard for the goals and practices of other organizations, we should not be surprised if interagency collaboration proves elusive. But it can and must be done if we are to anticipate and prevent most attacks and respond effectively to those attacks that nevertheless occur.

Culture of Trust: Organizational cooperation has many antecedents, but the key is to create a culture of trust. To prevent a disaster, how do we get law enforcement and public health and national security officials to share information and to seek a consensus on priorities, strategies, and tactics? If another disaster should occur, how do we get federal, state, and local agencies to coordinate without succumbing to territoriality and turf protection?

Acceptable Risk: We live in a world that seems much riskier than the world we knew before September 11. In its response to the terrorist attacks, the U.S. government has sought to extinguish some risks altogether while reducing other risks and downplaying still other risks. It is not clear that we have struck the right balance.

For example, we have invested heavily in airport security. Fortified cockpits, federal marshalls accompanying flights, random searches of passengers at the gate, and electronic or personal searches of all luggage are costly improvements. The purchase of 2,000 explosive detection machines alone has an estimated price tag of $2 billion.

At the same time, we have done far less to cope with threats to our nation's seaports, which are arguably even more vulnerable at the present time. For example, the U.S. Customs Service inspects only about 2 percent of the 14 million containers arriving in the U.S. every year.

It is easy to understand why we have invested so much in air transportation security and so little in other threats to public safety. The terrorist hijackings of September 11 claimed the lives of over 3,000 people. Air travel is vital to both national and international commerce, and air transportation is the preferred means of travel for citizens traveling long distances for pleasure. These factors help to explain Secretary of Transportation Norman Mineta's pledge "to ensure American passengers are provided with the highest possible levels of safety."

In fact, if the highest possible level of safety means zero risk, that is not a realistic alternative. To eliminate risk altogether would mean to eliminate flying altogether, which no one is prepared to do. A more reasonable standard would be to pursue a high level of safety, with minimal risk (e.g., perhaps one death for every 1 million flights). Even here, though, we need to keep the costs of safe air travel in mind. The virtual elimination of one risk, such as the risk of another hijacked airplane's being used as a lethal weapon, may make it more difficult for us to avoid some other major risk, such as arson at a chemical plant, with many thousands of casualties. Indeed, many experts believe that the next major terrorist attack on U.S. soil will not try to replicate the September 11 assault but rather will utilize a different strategy altogether.

CONCLUSION

Key elements (in the new paradigm) are trust in government, the revival of planning, the indispensability of coordination, a well-informed and informing public, and redundancy. If this new paradigm takes root, we can expect some important consequences to flow from it, including a larger public sector, a greater emphasis on anticipation and prevention, and keener interest in the development of effective networks and partnerships between governments, between agencies, and between the public and private sectors. The quest for post hoc accountability, which animated so many government reform initiatives in the late 20th century, will undoubtedly persist but will no longer suffice. One thing is certain: As the stakes get higher and the risks of a catastrophe escalate, we will need to develop a better system of governance than the one we possess today.

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A PRIMER ON AIRPORT SECURITY

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THE AVIATION AND TRANSPORTATION SECURITY ACT

On November 19, 2001, President George W. Bush signed the Aviation and Transportation Security Act (P.L. 107-71) into law. This comprehensive statute established the Transportation Security Administration (TSA), as well as the position of under secretary of transportation for security, and required the federal government to overhaul its approach to securing all modes of transportation.

The TSA will assume responsibility for security beginning this year. The bulk of the new agency's authority is centered on the air transportation system, particularly protecting against terrorist threats, sabotage, and other acts of violence. A core element of this aviation security regime is the screening of passengers and property at all airports that provide commercial air service.

To execute this complex function, TSA will hire and deploy security screeners and supervisors at 429 airports over the next 10 months. Based on the dual requirements of protecting the system and moving passengers who present no threat through security checkpoints efficiently, the screener workforce is likely to exceed 30,000 people. In addition, TSA will employ thousands of Federal Law Enforcement Officers (LEOs), as well as intelligence and support personnel.

Given its size, the number of passengers with whom it will come in direct contact, and the importance of its role in ongoing operations, the screener workforce represent the core of the agency. To ensure the protection and smooth operation of the aviation system, and the long-term success of TSA, screeners must receive premium-quality, intense, and measurable training on the range of responsibilities and scenarios they are likely to face.

CURRENT SECURITY PRACTICES IN DOMESTIC AIRPORTS

Millions of people fly every day. The vast majority of them are law-abiding folks who have no intention of harming anyone. But there is always the possibility that a terrorist or a criminal is hidden among the masses. Also, many people with no intent to cause harm may accidentally carry hazardous material onto the plane. To avoid these problems, airport security is an important part of any airport. The fact that the plurality of people who pass through checkpoints will bring no danger to the system brings us to the most important problem in maintaining security: human factors. The likelihood of any one screener ever catching a terrorist is remote in the extreme. So while terrorism causes the push for increased security, screeners will have to deal with more routine daily operational problems. Knowing this, they will lack the necessary tension to fully conduct their duties. To overcome this, audits, etc., are conducted. The problem with the previous system was high turnover; screeners never had any motivation to do their jobs well, as the job was only a stepping stone to another low-paying job. However, tension is necessary to perform these types of tasks well. It is assumed that this will always be a problem, but hopefully, it will be less of a problem in the new regime.

… If we try to imagine a terrorist attempting to blow up or hijack a plane, we need to consider all of the different techniques the terrorist might use to get a bomb into position, and whether the new procedures could stop him or her. A terrorist could:

- Plant a bomb in an unsuspecting passenger's luggage
- Smuggle a bomb in his luggage
- Strap a bomb or gun onto his body
- Walk onto the tarmac by hopping a fence and approach a plane from the ground
- Like the terrorists on September 11, 2001, work through the system as it exists and know all of its weak points

The first line of security at an airport is confirming identity. For domestic flights, this is done by checking a photo ID, such as a driver's license. When people travel internationally, they need to present a passport. Confirming a person's identity is difficult; it could be one of the greatest tasks in the new security regime. Even fingerprints cannot confirm a person's identity, but they can reveal whether or not a person was in jail. The identity portion of security is important, as it gives us leads about certain people's backgrounds. Because identity is uncertain, profiling takes on increased importance.

… The Civil Aviation Security (CAS), a division of the Federal Aviation Administration, establishes guidelines and requirements for airport security. CAS has three main objectives for airport security:

- To prevent attacks on airports or aircraft
- To prevent accidents and fatalities due to transport of hazardous materials
- To ensure safety and security of passengers

FAA agents working under CAS are located at every major airport for immediate response to possible threats. Most major airports also have an entire police force monitoring all facets of the facility, and require background checks on all airport personnel, from baggage handlers to security-team members, before they can be employed. All airport personnel have photo-ID cards with their name, position, and access privileges clearly labeled. One of the biggest problems with the new security workforce is the time required to do background checks—as the law has mandated 10-year instead of five-year background checks, they will take as long as 10 months per individual.

… One old-fashioned method of bomb detection still works as well or better than most high-tech systems—the use of trained dogs. These special dogs, called K-9 units, have been trained to sniff out the specific odors emitted by chemicals that are used to make bombs, as well as odors of other items such as drugs. Incredibly fast and accurate, a K-9 barks at a suspicious bag or package, alerting the human companion that this item needs to be investigated. One of the problems we have discovered with using dogs is that they find this work as boring as humans do and are generally only good for one hour a day.

AIRPORT SECURITY IN OTHER COUNTRIES: BEST PRACTICES

Little is available on this subject, but the following information can be used to compare other countries to the United States:

1. The two most important reasons for screeners' poor performance are the rapid turnover among them and human factor problems. Turnover exceeds 100 percent per year at most airports, leaving few screeners with much experience at the largest hubs.
2. The main reasons for the high turnover rate are low wages and the human factor issues—those of repetitive, boring, stressful work requiring constant vigilance.
3. Belgium, Canada, France, the Netherlands, and the United Kingdom conduct their screening differently, performing regular "pat downs" of passengers.
4. These countries also pay their screeners more and provide benefits.
5. All of these countries have better screener performance (they are twice as good as Americans in detecting hazardous material), but still have a large number of dangerous materials going through their checkpoints.
6. In addition, the European countries cited earlier only allow ticketed passengers beyond checkpoints. This practice was started in the United States only after 9/11.
7. The European countries also require five times more training than their American counterparts, which is still by many measures insignificant, as it only requires a couple of weeks to begin work.
8. The Israeli system is one of passenger screening rather than baggage screening.

There is also the problem of governance. Under the new legislation, the United States is moving away from airport-controlled security towards government-controlled security. Yet we know few details about how the United States will run its new operations, as little information is available at this time, and outside contractors will be required for many years to make the transition. By comparison, these countries use the following governance:

- Throughout all of the United Kingdom, the primary responsibility for airport security measures falls to the airport authority—the entity that operates the airport. The airport authority—not the airlines—hires private security contractors to staff security checkpoints. In addition, there is a significant police presence in the screening areas to support the private security workforce.
- Three government ministries control security at all airports in Amsterdam. Working together, these ministries hire private contractors to provide airport security services. The contractors work in unison with a local police force to handle all airport security checkpoints.
- As in the UK, the airport authorities in Ireland have the responsibility of providing security at all the country's airports. The security workers are direct employees of the airport authority. This security force works together with the airport police force and private security contractors at all security checkpoints.
- The Ministry of the Interior in Germany has the charge of providing airport security nationwide. The Interior Ministry hires private contractors to provide security services at the major German airports. The private security contractors are supervised at the checkpoints by a local police force.
- Some of the highest levels of airport security are provided in Israel. Like in Europe, the airport authority is responsible for security measures. The Israel Airports Authority also has help from the country's internal security service. In addition, these two entities have extra security support from private security contractors hired by El Al Airlines.

There is little, if anything, about the way the United States domestic airline industry has conducted airport security that is worthy of emulation. At the same time, most of the changes that are being implemented under the new legisla-

tion would not have deterred the hijackers on September 11, 2001. There are a number of problems that the new legislation does not address:
1. The changing face of terrorism
2. The human factor problems
3. Who is going to pay for all of this?
4. The role of the federal government in gathering intelligence

The terrorists who acted on September 11 were different from those the United States had ever seen before. They were well paid and had strategies that worked. They spent years in training, and the U.S. government had no indications of their plan. Their ability to formulate these plans and keep them secret for so long shows a governance capacity among terrorists that is quite impressive….

The failure to detect terrorist plans stems from direct policies implemented by the Congress to cut security and intelligence gathering, most likely because the country became complacent to threats during the late 1990s. The economy was booming, lower taxes became the mantra, and national security became a very low priority. However, the real reason that the events of 9/11 did not happen earlier is simply that we have been lucky. The luck of the draw does not imply security on our part.

Another problem in the new security world is that of human factors. It is important to recognize in any airport security discussion that gazing into a computer screen at three-dimensional objects presented in two dimensions is problematic. The first problem is the absolute boredom of the task, and the second problem is one of interpretation.

The first part of the problem is best handled by using screeners who are mentally challenged, as they are better able to attend to repetitive tasks. At the same time, this makes it easier for the majority of travelers with no regard for the system, terrorists, and others to circumvent the system. Yet more intelligent screeners, most likely, do not perform the job as well due to the monotony. We need to find ways to motivate screeners and rotate them through a variety of tasks in order to keep them fresh. The human factor problems show how wise the Israelis are. Their system is based on screening people, rather than baggage. This does not mean they do not screen baggage; they do, but they spend most of their resources doing interviews. While it is unlikely that the United States will or can adopt the Israeli system, it can implement a derivative. Interviews seem to deter terrorists the most—the fear of being caught, by a human, in a situation wherein they have no resources for escape.

At the same time, the more intelligent screener is better capable of doing pat downs and conducting intelligence gathering (interviewing passengers) to access threats. The predicament is an interesting one, as the qualifications for the best security personnel (intelligence, conversation, etc.) are the opposite of those required by a system grounded in checking baggage.

The third problem—that of paying for all the needed changes to secure airports—is daunting. Discussing the changes made at Heathrow Airport in London some years ago can put this into perspective. Heathrow's changes cost over $300 million. Adding to this the new security equipment needed at 420 airports results in a staggering amount of money. Agreement among senators, who voted 100-0 on the new measures, will fall apart during the next year figuring out how to pay for their laws.

The last issue—that of integrating the new airport security people with federal intelligence gathering—is also daunting, as the history of agency conflicts and turf is one of stovepiping, and little cooperation could be one of the biggest problems to overcome.

Meanwhile, things have changed since 9/11 that may be more important than anything the federal government has done or can do. These are:
- The aggressive attitudes of commercial airline pilots
- The aggressive attitudes of passengers and flight attendants

Pilots' attitudes are important, as in the past they were taught to be passive during hijackings. The reasoning was that if they cooperated with the hijacker, there was greater likelihood they and their passengers would escape without any harm. The events of 9/11 changed this. Pilots, when alerted to hijackings, can put a plane in extremely unnatural attitudes that make it impossible for anybody to move the plane around. We have also seen a marked change in flight attendants' and passengers' attitudes. This was seen in the case of the American Airlines flight from Paris, when the flight attendant acted heroically and the passengers came to her aid.

We will never know for sure what happened to the United Airlines plane that crashed in Pennsylvania, but the passengers' actions—whatever they were—changed passengers' actions in hijacking situations forever.

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INSTITUTIONAL ISSUES IN BIODEFENSE

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The October 2001 anthrax attacks may have given Americans the wrong idea about bioweapons and bioterrorism. As disruptive as the attacks were to certain workplaces—including the U.S. Senate and the Postal Service—in the end, only 18 people were diagnosed with anthrax, and only five died. In comparison with the some of the dire bioterrorism scenarios that had been painted, some might even find October's events reassuring.

Just the opposite is the case. The nation's response to the attacks revealed inadequacies in our medical and public health systems that would have been truly devastating in the face of a larger attack. I will argue that biological weapons are a growing threat to the national community. What's more, bioweapons are a strategic threat—meaning one that could destroy fundamental institutions and democratic systems.

There is much we can do to mitigate the consequences of a biological weapons attack. There is also a lot that can be done to help prevent research and development in biological weapons. But such mitigative and preventive actions are going to require significant institutional changes as well as technological advances.

BIOWEAPONS ARE A STRATEGIC THREAT

Before the needed new systems can be created, it is important to understand the magnitude and nature of the bioweapons threat. In its report "New World Coming: American Security in the 21st Century," the Hart-Rudman Commission concluded that biological weapons are going to be one of the biggest security threats facing the United States in the coming years. The commission's September 1999 report stated:

> [F]or many years to come Americans will become increasingly less secure, and much less secure than they now believe themselves to be.… While conventional conflicts will still be possible, the most serious threat to our security may consist of unannounced attacks on American cities by sub-national groups using genetically engineered pathogens.

Biological weapons, even in crude forms, have the potential to inflict horrible suffering and death on a large scale. In this age of globalization, an attack on U.S. citizens could quickly become a worldwide epidemic.

Lethality. Biological weapons can be extremely lethal. A 1993 Congressional Office of Technology Assessment study estimated that 100 kilograms of anthrax released upwind of Washington, D.C., under ideal meteorological conditions would have approximately the same lethality as a 1-megaton hydrogen bomb dropped on that city. Each could kill millions….

The letter Senator Tom Daschle received contained only 2 grams—almost too little to feel in an envelope—of highly powderized anthrax. Those 2 grams were the equivalent of *two million* lethal doses, had they been distributed perfectly. It is difficult for people to wrap their minds around the notion of that much lethality packed in such a seemingly benign and small package. But in fact, biological weapons are quite capable of bringing the country past the "point of non-recovery," as Adm. Stansfield Turner, former director of the U.S. Central Intelligence Agency, called it….

Accessible, Cheap, Easily Hidden. A second reason biological weapons are a strategic threat is that the materials needed to build them are accessible, cheap, and easily hidden. The Department of Defense did an experiment a few years ago: Three men, none of whom had special expertise in bioweapons, with a budget of $250,000, made a very good batch of anthrax stimulant using equipment bought off the Internet. It is wrong to allege, as the press did, that making highly purified, "weaponized" anthrax is beyond the reach of anyone outside of a state-sponsored bioweapons program. It's actually relatively simple, and it has been done.

Appeal of Asymmetric Weapons. Biological weapons can be built without the support of a nation-state or the infrastructure of a highly technologically advanced society. These characteristics make them very appealing as so-called "asymmetric threats." Bioweapons enable attacks on America without having to confront the tremendous power of the U.S. military….

As former Senator Sam Nunn has said, it's much more likely that would-be terrorists bent on using a weapon of mass

destruction would try something that doesn't come with "a return address." A ballistic missile coming across the Pacific is arguably much less likely than an attack using an atomic bomb in a suitcase or a biological weapon, and before October 2001, who ever would have thought of envelopes as a weapons delivery system?

Growing Power of Bioscience. A fundamental reason biological weapons constitute such an important strategic threat has to do with their linkage to the trajectory of biological science in the 21st century. The world is entering the age of Big Biology. The growing power to manipulate the viruses and bacteria that have plagued humankind through history can be applied toward both beneficent and evil ends. Nuclear physics is not the only science with a dark side.

Our understanding of the life sciences is advancing at an unprecedented pace, which is sure to bring fantastic opportunities for prevention and treatment of disease and progress in agricultural techniques. As a consequence of the platform built by the advances in engineering and computational sciences in the 20th century, biologists can now generate enormous amounts of information very quickly. Information about bioscience is widely disseminated across the globe and is used for many, many purposes. Propelled by international corporations with high profit margins, these advances are producing products for which there is an avid appetite.

But advances in bioscience and biotechnology may also increase the potential power and diversity of biological weapons. Every time we gain in understanding how virulence is achieved by a particular bacteria or virus or what causes antibiotic resistance, we are learning how we could make a better vaccine or a more effective treatment. That same knowledge, however, can be used to make a more virulent bug or an antibiotic-resistant germ. We are also developing techniques to potentially alter the way microorganisms behave, so that infections typically transmitted only through oral-fecal contact might be rendered contagious via respiratory contact, for example.

The dual-use capacity of biological research is very worrisome. While you can easily tell the difference between the technologies used to build a nuclear power plant and those required to create a nuclear weapon, the distinction between "good" biology and dark biology hinges on its application and intent to a degree that no other technology really has.

Globalization and Vulnerability to Infectious Disease. There is another reason to worry about biological weapons and the epidemics they cause: the consequences of interconnectedness and globalization. Tens of millions of people live in mega-cities in conditions that include poor sanitation, poor nutrition, lack of clean water, and close proximity to their animals. These are perfect breeding grounds for pathogens, whose spread to far corners of the world is facilitated by global commerce and rapid travel. In about 24 hours, you can cross to the other side of the planet. During the pandemic flu outbreak in 1918 it took six weeks to do this—but that was the age of trolley cars and steamships.

ATTACKS HIGHLIGHTED INSTITUTIONAL WEAKNESSES

The consequences of biological weapons attacks are very different from the consequences of other forms of catastrophic terrorism. An epidemic is not a "lights-and-sirens" event. The medical and public health communities will be at the core of any response to bioterrorism, and our way out of the peril we are in depends very intimately on the ability to use our scientific prowess to create an effective biodefense capability.

Currently, the medical, public health, and bioresearch communities face several serious problems. The institutional capacities of American health care and public health systems are inadequate to manage a mass-casualty event. Bioscience talent is not engaged in biodefense. Political leaders are unfamiliar with key issues. Responding to a large bioterrorist attack will inevitably engage a welter of inter-institutional issues that have to do with coordination, not just of different organizations, but of different organizational cultures on levels that range from local governments and universities all the way up to federal, national, and international levels.

Inadequate Data, Information Flow. The first deficiency that became apparent in the 2001 anthrax attacks is that decision-makers lacked situational awareness—they had great difficulty obtaining enough information to understand what was going on.

Medical System Vulnerabilities. Although only 18 cases of anthrax were confirmed in 2001, the anthrax mailings imposed significant stress on the medical system in the cities and towns associated with the attacks. For example, at the hospital in northern Virginia that cared for two of the postal workers with anthrax, the usual number of emergency room visits doubled in the days following the attacks. Any highly visible disease outbreak typically causes many anxious patients to seek care and reassurance from health care providers. This would certainly be the case in a large bioterrorist attack—especially since the early symptoms of the most likely bioweapons pathogens closely resemble the symptoms of common, benign illnesses.

Unfortunately, the U.S. health care system has very little capacity to respond to sudden surges in patient demand. The financial pressures on hospitals and health care organizations have caused these institutions to cut staff, eliminate emergency rooms, and to apply just-in-time supply models to management of everything from nurses to pharmaceuticals. There is no hospital or geographically contiguous collection of hospitals in the country that could cope with 1,000 patients suddenly needing advanced medical care….

Public Health Vulnerabilities. The nation's public health system, like the health care delivery system, lacks the capacity necessary to respond to a surge in demand for services. Public health has been underfunded and understaffed for decades. Health departments in the cities and states affected by the anthrax attacks had to struggle mightily to cope with the demands of what turned out to be only 18 confirmed cases of anthrax….

If 18 cases of anthrax taxed our public health system to this extent, what can we expect from a large attack involving thousands of victims? Most of the public health officials pulled into duty had no training in bioterrorism. Most states and cities improvised as they sought ways to meet the demand. With more than 30 states now enduring hiring freezes in response to the economic downturn, even current response capacity may be eroded.

It is essential that we find ways to enable health departments at the federal, state, and local levels to attract and hire more people and to provide them with high-quality training. It could be especially important to find ways to import physicians with specialty backgrounds in infectious disease, epidemiology, and emergency medicine into public health.

Robust R&D Program for Biodefense: "BioApollo." At present, the great advantage in bioweaponry belongs to the aggressor. By leveraging existing investments already being made by the private sector, the U.S. government could spur the creation of new strategies for coping with bioweapons and infectious disease generally. Over the next few years, developments in the life sciences could create critically useful vaccines and medicines that could make bioweapons far less menacing and less likely to be used. Asking the Federal Emergency Management Agency to coordinate a bioterrorism response armed only with the vaccines and antimicrobial drugs currently available is tantamount to asking firefighters to battle a 12-alarm blaze without water or foam.

Turning the advantage in biological weapons to the defense will require a major investment in R&D. This should be a joint effort undertaken by the Department of Defense and the Department of Health and Human Services.

CONTROLLING THE DARK SIDE OF BIOSCIENCE

The advances in infrastructure, system-building, and technology outlined above will prepare this nation and the international community to better respond to bioweapons attacks. But we won't be truly secure until we can also prevent such attacks in the first place. To do this, we need a completely new approach to arms control, and it must relate to the way we do biological science.

Conventional arms control approaches, such as mutual deterrence, cannot be relied upon to deter bioterrorism because, as we have seen with the anthrax attacks, it is difficult to assign attribution for such attacks. Because individuals can build and wield biological weapons, international treaties are not sufficient to control this threat. Traditional government regulations, such as those that would require special security measures for work with specified "select agent" pathogens, cannot control weapons development from bacteria and viruses that are naturally available, or prevent the potentially malignant applications of research pursued in good faith for beneficent purposes.

A new framework of scientific self-governance is needed to cope with the growing power of biological knowledge. The new framework will likely involve training and accreditation to increase researchers' awareness of biosecurity issues, monitoring of critical databases, new protocols for reviewing and publishing findings and methods, and possibly scientific review boards for especially problematic issues. Scientists must be at the heart of any new systems designed to control this power.

It is imperative to build a universal consensus, particularly among scientists, that the development, production, or dissemination of biological weapons by any persons, laboratories, or governments would be regarded by the world community as one of the most serious of all crimes.

The Hart-Rudman Commission was right in its analysis that the biggest threat facing us is the disparity between advances in biotechnology and our ability to develop systems that can effectively and responsibly manage them. To deal with the threats of bioterrorism, we must catalyze an evolutionary jump in the medical, public health, and bioresearch systems of the present day. It will be one of the great tasks of our generation to get there. ■

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The Human Capital Challenge

By Nicole Willenz Gardner, Ruby Butler DeMesme, and Mark A. Abramson

Since its creation in July 1998, The PricewaterhouseCoopers Endowment for The Business of Government has supported a series of grant reports on human capital. For this special section of *The Business of Government*, we thought it would be interesting and useful to look back on those reports and assess what we have learned about the human capital challenge now facing government. This section is organized around the two major human capital challenges:

- The people challenge
- The workplace challenge

The People Challenge

The new conventional wisdom is that all sectors of society are engaged in a "war for talent." While the "supply and demand" of talent tends to fluctuate with changes in the national economy, the key point is that talent can no longer be taken for granted and that all organizations must now engage in competition for the best and brightest in the nation's workforce. The "war for talent" has many components: how organizations recruit, retain, and develop their people.

The "war for talent," however, starts with recruiting. In their book *The War for Talent*, Ed Michaels, Helen Handfield-Jones, and Beth Axelrod write, "The recruiting game has changed dramatically. It's no longer about selecting the best person from a long line of candidates; it's about going out and finding great candidates." Another "war" book, *Winning the Talent Wars* by Bruce Tulgan, also emphasizes the importance of recruitment. Tulgan writes, "Your human resources department can no longer be on the sidelines for the talent wars. They must become strategic staffing war rooms, central to the daily scramble."

A prime recruiting ground for government continues to be schools of public policy and public administration. In her grant report, "Winning the Best and the Brightest," Carol Chetkovich presents findings from her research on public policy student attitudes toward public service. She found, somewhat surprisingly, that even students who had chosen to obtain a master's degree in public policy were now leaning toward seeking employment in the nonprofit or private sectors rather than the public sector. The students, however, continue to voice support for the concept of public service. If the trend is to be reversed, Chetkovich concludes, a series of actions are needed on both the part of public policy schools themselves and the government. In the area of recruiting, Chetkovich recommends that the government:

- Recruit earlier, more energetically, and proactively.
- Streamline and increase flexibility in hiring processes.
- Open up more lateral hiring options.

The Chetkovich recommendations for aggressive recruiting and lateral hiring are strongly supported by the "war for talent" literature. Michaels, Handfield-Jones, and Axelrod write,

TO READ MORE

All the reports discussed in this article can be obtained in either electronic version or hard copy:

Electronic version

- In .pdf (Acrobat) format at the Endowment website: endowment.pwcglobal.com

Hard Copy

- E-mail the Endowment at endowment@us.pwcglobal.com
- Fax the Endowment at (703) 741-1076
- Call the Endowment at (703) 741-1077

The reports cited are also all included in the new book *Human Capital 2002,* which can be obtained:

From all online booksellers, including www.rowmanlittlefield.com, or by calling the publisher at (800) 462-6420.

"We believe that companies must fundamentally rethink and rebuild their recruiting strategies. They should hire at all levels—middle and senior as well as entry levels—which is a powerful way to inject new skills and new perspectives."

Like the private sector, the government has traditionally been characterized by workers with lifelong careers in the same organization. "For several generations, the corporate ladder was the dominant image for the way people move through companies. People entered at the bottom, and if they were successful, climbed to the top," write Michaels, Handfield-Jones, and Axelrod. They argue, as do many others, that the old paradigm has now been shattered. It began to break in the early 1990s, report Michaels, Handfield-Jones, and Axelrod, "when companies realized that they didn't have enough talented managers in their ranks to pursue all the opportunities and challenges they were facing.… By the end of the decade, promoting exclusively from within, the cultural model that had existed since the beginning of the Industrial Revolution, was disappearing."

Over the last several years, both the executive branch and the United States Congress also came to the realization that the federal government might not have all the talent it needed to respond to the increasingly complex tasks that it was being asked to undertake. In response to the perceived need for additional talent from the outside, Congress gave four federal agencies special authorities for hiring professionals from the outside. The special authorities also included increased flexibility in setting pay and recruiting outside candidates. In his grant report, "A Weapon in the War for Talent," Hal Rainey presents case studies of how the Federal Aviation Administration, the U.S. Patent and Trademark Office, the Office of Student Financial Assistance, and the Internal Revenue Service (IRS) have used their special authorities to recruit new, experienced talent into the federal government.

The use of special authorities has proven to be controversial in the federal government. There have been complaints from some senior career civil servants that the new special authority executives are receiving a higher level of pay than members of the career Senior Executive Service. But Rainey concludes that special recruiting authorities have proven to be a valuable addition to an agency's hiring portfolio. It can be argued that in the "war for talent" era, the federal government needs a broader set of hiring "tools" than have traditionally been available in the past. Just as the private sector concluded that it may no longer have all the necessary talent within its own organizations to meet future business challenges, the federal government may also sometimes need to go outside of its own organization to recruit new talent. Rainey quotes from IRS testimony to Congress, "Our critical pay executives bring external experience, practices, and knowledge not currently available within the organization."

Another major theme of the "war for talent" is the need to develop and nurture talent already in the organization through a variety of executive development activities. The conventional wisdom now is that special attention and increased resources need to be devoted to developing employees in order both to enhance their ability to achieve their organization's mission and to serve as a major retention tool. Nearly 60 percent of managers who intend to leave their current employer within the next two years cite insufficient development and learning opportunities as critical or very important reasons for their leaving.

In his report, "Organizations Growing Leaders," Ray Blunt describes how five organizations in the federal government—the Pension Benefit Guaranty Corporation, the United States Coast Guard, the Western Area Power Administration, the Veterans Benefits Administration, and the Social Security Administration—each created effective executive development programs. While there are common elements in all the programs, one is impressed by the variety of techniques and approaches used in the various programs. Blunt writes, "There are few consistent practices used by all of the exemplary organizations. The use of senior mentors, the identification of behavioral leader competencies for development … the use of well targeted internal training courses, and the use of self-development study or reading are all consistent practices. In addition, exposure to the strategic agenda and to officials of the organization and the use of individualized development plans are widely used."

In another grant report for the Endowment, "Leaders Growing Leaders," Blunt focuses on the importance of individual leaders developing their successors. Blunt describes four roles that current executives can play in developing future leaders: as exemplars, mentors, coaches, and teachers. In support of Blunt's emphasis on the importance of mentoring and coaching, the "talent" literature views coaching as both an important retention and development tool. Bruce Tulgan writes, "It takes time to build an unstoppable groundswell, but the need for coaching is immediate." He reports that many organizations are turning to dedicated insiders or outside professionals to be coaches to employees throughout the ranks.

There is clear evidence that public policy students are eager for both developmental activities and the opportunity to be mentored and coached. Chetkovich recommends that government support professional development and make advancement opportunities clear as effective recruiting tools.

She writes, "Entry-level professionals are very concerned about the possibilities opened up or closed down by their first position, particularly given the expected fluidity of their careers. Even if advancement in the traditional sense of promotions on a career ladder is not available, the opportunity to learn, to develop new skills, and to be exposed both to new substantive areas and to other institutions and actors are all extremely valuable and appealing aspects of the job." Blunt concludes that the "use of challenging job-based experiences" as a development strategy is a key principle of excellent organizations. While "job-based experiences" are clearly viewed as a major factor in an individual's personal development as a leader and manager, the reality is that mobility continues to be limited in the federal government. With the exception of temporary assignments as part of agency executive development programs, such as those described by Blunt, individuals are pretty much left to their own devices to find new positions and challenges in government.

In "Reflections on Mobility," Michael Serlin presents case studies of six individuals who achieved high mobility and moved across the federal landscape during their careers. Serlin argues that such mobility is good for both the individual moving from agency to agency and the organizations receiving them. "All of the individuals featured," writes Serlin, "introduced approaches in the agencies they joined by building on past managerial experiences and knowledge." In many ways, these individuals became living "knowledge transfer" agents by bringing their experience from one organization to another.

Serlin recommends that the federal government become more aggressive and active in encouraging mobility within the federal government. He advocates more cross-training across government and the creation of both a web-based database of senior executives and a well-staffed and knowledgeable executive search office in government to assist agencies in filling key senior career positions. In a related theme to Chetkovich's call for an increase in lateral hiring, Serlin recommends the development of incentives to encourage executives who leave federal service to return later in their careers.

By effectively responding to the various aspects of the people challenge, such as recruiting and development, the federal government will come a long way to preparing itself for the next decade and beyond. But if it does not also effectively meet the second challenge, the workplace challenge, any success in meeting the people challenge will have gone to waste. Responding effectively to the workplace challenge is potentially government's greatest retention tool. Employees will continue to work for their present employer as long as they are being engaged, challenged, and stimulated in a pleasant, congenial work environment. Nearly 60 percent of managers report that "interesting, challenging work" is the critical factor in their decision to join and stay with an organization. Thus, it can be argued that the "work" and the "workplace" are keys to retention and productivity in the office.

The Workplace Challenge

This second challenge can be characterized as the challenge to create a workplace in which individuals find fulfillment and satisfaction, and achieve their personal—and the organization's—goals. The workplace challenge is multifaceted and must be viewed from several vantage points. First, it deals with the environment, both physical and emotional. It includes the treatment of people and the application of guidelines and processes, and it encompasses the infrastructure from which transformation takes place. The environment is generally measured by the "climate" in the workplace: the way people feel about their work, their leaders, and their co-workers. The goal is to make the climate highly conducive to ensuring employees' personal and professional growth. Emphasis should be placed on making the workplace pleasant from both a visual and comfort standpoint.

Just as the "war for talent" has spawned a growing literature, so too has the "workplace" issue, with a focus on both positive and negative trends surrounding the workplace. In *White-Collar Sweatshop*, Jill Andresky Fraser describes the trend toward longer hours, declining rewards, and increased pressure in the private sector. She writes: "Workloads have gotten so heavy that free time really does seem an unimaginable luxury for men and women in all kinds of jobs and industries across the United States. Cell phones, laptops, and other workplace technologies loom as inescapable, since without them white-collar staffers cannot hope to meet the '24/7' demands of their employers. As layoffs, benefit cutbacks, and subtle forms of age discrimination have become ever more pervasive throughout the business world, long-term security for many people now seems to hang on the whims of the stock market, rather than on the strength of their careers."

On the "positive" side of the workplace literature, Don Cohen and Laurence Prusak's *In Good Company* describes how organizations are now using "social capital" to improve life in the workplace and to make organizations more effective. Cohen and Prusak define social capital as consisting of "the stock of active connections among people: the trust, mutual understanding, and shared values that bind the members of human networks and communities and make coopera-

tive action possible." Their picture of organizations is much more positive than that of Fraser. Cohen and Prusak describe corporations that are working hard to increase trust and communication within their organization.

In "A Learning-Based Approach to Leading Change," Barry Sugarman describes a new organizational model—the learning organization. Building on the work of Peter Senge, Sugarman contrasts the new learning organization with the traditional model of the bureaucracy. The new learning organization is more informal, more creative, more participatory, and more flexible than the traditional bureaucracy. Sugarman presents three case studies of federal organizations that attempted to move toward a learning organizational model. He also describes how a learning-based change model differs from the traditional change model.

While the learning organization model has not yet spread to many other organizations in government, it is precisely this model that Chetkovich argues will be more appealing to the new generation of students entering the workplace. To attract more public policy students, she recommends that government:

- Offer work that makes use of the candidate's skills and interest in policy.
- Restructure workplaces away from hierarchy and toward interaction.

Chetkovich writes, "Numerous scholars and consultants have argued that the successful 'organization of the future' will be fluid and interactive rather than rigid and hierarchical. Communication and coordination arrangements will shift according to the nature of the task, and accountability will be based more on results than rules; it will also be mutual rather than top-down.... Just as flexibility and autonomy can be satisfying, a rule-bound hierarchical environment can be disheartening to employees and discouraging to prospective candidates."

A major defining characteristic of the new workplace will be the concept of collaborative management. In "Labor-Management Partnerships," Barry Rubin and Richard Rubin describe the collaboration that took place in Indianapolis, Indiana, between labor and management. They present a case study of how Mayor Stephen Goldsmith forged an effective working partnership with the American Federation of State, County and Municipal Employees (AFSCME).

Another key characteristic of the organization of the future is that it will be a more diverse workplace than it has been historically. In "A Changing Workforce," Katherine C. Naff and J. Edward Kellough explore the concept of diversity and its implication for the workplace of the future. Naff and Kellough support the concept of diversity set forth by the National Aeronautics and Space Administration (NASA), which says that employees are diverse because "they bring a variety of different backgrounds, customs, beliefs, religions, languages, knowledge, superstitions, values, social characteristics … with them to the workplace." In addition to racial and ethnic cultural groups, NASA also states that there are class cultures, age cultures, gender cultures, and regional cultures.

Naff and Kellough explore the differences between diversity and the traditional equal employment opportunity/affirmative action approach. They describe the diversity literature, which argues that diversity must be "managed" in the future if organizations are to effectively create workplaces in which employees work together in a cooperative, productive manner. Without increased attention to differences and how individuals from different backgrounds work together, there is danger that productivity and organizational effectiveness will suffer in the years ahead. Rather than being about legal and social requirements as has been historically the case with EEO/affirmative action, Naff and Kellough support the argument that managing diversity is about "productivity, efficiency, and quality."

Clearly, the multiple dimensions of the people and workplace challenges discussed in this article present senior leadership in the federal government with a daunting task. Office of Personnel Management Director Kay Coles James has expressed a vision for a future federal workforce that is "world-class" and against which the private sector will benchmark for best practices. We present this special section of *The Business of Government* to spark debate and discussion about how this lofty vision can become a reality. ■

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The Six Key Human Capital Questions Facing Government

By Mark A. Abramson, Jill K. Foley, John M. Palguta, Kevin Simpson, and Stephanie Webb

There is growing awareness that simply maintaining the status quo with regard to federal workforce issues is unacceptable. Much has been written about the impending retirement of a substantial percentage of the government's most experienced workers, the skills gaps that exist in many departments and agencies, and the pressing national and international challenges that must be addressed by a federal government that does not have enough of the right people in the right jobs. Both Congress and the executive branch are increasingly focused on finding solutions to some serious federal workforce problems.

Finding the right answers, however, requires that we ask the right questions. While there is no dearth of opinions and anecdotes to be shared on the topic of human capital in the federal government, development of effective workforce policies, programs, and practices needs to be based on real data, hard evidence, and solid research. Recognizing this, the nonprofit and nonpartisan Partnership for Public Service and The PricewaterhouseCoopers Endowment for The Business of Government decided to join together to do something about it. In January 2002, the two organizations sponsored a two-day retreat, "Human Capital: Mapping a Research Agenda," for 27 of the nation's leading experts on public service at the Aspen Institute's Wye River Conference Center. Working in small groups, retreat participants identified a series of key research questions that they recommend be addressed to better inform the debate on the future of the civil service.

Participants agreed that a variety of methodological approaches are needed to address current gaps in our knowledge about the federal civilian workforce. In some cases, there was consensus that it was not original research that was needed but rather better use of existing data sources or a synthesis of the existing research. For other questions, however, the participants agreed that there might be insufficient data or research available and that some new research efforts may well be needed. In either case, however, a consensus was reached on six overarching questions that need to be addressed and on the research or data that, collectively, would help to answer each question. According to the experts, the six key human capital questions now facing the federal government are the following.

1

What are the attitudes of potential job applicants toward public service?

According to a 2001 Hart-Teeter public opinion survey, just one in six (16 percent) of college-educated workers express significant interest in working for the federal government. Public opinion about federal employment certainly impacts the size of the potential applicant pool for federal jobs. Retreat participants agreed that an annual survey of the labor market should be conducted to increase knowledge about the attitudes of potential job applicants. This proposed survey would increase understanding of what prospective employees are thinking about public service and whether they are considering applying to government. Specifically, such a survey would probe:

- Attitudes toward entering public service;
- Knowledge about career opportunities in the federal service; and
- Expectations regarding the hiring system, including factors such as expectations regarding the speed of hiring.

2

Is the government succeeding in attracting talent at the mid-career level?

While much research has historically focused on attracting people to public service at the entry level, participants felt strongly that the federal government needs to dramatically improve its ability to bring experienced workers into government. An impending retirement wave following almost a decade of downsizing will leave the government with a "thin

From left to right: J. Christopher Mihm, U.S. General Accounting Office; Steve Nelson, U.S. Forest Service; Robert J. O'Neill, Jr., National Academy of Public Administration.

bench" of well-qualified internal candidates and will require increased hiring of experienced non-federal candidates. According to a recent report by the Partnership for Public Service, "Mid-Career Hiring in the Federal Government: A Strategy for Change," of the more than 60,000 federal positions filled at the General Schedule (GS)-12 to15 grade levels in FY 2000, only 13 percent were filled by individuals hired from outside government.

Furthermore, there was agreement that the "lifelong" career model (individuals entering government at entry-level positions and staying for a 30-year career) was viewed as outdated, signaling a need to develop new models for federal hiring. Retreat participants suggested the following research questions need to be answered:

- What federal agencies are now successfully hiring at the mid-career level?
- What types of individuals are coming into government at mid-career and what is motivating or attracting them to enter public service?
- What are the current institutional deterrents and disincentives to entering public service at mid-career?
- How are mid-career entrants finding out about federal employment?
- What has been learned in the private sector about recruiting mid-career employees? More specifically, what has been the impact of mid-career entries on the attitudes of longer-term private sector employees? How does the private sector "manage" lateral entries? How does the private sector determine the right balance between "growing their own" and recruiting mid-career talent?

3

What have we learned about competitive sourcing, including outsourcing, and its impact on human capital?
Participants viewed this as an important, albeit large and somewhat unwieldy, topic. It was recommended that it be broken down into several discrete studies that collectively would increase understanding of this issue. Individual studies would address the following questions:

- What do we know about the A-76 process? Such an analysis would tell us how long it currently takes, what it costs, and whether alternative methodologies exist for the process. The study would also ascertain whether work comes "back" to the public sector after it is recompeted, following the original "loss" to the private sector.
- Is competitive sourcing having an impact on government's ability to recruit and retain well-qualified staff?
- What are the new competencies required to manage large contracts?
- What are the challenges of a blended workforce of career employees and contract employees?
- What is the impact of competitive sourcing on productivity, both on the public and private sector side?
- What has the Department of Defense learned about effectively contracting out work to the private sector?

4

What is the impact of the "workplace environment" on the federal government's ability to retain and develop its employees?
There was agreement that a better understanding was needed about the impact of the "workplace" on employee retention. Specifically, there was great interest in learning more about the impact of supervisors and specific managerial practices on their employees.

It was recommended that traditional "employee satisfaction" surveys—and other relevant research efforts—be expanded to include a broader set of questions ascertaining the nature of the interaction between supervisors and employees, such as assessing:

- The extent to which performance is recognized and rewarded
- The perceived opportunities for development and advancement within the organization
- The level of organizational commitment held by individuals
- The degree to which supervisors or others in an organization provide mentoring to younger employees

- The kinds of training now being received by federal managers and supervisors and what other forms of training would be effective in improving the government's ability to manage.

5

What is the relationship between "high performing" organizations and key organizational and human resource factors? During the course of the retreat, this set of issues came to be dubbed the "so what" question: Is there a relationship between organization and human resource practices and high organizational performance? Answering this question, however, faces two major challenges. The first challenge is ascertaining organizational performance. To what degree can an organization's performance management system currently assess and describe its performance? Is there agreement on what high performance looks like in the organization?

The second challenge is developing an agreed-upon list of key organization and human resource practices to assess their impact on organizational performance. A major goal of this area of research would be to assess the "value added" by best practices in human resources to organizational performance.

There were several suggested approaches to gathering useful information in this area, including:

- A comparative assessment of organizations currently operating under Title 5 with those currently exempt from Title 5 (referring to that section of the U.S. Code that regulates most human resource policies and practices in the federal civil service). The goal of such a study would be to ascertain the impact of the significantly different human resource practices on organizational performance.
- An overview and synthesis of the results of various demonstration projects undertaken across government to see whether human resource innovations have positively impacted performance in organizations that have undertaken such projects.

6

What is the collective impact of the various laws, rules, and regulations governing the administration and management of human capital in the federal government on the government's ability to manage its resources and perform its functions?

Title 5 of the U.S. Code provides a fairly extensive set of requirements and guidelines that limits the options available and the decisions that can be made regarding management of the federal workforce. This includes a set of statutory merit system principles and a fairly rigid job classification and compensation system. This legal framework is elaborated in a detailed code of federal regulations. While each component of the current structure has been analyzed and studied in a fair amount of detail, there has been insufficient attention paid to an integrated analysis of the whole system and the degree to which the laws and regulations are themselves in tension with the requirements of a high-performing organization. Research in this area would seek to answer some fundamental questions in the context of the current and future world of work. These would include:

- What changes need to be made in the merit system principles?
- What changes should be made in personnel law?
- What changes should be made in government-wide regulations?
- What changes should be made in agency interpretation and implementation of the principles, laws, and regulations?
- What needs to be done to enhance the government's capacity to identify, agree on, and implement significant changes in human resource management?

Clockwise from left: Robert J. O'Neill, Jr., National Academy of Public Administration; James P. Pfiffner, George Mason University; Mary Hamilton, American Society for Public Administration; Steve Nelson, U.S. Forest Service; Dana Sitnick, Office of Personnel Management.

Conclusion

Retreat participants clearly believed that the "time is now" to begin undertaking the research agenda presented in this article. There is no shortage of groups and organizations to begin this research: the academic community, the nonprofit community, and government itself. There was a consensus at the retreat that action on civil service reform was likely over the next several years. Clearly, decisions will be made. The challenge facing the human capital research community is whether those decisions will be informed by sound research and "state of the art" knowledge. It is the aim of the research agenda presented here to stimulate research now to assist those making decisions in the near future on a 21st century civil service system. ■

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Partnership for Public Service

Key Players: The Leaders

(There are several key organizations in government that have responsibility for various aspects of human capital. In this special section, we profile three of those leaders. Kay Coles James is director of the U.S. Office of Personnel Management. She was confirmed by the United States Senate on July 11, 2001. Beth S. Slavet has been a member of the Merit Systems Protection Board since August 12, 1995. She was appointed chairman on December 22, 2000, and served in that position until December 20, 2001. Amy Comstock was confirmed as the sixth director of the U.S. Office of Government Ethics in November 2000.)

Kay Coles James

Director
Office of Personnel Management

"It's our job to make sure that Americans have the best and brightest individuals ... to come in and work for the federal government," says Kay Coles James, director of the Office of Personnel Management (OPM). OPM is currently leading a government-wide effort to improve the strategic management of human resources and to assist federal human resources managers in overcoming obstacles, such as the looming retirement of knowledge workers and senior executives, recruitment and retention challenges, skills gaps in critical positions, and a cumbersome hiring process. "We are standing on a burning platform," declares James. If the federal government doesn't take action to remove these obstacles, she believes, it will face greater problems in the future. In responding to these challenges, James sees an "opportunity" to improve the way government manages its human capital.

> "[THE GOAL IS] TO PUSH DECISION MAKING DOWN TO THOSE INDIVIDUALS WHO ARE ON THE LINE, WHO WILL BE IN A POSITION TO ATTRACT AND RECRUIT AND RETAIN THE BEST AND THE BRIGHTEST."
>
> —KAY COLES JAMES

When asked about the role of OPM, James says: "OPM is tasked with the strategic management of human capital for the federal workforce." It is also responsible for current employees, retirees, and their family members. Director James leads 3,500 employees at OPM, who protect the merit

system principles and ensure that the nation's civil service remains free of political influence. OPM also manages the federal retirement system, as well as the world's largest employer-sponsored health insurance program. She emphasizes OPM's role as "consultants," helping agencies to identify solutions and providing them with the tools to get results. James explains: "We have assembled a team of experts who will go to agencies as consultants.... The agency can explain to us what they need to get done and we can show them how to do it within the context of current law, while preserving the merit systems principles and veterans' preference."

James has responded to the call to public service on several occasions throughout her career. President George W. Bush called on James to lead OPM. She says, "I feel very strongly in the citizen's responsibility to come in and to serve; and I think that individuals in the private sector have a responsibility, when asked by our government to come in and serve ... for a period of time." James also served former Presidents Ronald Reagan and George H. W. Bush. "Having gone out and worked for the values and principles, and for people that I admired and respected," recalls James, her next step was to "be a part of helping to implement those policies."

She has had a diverse career in the private, nonprofit, education, and public sectors. Her background includes key policy roles in federal and state government, including Virginia's secretary of Health and Human Resources, associate director of the White House Office of National Drug Control Policy, head of the National Commission on Children, and chair of the National Gambling Impact Study Commission. However, she says, "the joy of my life" was her tenure as dean of the School of Government at Regent University, in Virginia Beach, Virginia. In addition, she has worked with numerous nonprofit groups, most recently as senior fellow and director of the Citizenship Project at the Heritage Foundation.

The tragic events of September 11th, she observes, have transformed the environment of human resource management in the federal government. For example, "one of the things that we saw as a huge detriment to attracting people to come into the federal workforce was the very low image that people had of their federal government and of the federal workforce," says James. "The current data tell us that there is more trust in government and a heightened awareness of the kinds of work that we do." In fact, she reports, "in certain job categories and with certain agencies, the applications have doubled and, in some cases, tripled."

OPM now faces a new set of challenges. OPM must, says James, "build capacity in order to deal with the influx of people who want to come into federal service." James comments that "the federal government is still operating on a paper application system.... We have been tasked ... with providing leadership on the e-government initiatives that will look at how we can centralize that, streamline it, and make it more customer friendly and service oriented." James is spearheading a new e-government initiative to automate and re-engineer the way the federal government processes applications, called "Recruitment One Stop."

As director of OPM, she says that providing leadership on the President's Management Agenda is her top priority. "On a day-to-day basis, what I have to do is to make sure that every employee within the Office of Personnel Management and every senior manager within the federal government comes to understand that they must be driving the [President's Management] agenda."

This self-described "cheerleader for the federal workforce" has adopted a heavy speaking schedule to communicate the goals of the agenda by "pressing our issues internally within the administration, on Capitol Hill, and being the advocate of the federal workforce every opportunity that I have." In addition, OPM is sponsoring a series of workshops for members of the Senior Executive Service, targeting line managers, to help them "be conversant with the budget; to be conversant with long-term strategic planning techniques; to understand the implications of competitive outsourcing and what that means ... to make sure that ... all managers have the appropriate tools in their tool box to get the job done." The goal is "to push decision making down to those individuals who are on the line, who will be in a position to attract and recruit and retain the best and the brightest."

James also hopes that human resource workers throughout government will become "strategic thinkers." She states: "I am pressing them to focus on succession planning; to focus on what their organization should be structured like; what should it look like in order to accomplish the mission; to do long-term strategic planning about the people that you will need to accomplish your mission." Her allies in this cross-cutting challenge include the Human Resources Management Council, made up of human resource managers across government, and the President's Management Council. Efforts to improve human capital "cut across all management agenda items," according to James, who believes that her job requires "a consensus builder, an advocate, a leader, one who's not afraid to take risks."

What will success look like for James and OPM? "When someone applies to the federal government and it doesn't

take six months to hear whether or not they have a job.... When employees who work for the federal government say, 'This is the best working environment that I could possibly have....' When the American people hold the federal workforce in high regard for the valiant patriots that they are, and we can improve the numbers and the public perception about the federal workforce....When OPM is operating as a world-class organization and people in the private sector are looking to us for best practices—that's what success looks like to me."

Beth Slavet

Member
Merit Systems Protection Board

"If someone gets fired or suspended by a manager in the federal government, ultimately the decision of whether that [action] is going to be upheld is made by … the U.S. Merit Systems Protection Board (MSPB)," explains Beth Slavet, member of the Board.

Throughout her career, Slavet has worked on employment and labor relations law in various capacities. Her work as staff attorney for the American Federation of Government Employees, she says, gave her a familiarity with public personnel law that contributes to her role at the MSPB.

Following this experience, she practiced employment and labor law in Washington, D.C., for eight years. Slavet also worked as legislative counsel and staff director for U.S. Representative Chester Atkins of Massachusetts before her nomination to the Board in 1995. During her term, Slavet served one year, from December 2000 to 2001, as chairman of the bipartisan Board. Reflecting on her career, Slavet says, "I think serving the public is an incredibly rewarding activity."

"The Board, as established under the Civil Service Reform Act of 1978, has basically two missions. The first mission, for which we are best known, is the adjudication of federal employment personnel cases," explains Slavet. "The second mission of the Board is to ensure and do studies [on how] the merit principles … are incorporated and encouraged in practices throughout the government." The Board's periodic studies on sexual harassment, she notes, have been some of its most famous work. The MSPB looks at "the assurance of merit principles and the prevention of prohibited personnel practices," says Slavet, as well as "actual practices within the government which may or may not ensure the encouragement of merit principles."

"MANAGEMENT AND THE EMPLOYEES NEED TO TALK. THE EMPLOYEE NEEDS TO KNOW WHAT THEY'RE DOING WRONG, HOW THEY CAN IMPROVE IT … [AND] HOW YOU CAN LEARN FROM YOUR MISTAKE AND MOVE FORWARD."

—BETH SLAVET

The Board's significant decisions, coupled with its research functions, provide valuable information about the policies and practices affecting the nation's civil service. These are the more than 3 million members of the federal workforce—letter carriers, airport security personnel, technicians, managers, and senior leaders, to name a few—who support and implement vast and diverse public missions. Numerous agencies have been established to serve this group and resolve personnel problems that may arise. Slavet asserts that the great scope of issues generated by this workforce has created some confusion about the specific responsibilities given to each agency.

The Civil Service Reform Act of 1978 replaced the Civil Service Commission with three new independent agencies: the Office of Personnel Management (OPM), which manages the federal workforce; the Federal Labor Relations Authority, which oversees federal labor-management relations; and the MSPB. The MSPB assumed the employee appeals function and was given new responsibilities to perform merit system studies and to review the significant actions of OPM. "We have a passive more than an active role in personnel processes," says Slavet. The Board reviews adverse actions involving misconduct or poor performance, whistleblower and discrimination claims, and retirement complaints that fall within the jurisdiction of the Board. "We have to determine under the statute whether … we have the right to decide the case under the law that Congress has given us to administer," she says. While individual decisions by the Board clearly impact specific employees, its policy studies conducted through the MSPB's Office of Policy Evaluation can have a broader impact on the workforce.

The civil service functions were separated among the three agencies in part to "preserve due process and fairness and independence for both agencies and for employees," explains Slavet. The balance of power can also create what she describes as a "natural tension" between agencies. "On the one hand, we do not make substantive policy decisions"; that is the role of OPM. "On the other hand, we have certain expertise in these areas," states Slavet. "So how do you walk the line of making sure that people understand … the issues?" She observes: "You want to be as pure as you possibly can and not compromise that, and that can be difficult."

In adjudicating personnel complaints, the Board operates like an appellate court with three members: the chairman, the vice chairman, and the member. "Each Board member's vote counts the same as any other Board member's vote," explains Slavet. "The chairman is the CEO of the Board and is responsible for all of the management and administrative functions." Employees may file a complaint with the Board within 30 days following a personnel action, such as a suspension. The MSPB's regional office creates an "Acknowledgement Order" that describes the case, explains the appellant's burden of proof, and delineates the appeals process. Following a pre-hearing conference with both sides, the regional office will hold a hearing and issue a decision. Then that case can be appealed through a petition for review to the three-member board. The Board excels at expediency, according to Slavet, who states that the entire process from complaint to decision will take place in less than 100 days, barring unusual complexity.

Slavet notes that it is important for the Board to employ all means possible to educate and inform their customers—civil servants—about the appeal process. Technology has created new ways for the MSPB to communicate with its customers. Through the MSPB's website, says Slavet, "we really have become quite aggressive at making announcements and making ourselves accessible." The MSPB recently posted all of its precedential decisions prior to 1994 for public research. It has also issued and distributed a video that "enables us to explain MSPB appeals procedures in greater depth than is practical in the print publications we have made available for many years." In addition, the MSPB's 240 employees and the Board members conduct outreach, speak to groups, and publish surveys.

Slavet is hopeful that in the future alternative dispute resolution mechanisms will be used more frequently to resolve personnel problems. "Management and the employees need to talk. The employee needs to know what they're doing wrong, how they can improve it … [and] how you can learn from your mistake and move forward. The managers need support from their managers so that that style of managing is appreciated and understood, so the dispute doesn't become a political game within themselves," she says.

When asked about the potential impact of the proposed Freedom to Manage legislation to improve personnel processes, Slavet says: "I think the idea of some certain flexibility makes a lot of sense, but with flexibility comes accountability, and the leadership of an organization and the middle managers who are carrying out that flexibility need to both understand it and have the resources to be able to do it." The hope is that these flexibilities will improve the federal government's ability to recruit capable workers to fill critical civil service positions. In addition, these improvements point toward the need to create working conditions, processes, and relationships that encourage retention and

reduce complaints due to adverse actions. Given the appropriate resources and internal support from organizational leaders, coupled with external support from the MSPB and other agencies dedicated to improving civil service, Slavet is hopeful that employees can have positive experiences throughout their career in public service.

Amy Comstock
Director
Office of Government Ethics

"The Office of Government Ethics was created in 1978, as part of the Ethics in Government Act, under the leadership of President Carter. It was created in the wake of the declining trust in government following Watergate. There were a lot of responses to that scandal, and one of the concerns was that the public had lost its trust in government and needed a little more ability to assess for itself the integrity and impartiality of government officials," explains Amy Comstock. Comstock is the current director of the Office of Government Ethics (OGE), where she is challenging government employees to "bring their own years of experience and judgment to any issue they consider to be ethical."

"The code of conduct is not the last ... stop for your own decision making as a government executive. We establish minimal standards for behavior, but ... one must always bring their own values, their own judgment to any decision that they make," says Comstock.

All presidential appointees and 20,000 top government executives file the public financial disclosure form annually, which is available to the public. Another 250,000 public officials file the confidential financial disclosure form. Ethics officials and the OGE review these forms for potential financial conflicts. "The rules, regulations, and the laws that we implement are all designed to ensure impartiality and integrity in decision making by government officials," says Comstock. She directs 82 full-time employees, including lawyers and government ethics experts at the OGE. "I'm happy to say, we have a lot of longtime employees who really enjoy the work they do and feel strongly about our mission. And that's really good, given the fact that the skills that we need for our job are really unique to OGE."

> "EVERY DEPARTMENT IN THE FEDERAL GOVERNMENT AND AGENCY HAS A DESIGNATED AGENCY ETHICS OFFICIAL. THEY'RE THE PEOPLE WHO BRING TO LIFE THE PROGRAMS, REGULATIONS, AND POLICIES SET BY OUR OFFICE."
>
> —AMY COMSTOCK

Comstock is a lawyer by training. After two years of practicing law in a private Washington, D.C., firm, however, she decided "the private law-firm mission was not going to be mine." She began a career in the public service and went on to serve as the general counsel for ethics programs in the U.S. Department of Education and the White House. She reflects that her previous experiences in public agencies were "excellent training for the work that we do from the perspective that the ethics program ... has a huge impact on lives."

"The areas that we oversee are ... the areas where someone's job and their personal life may overlap. That's pretty serious business," says Comstock. "You're talking about affecting someone very personally. The experience that I had in running the ethics programs at [the U.S. Department of] Education and the White House—the experience of having to train employees, having to counsel employees, and having to sit with employees when you're telling them what they simply can't do, either in their jobs or in their personal lives, that which they very strongly want to do—that's a hard thing to do. I think it was important for me to be able to bring that kind of experience to OGE."

Currently, Comstock is attempting to simplify the financial and public disclosure processes that she describes as "too burdensome." Her top management priority is to pass the Ethics in Government Act Amendments of 2001, proposed by her office and introduced in Congress on December 12, 2001. She believes that this legislation will make it easier to file for financial disclosure. "If these proposals are enacted, we will be able to reduce by hours and hours the amount of time it takes to fill out this form, and ... not impede at all an ethics official's or the public's ability to determine whether someone has a conflict and assess integrity in decision making," she explains. "The number one priority will be to do anything we need to do to ensure the passage of the legislation.... It is nonpartisan, good-government legislation, and I'm hoping it will go through." The bill is currently scheduled for markup in the Senate Governmental Affairs Committee this spring.

Comstock is also seeking to strengthen communications with ethics officials in other agencies and to have OGE play a stronger role in providing ongoing support to the executive branch ethics community. "Every department in the federal government and agency has a designated agency ethics official. They're the people who bring to life the programs, regulations, and policies set by our office. They are each tasked with the responsibility of overseeing the ethics program within that agency. It's really a brilliant structure, because it allows each department and agency to have someone who can tailor the ethics program within that agency to the needs of that agency," Comstock explains. "What I'm talking about," says Comstock, "is reaching out more directly to supervisors and instilling in them a sense of mission and ethical culture."

"We all look to our leaders to see how they act in terms of setting our own standard," says Comstock. Therefore, she hopes that her work to establish an ethical culture among public executives will pass on to the next generation of public servants. Her advice to young people interested in public service is simple. She says: "Work hard, stay in school, and go to college. Beyond that, I'm really proud of my career in government service. I still consider myself a career public servant, in spite of the fact that I am a presidential appointee. In the 13 years that I've been in the government, I have seen so many instances where a person's personal interests, personal passion, and hard work have allowed them to get a policy through to effect a change in the government, to actually have an impact." ■

All three profiles are based on *The Business of Government Hour* radio interviews. To listen to the radio interview with Ms. James, Ms. Slavet, or Ms. Comstock via Real Audio, visit the Endowment website at endowment.pwcglobal.com. Transcripts of the radio interview with each of the leaders are also available on the website.

Key Players: The Change Agents

By Abigail Llewellyn Bailes

Lengthy applications, complicated hiring processes, and below market pay, compounded by the impending retirement of top executives and leaders within the federal government, have contributed to the human resources (HR) "crisis." Some of the major hindrances to transforming the federal government's workforce have been its highly regimented and regulated HR practices, which often have the effect of discouraging exactly the kinds of highly skilled workers that the government seeks to attract. "We are still in a tight labor market. When we get out of this recession, it's going to be even tighter. So we are competing ... with other federal agencies and with the private sector for the best and brightest," observes Miguel Torrado, associate commissioner for personnel at the Social Security Administration. These challenges are the key problems that HR managers are dealing with and that the administration is seeking to repair.

The PricewaterhouseCoopers Endowment for The Business of Government recently spoke with four innovative federal government HR practitioners on *The Business of Government Hour* radio program about what they are doing to reform HR: Glenda Tate, assistant administrator for the Office of Human Resource Management at the Federal Aviation Administration; Ronald Sanders, chief human resources officer at the Internal Revenue Service; Donna Beecher, director of the Office of Human Resources Management at the U.S. Department of Agriculture; and Miguel Torrado, associate commissioner for personnel at the Social Security Administration. These government *change agents* expressed their concerns and enthusiasm for a renewed government focus on attracting, hiring, retaining, and building a supportive work environment for employees.

Several of the agencies featured in this article have been granted special authorities and flexibilities to throw out cumbersome HR processes to facilitate better hiring of employees directly linked to the agencies' transformation strategies. Many of these government agencies are implementing reforms and programs that will shape the future of federal government HR. Furthermore, President Bush's Management Flexibilities Act seeks to enhance, expand, and codify some of the same innovative human capital flexibilities that have been tried and proven a success in individual federal government agencies. These flexibilities are the administration's response to a common question, as posed by Glenda Tate: "How do we [the federal government] compete for the best and brightest with the private sector?"

Glenda Tate

Assistant Administrator
Office of Human Resource Management
Federal Aviation Administration

"We see ourselves as a strategic business partner in the agency," says Glenda Tate, assistant administrator, Office of Human Resource Management at the Federal Aviation

Administration (FAA). Tate is working to transform old HR processes and to develop organizational leaders with the skills needed to achieve the FAA's 21st century mission.

When she began in HR, Tate says, it "used to be ... what I would call a policing and enforcement function." She spent most of her time making sure that she knew the regulations and that people adhered to those regulations. Once she left HR and became a manager, she says, her perspective changed. "Sitting on the other side of the table, using the resources from the HR organization ... I really began to understand the importance of this particular function. It was almost as if I had to go over on the other side to see the real value of what HR could add in an organization." Through this experience, Tate realized: "We need to move to a place where we can be a strategic partner to actually help accomplish the mission of the organization."

In 1996, Congress enacted the Federal Aviation Reauthorization Act, which included federal pay reform: "The FAA was effectively removed from all the personnel practices and provisions of Title 5, the basic rules that ... the rest of government operates from," Tate recalls. Using this authority, the FAA has created its own personnel practices, choosing voluntarily to retain some of the Title 5 programs, such as the merit principle and veterans' preference. Tate believes that the new policies and procedures will help the FAA to maintain its "competitive edge."

These changes have "done away with the old entitlement and tenure-based compensation system," states Tate. The new system is performance based and market based, coupled with a performance management system. "Instead of pay increases being based on longevity and tenure, pay increases [are] now ... based on organizational and individual performance." Moreover, the FAA has aligned its HR to focus on what Tate calls "21st century skills"—that is, leadership qualities and growing future leaders who are more than technicians. "We believe that you need to start grooming leaders very early, not just at the point that they are going to be a supervisor or a manager," says Tate.

Tate also reports that the FAA's administrator, Jane Garvey, has made HR a top priority. For example, while most HR functions report to an administrative head, the FAA's HR office reports directly to the administrator so that it can sit as a strategic partner with various operating entities, be aligned with the overall mission, and serve as an enabler to the mission-driven operating functions. Tate describes HR: "We are infrastructure builders. We are there as enablers as we move down the path of trying to make sure that we've got an agency that is on target, an agency that in the HR area remains competitive."

The FAA, like other agencies, is competing for the best and brightest and re-packaging federal government jobs to sell in a competitive market through better pay-and-performance systems. Tate is also selling government as a unique and challenging work environment where the best and brightest can use their skills to tackle the most pressing problems. "There is no other place, there is no other organization in this country where you are going to be able to do the kind of work that we do," says Tate.

Ronald Sanders
Chief Human Resources Officer
Internal Revenue Service

Ronald Sanders says he was passionate about the opportunity to "get my hands dirty again.... It was frustrating to watch other people do things, to study what they did, and in some cases to even advise them about what they were doing, and not actually do it." Sanders was offered his current position as chief human resources officer at the Internal Revenue Service (IRS) after he testified as an academic expert on IRS restructuring before the Senate Finance Committee in 1998.

Sanders said that after his testimony, IRS Commissioner Charles Rossotti asked him to "take your academic hat off, put your practitioner hat back on, and come help me implement [IRS personnel reforms]." So he did.

Following the IRS Restructuring and Reform Act of 1998, a congressional mandate for change, the IRS restructured its operational and HR organizations to create a "flatter" organization. All senior executives were required to re-compete for their jobs, "a painful process," recalls Sanders. The IRS is a massive employer, totaling nearly 100,000 people, ranging from people "who spend their days on the telephone answering calls from taxpayers to accountants who spend their days auditing books, and [we] even have our share of economists and engineers.... There's quite a range of employees and occupations in the IRS," reports Sanders. Requiring managers to re-compete for their positions allowed the IRS to create a "qualitative transformation," says Sanders. Ultimately, nearly 12 layers of management were slashed in half.

This process was facilitated by a series of personnel flexibilities provided by the reform act. The "critical pay" authority allows the IRS to hire 40 "exceptionally well qualified" personnel at a maximum compensation at the level of the vice president's salary. According to the act, these special hires must be "critical to the IRS's successful accomplishment of an important mission." Other flexibilities provided in the act include variation from standard recruitment, retention, and relocation incentives; streamlined demonstration project authority; performance management with retention standards for employees; and authority to establish a broad pay-banding system. These new rules sped up the hiring process, increased critical salaries, and allowed the IRS to recruit executives from the private sector to lead its new operational divisions.

IRS also reorganized its services by individual customer segments rather than geographically, reflecting its renewed commitment to customer service. "Before, the IRS viewed itself as a unitary employer—one size fits all," he says. "Now that we've divided into operating divisions, each of those divisions has its own specialized human resource staff"—a structure that has "proved to be extremely effective so far." He adds: "We've created a new organization called Agency Wide Shared Services that takes care of ... back-room operations: facilities, procurement, personnel, and payroll…. Their customers are IRS employees and managers." This new division of labor allows Sanders to focus on long-term strategy. "If I had operational responsibilities, fighting fires would occupy the bulk of my time. I wouldn't be looking out 12 months, 24 months, five years ... you can't afford to have a short-term operational perspective exclusively."

The IRS's reorganization and new customer-centric approach was modeled after the private sector, a growing trend among government agencies hoping to benefit from the successes of private industry. "I'd like us to be as good as the best in the private sector, " says Sanders. Each of the HR practitioners featured in this article commented that bringing in employees from outside of government, coupled with greater HR flexibilities, has initiated an organization-wide change in perspective that, according to Sanders, sends the message: "Let's get on with it. Let's change this organization at a pace that wouldn't be possible otherwise."

Donna Beecher

Director of the Office of Human Resources Management
U.S. Department of Agriculture

"I see myself as a visionary," says Donna Beecher, director of the Office of Human Resources Management at the U.S. Department of Agriculture (USDA). "The ability to connect with people and help people connect to a vision is an important quality. People want to be part of something bigger than themselves ... an effective leader helps make that possible." Beecher's vision has helped the USDA to success-

THE MANAGERIAL FLEXIBILITIES ACT: A PROPOSAL FOR CHANGE

The Bush administration has proposed legislation designed to stimulate a renewed focus on achieving results in the federal government. Getting results will require that government agencies align all aspects of their work with mission-oriented activities, including HR. In October 2001, President George W. Bush set forth a series of human resources reforms in the Freedom to Manage Act that focus on restructuring federal government employment with new flexibilities and improvements in "the Three R's—recruiting, retention, and relocation bonuses." Some of the key changes proposed include:

- Expanding early-outs and buy-outs for restructuring of the workforce
- Expanding and increasing recruitment bonuses
- Eliminating the Senior Executive Service recertification process
- Increasing the executive level aggregate annual pay limit to the vice president's salary
- Lifting number and time limits on demonstration projects
- Expanding direct hiring
- Allowing categorical ranking as an alternative to the Rule of Three

In addition, the act includes an alternative personnel system proposal that will allow agencies to design demonstration pay and personnel systems that deviate from the government's General Schedule pay system.

fully pioneer an innovative demonstration project to transform hiring practices. Due to its success, the President's Managerial Flexibilities Act seeks to extend the demonstration project government-wide. The centerpiece of the USDA's lauded hiring program is its "categorical rating" system. This system has been a tremendous success within the two USDA agencies participating in the project: the U.S. Forest Service and the Agricultural Research Service.

USDA's broad mission employs more than 80,000 employees nationwide, ranging from scientists to firefighters to management support staff. Beecher is currently developing and implementing innovative HR reforms that will help USDA recruit and retain quality leaders to take the department through the 21st century. Like the other change agents profiled, she emphasizes the importance of thinking long term in order "to project where the federal government's human resources challenges would be coming from." Beecher places the highest priority on selecting quality managers, because she notes that "people tell us ... that the number one reason they quit their job is that they don't get along with the person they work for."

Beecher worked at the Office of Personnel Management for 12 years before joining USDA. One of her more significant experiences in her government career was involvement in launching several demonstration projects across government, including pay banding and, most recently, the USDA's categorical ranking project as an alternative to the Rule of Three, which is the "traditional way the government examines for hiring ... into the civil service," explains Beecher.

Under the Rule of Three, all applications are assigned a numerical score (ranging from 0.0 to 100.0) and "the selecting official is limited to the top three people on the list," states Beecher. In practice, she asserts, the Rule of Three severely limits choices for agencies searching for the right employment fit. Arbitrariness also underlies this system. When tied scores occur at the top of the list—a common occurrence, according to Beecher—they are resolved through random number selection, creating an arbitrary break to select the three top choices. Moreover, selecting officials "cannot pass over a preference eligible in order to select a non-veteran.... So if you had one preference eligible at the top of your list and the other two are non-veterans, you really are talking about a rule of one."

"[Categorical rating] isn't necessarily a tool for speeding up the hiring process, but it's a tool for eliminating a lot of arbitrariness," says Beecher. Instead of a numerical score, applications in categorical ranking are sorted into quality categorical groupings "based on pre-established job-related criteria." While veterans' preference is still an important factor and those candidates are automatically listed at the top, "employers can choose any one of the veterans in the top quality group," says Beecher. "That can be 10, 15, or 20 [candidates]." If there are no veterans, the hiring officials are free to pick any of the non-veterans in the top category. Either way the choices are greatly expanded. "It makes common sense to people. You can't predict success in a job to the 10th of a percentage point. But you can segregate the high-quality applicants."

Beecher hopes that this new process will lead to new hires with the leadership qualities that the federal government needs to bring its services into the 21st century. Thus far, managers at USDA are pleased about "getting high-quality candidates and more of them to choose from." This is the positive response that the Managerial Flexibilities Act hopes to receive across the government. "Many of the flexibilities in the act ... have been flexibilities we have wanted for some time," says Beecher. The act, she explains, "makes it easier to launch new demonstration projects and expand existing demonstration projects when they have been determined to be successful.... One of the first things I expect USDA would do is to ... approve [the categorical ranking system] for the whole department as an alternative personnel system."

She also points out other flexibilities that USDA hopes to implement if the legislation is enacted, such as the ability to pay employees for academic degrees and certificates. "It's very important to today's workers to understand that their employer is invested in their continuing learning and development," observes Beecher. Ultimately, she says, the act will help the governmental community. "People will have more leeway to fashion HR programs that meet their needs." In the future, Beecher hopes that HR offices will be "valued enterprises for the quality of analysis and advice and ideas that they serve up to agency leaders for how to engage people and create more customer satisfaction ... to deliver our mission more effectively."

Miguel Torrado

Associate Commissioner for Personnel Social Security Administration

"There hasn't been a better time to join the federal government than today," according to Miguel Torrado, associate commissioner for personnel at the Social Security Administration (SSA). "The numbers of opportunities that will be available for advancement over the next 10 to 15 years are going to be incredible. If you are a young person in the government now, you are going to have a great open field in front of you if you have the right skills." Moreover, he adds, "You are [also] doing something for the betterment of humanity."

Torrado manages SSA's personnel services for more than 65,000 employees, as well as its efforts to recruit new personnel. "Most people think of SSA employees as the people they see in their hometown Social Security office," says Torrado. However, the agency's scope of work is much broader, he explains. SSA is responsible for keeping track of Social Security contributions for the more than 110 million members of the American workforce throughout their lives. Once those workers reach age 65, SSA computes a payment and coordinates the distribution of payments. It is a huge data processing operation that requires Torrado to "hire across the spectrum of functions and careers," including "everyone from lawyers, systems experts, computer experts, personnel specialists, administrative specialists, and even environmental health personnel."

SSA's workforce is older than most other agencies. Early projections at SSA revealed that it faced dramatically higher turnover in its executive and senior ranks than almost any other federal government agency. "There is a critical need to develop people to step in to replace those people when they leave," observes Torrado. In response, SSA began succession planning back in 1994. Since then, it has taken the lead among government agencies in creating executive development programs to meet the future needs for leaders at all levels, and to replace the 37,000 workers SSA expects to retire or leave its service over the next 10 years.

SSA created a comprehensive four-pronged approach to succession planning to prepare for future vacancies in leadership positions at all levels. These programs "work with each other … to help identify and develop people with potential," says Torrado. At any one time, there are more than 1,000 candidates participating in these programs. Assessment centers are used for all leadership development programs to screen applicants for the aptitudes and skills that SSA seeks to develop, including willingness to take risks, analytical skills, ability to present an argument succinctly, ability to think on your feet, and a solid understanding of the agency.

SSA has had great success at the entry level by incorporating the Presidential Management Internship (PMI) program into its cadre of leadership development programs. SSA recruits 30 to 40 of the nation's top ranking graduate school students through the PMI program for a portion of their two-year rotational assignment within the federal government. PMIs gain valuable and varied experiences through these rotational assignments that prepare them for future leadership positions. SSA has successfully retained the vast majority of its PMIs through a conscientious effort to grow these outstanding candidates into agency leaders for the future.

Within the highest levels of service at SSA, the executives at the GS-15 level can apply for the Senior Executive Service Candidates Program. "The agency is committed to promoting into the Senior Executive Service people who have gone through this program," Torrado says. Candidates for this program are largely recruited from inside SSA, but may also include candidates recruited from outside the agency. Senior leaders at the GS-13 and GS-14 levels can apply for the 18-month Advanced Leadership Program. Demonstrating its commitment to succession planning throughout the organization, SSA also offers the Leadership Development Program for first-line supervisors and potential supervisors at the GS-11 and GS-12 grades.

One of the key elements of each of these programs is a temporary promotion to the next higher grade. Participants take several temporary assignments within components of the agency, different from the one where they are presently located. Participants may even work outside of the agency to gain experience and new perspectives. As candidates vacate their position to explore new roles, a key benefit is that their previous position opens up for lower-level leaders to grow into new challenges. The temporary assignments are "by their very nature change oriented, which requires you to exercise management skills," says Torrado. "Developing by doing applies very much to the development of leadership skills." In addition, the programs offer classroom training, mentoring, and other training tools. These programs have made SSA a model for succession planning and leadership development throughout government. Torrado hopes that the leadership experiences outside of the agency and the PMI program will bring "an injection of fresh blood from the outside."

"We value training," explains Torrado. He believes that his agency's leadership development programs are "an extension of that philosophy." He adds: "These programs get [the candidates] ready to step into jobs as they become available at higher levels." And how does he measure success? "If we end up surviving the retirement wave without a decrease in the level of service that we provide the American public, that will be the ultimate measure of success."

In addition, Torrado believes that SSA's commitment to developing "functional diversity" will create bottom line benefits. "An agency that serves a population that is as diverse as the American population actually provides better service for less cost if [its] workforce reflects the diversity that's out there." For example, Torrado states that roughly 16 percent of the country's population speaks a language other than English at home. To meet the needs of these SSA customers, SSA has hired customer service representatives who speak more than 50 different languages. "Hiring somebody into your workforce that is trained and as capable as anybody else, but on top of that can serve another language," is not only what's right, it also meets a business need, states Torrado.

At this time, during a recession, and as limited resources are being shifted to increase military funding, some might question whether SSA's leadership development programs will be threatened by dwindling funds. "When every agency's budget is tight, it's very hard to carve out for [training and development] purposes when you still have a mission to accomplish, and have to pay for it." However, Torrado is confident that leadership development will be sustained at SSA. "It helps to be in an agency that has traditionally over time had as a cultural value training, training, training," says Torrado. "But, nevertheless, it's a constant struggle."

When asked whether improvements in technology will eliminate or reduce the need for managers, Torrado replies: "You will always need leaders." ■

All four profiles are based on *The Business of Government Hour* radio interviews. To listen to the radio interview with Ms. Tate, Mr. Sanders, Ms. Beecher, or Mr. Torrado via Real Audio, please visit the Endowment website at endowment.pwcglobal.com. Transcripts of the radio interview with each of the change agents are also available on the website.

Managing for the Future: Human Capital Strategies at the United States Postal Service

By Nancy Staisey, David Treworgy, and Michael Shinay

Fifty United States Postal Service managers from across the country—postmasters, plant supervisors, HR professionals, mail inspectors, communication specialists, lawyers, and accountants—are nearing the end of what's been a long day at the Postal Service's Bolger Center for Leadership Development in suburban Maryland.

They've heard the Postal Service's area vice president for New York City describe the heroic post-September 11 efforts to restart mail delivery, a catalyst for the return to normalcy. They've queried the deputy postmaster general on an organizational transformation plan scheduled to go to Congress this spring. They've listened to executives from customer-service-focused companies like the Marriott Corporation and GEICO. They've jousted with members of a mailing industry task force on a range of network optimization proposals. They've watched with amazement a demonstration of the Segway HT, the superscooter formerly known as "Ginger" that may reinvent how carriers make their deliveries. And now they're engaged in an open, frank give-and-take with two of the most powerful leaders of the $65 billion government enterprise, Chief Operating Officer Pat Donahoe and Chief Marketing Officer Anita Bizzotto.

The conversation jumps from automating jobs to optimizing the postal network to revisiting service standards. Eventually it lands on deployment.

"As labor intensive as we are," one manager comments, "with all our budget and complement pressures, people have to be in the right places. The systems to move them there are cumbersome. We need to automate our reassignment process."

The chief operating officer, responsible for the placement of more than 800,000 postal workers, the second-largest workforce in the United States, nods in agreement. "It's a major dilemma," says Donahoe. "There's a science to service. If you cut cycle time, you will improve service and cut costs. So we have to figure out, from a human capital perspective, how best to move people to where we need them.… We'll have to force some issues."

The audience, as one, nods in agreement.

Forcing the Issue

Forcing the issue is exactly what the United States Postal Service is doing to meet the human capital management challenge put forth in the introduction to the August 2001 presidential budget. In workforce development, in performance-driven compensation, in improved workplace management, and in the marriage of technology and benefits service delivery, the 230-year-old Postal Service is playing what its top human capital executive, Senior Vice President Suzanne Medvidovich, says is a leadership role.

"We're looking at human capital in terms of getting the right people into the right places, of attracting the right people, and of retaining the right people," states the executive, who joined the Postal Service in 1974. "We're also looking at performance management and how to ensure that the people who are here are highly motivated. But it's in the area of leadership development that I think we're not only at the forefront of the federal government, but in comparison to the private sector as well."

The necessity for developing leading-edge strategies to manage the Postal Service's human capital resources was underscored by United States Comptroller General David Walker in testimony delivered to Congress late last spring. The Postal Service, reported Walker, could face an institutional knowledge and experience crisis at the end of the decade. By 2010,

"WE'RE LOOKING AT HUMAN CAPITAL IN TERMS OF GETTING THE RIGHT PEOPLE INTO THE RIGHT PLACES, OF ATTRACTING THE RIGHT PEOPLE, AND OF RETAINING THE RIGHT PEOPLE."

Suzanne Medvidovich

85 percent of its executives, 74 percent of its managers and supervisors, and 50 percent of its career workforce will be eligible to retire. "If retirees are not replaced with the appropriate number of employees possessing needed skills, the resulting loss … may affect mission achievement," concluded the comptroller general.

Exacerbating the situation is concern that the Postal Service's business model—a mandate to provide universal service and to break-even over time from revenues generated by its products and services—has become outdated and unable to effectively respond to the complexities of its current business environment.

With mail volume growth slowing to a near standstill, and delivery points expanding by nearly two million per year, the Postal Service's human capital challenges include restructuring, succession planning, and improving a workplace environment that's been marked, as Walker observed, "by decades of adversarial labor-management relations," which complicate the Postal Service's commitment to improved productivity. The comptroller general noted that the good news is that, as this large segment of the postal workforce nears retirement, the Service has an opportunity to realign employees with current goals and to make certain that its executives, managers, supervisors, and career workers have the appropriate knowledge, leadership, and skills to carry out the organizational mission.

In February 2001, Medvidovich arrived at postal headquarters after an 18-month stint as area vice president for the Midwest, where she'd been responsible for postal service to 26.9 million customers. When the Congress, a few months later, instructed Postmaster General John Potter to draft a "transformation" plan that would, among other objectives, outline how the Service anticipated meeting its human capital challenges, Medvidovich's planning effort was already under way.

At the center of the Postal Service's transformational approach to human capital management are four core strategies:

- Aggressively recruit and retain future leadership for the Postal Service in a highly competitive marketplace.
- Build a highly effective and motivated workforce who is recognized for their individual and team accomplishments through a performance-based pay system.
- Establish and maintain a safe, diverse, and satisfying workplace environment and improve the working relationships between labor and management.
- Build and maintain a flexible workforce that can be readily adjusted to changes in customer demand.

Medvidovich and her team didn't have to look far to find early successes in each of the areas of strategic focus. The provision of benefits was already being improved through a consolidation of back-office functions that had taken record-keeping and communications responsibilities and consolidated them into 85 "performance clusters."

"Each cluster has a human resources function that includes safety, personnel (including benefits administration), training, injury compensation, and labor relations," explains Suzanne Milton, who will be overseeing shared services at the Postal Service. "Much of the routine work within these functions is repetitive transactional work, which is most amenable to reengineering and the application of technology tools." The result, says Milton, is a new strategy to reengineer and migrate that work to a few shared service centers. "The shared service centers will support the movement, wherever

reasonable and possible, to self-service transactions for both employees and managers," she adds. "It will also support more efficient and effective handling of complex processes and case management. Services will be delivered to the operating units in line with service level agreements that specify metrics to be achieved for all services delivered. And, perhaps most importantly, the availability and utility of human resources data through shared services will revolutionize our business decision-making process."

Milton and Medvidovich agree—the Postal Service should be able to provide most human resources transactional work from a few national centers. "The biggest benefit will be that of more efficient service," says Medvidovich.

Measurement and Accountability

The metrics Milton refers to in describing the shared services initiative extend to the other human capital initiatives. Whether it's to improve labor relations, enhance leadership development, or promote flexibility, the Postal Service—says Medvidovich—intends to measure progress and hold itself accountable. Already under way is a gap analysis to map where—on a geographic basis and by craft or type of work—the organization's recruitment and retention issues lie. "We want to know how many people who were eligible to retire actually chose retirement," explains the senior vice president. "We want to work with our operations team to know where we need to hire and where to relocate." In high-growth areas, for example, carriers are likely to be hired, but not clerks.

An emphasis on performance management is the foundation of virtually every initiative. "The Postal Service has achieved exceptional organizational success on a team level," says Medvidovich. "Technology will allow us to bring that to individual levels." Corporate goals will continue to be the principal driver of incentive-based compensation, but new metrics—applied through what will be called the National Performance Assessment System, scheduled to be fully deployed by 2004—will be used for individual recognition. Clarity around expectations and enhanced feedback will lead to a better-motivated workforce, and the motivation will be tied directly to corporate goals.

The biggest human capital challenge, however, is to retain the best-trained, most-motivated and highest-skilled employees, and be able to put them into place as future leaders. "Our strategic objective," says Medvidovich, "is to have a pool of people for every managerial job and to make certain we keep those people in the organization." Succession planning has been in place since 1994, as have individual development plans for each man and woman named in those plans. What's changed since then, and what's acquired even greater weight in importance, are the training and development programs for those in the plans and for those at levels underneath.

A multi-tiered effort, Postal Service training and development initiatives range from an associate supervisor program to train entry-level supervisors, which is being extended from the largest plants to a broad range of postal facilities; a career management program targeted at tens of thousands of middle managers; specialized training for processing and distribution managers; leadership programs for middle managers; a management intern program for critical operations management positions; professional management internships for safety and purchasing managers and accountants; and—at the top—the Advanced Leadership Program (ALP).

"The Advanced Leadership Program is our premier program," says William Stefl, the Postal Service manager responsible for employee development. "It's designed to provide the knowledge, skills, and experience necessary for participants to positively impact and support future postal management decisions and direction." To date, more than 400 managers have graduated from the four-week program, and another 1,800 have been or currently are participants. Held at the Bolger Center (the Postal Service also operates a second training campus, the National Center for Employee Development, in Norman, Oklahoma), ALP runs its students through courses that address leadership and communications skills, and business acuity and decision making. A third and final phase requires participants to complete a minimum of 15 hours of business-related courses at accredited colleges with at least a B grade in each course.

"One challenge for us," adds Stefl, "has been to stay connected with our ALP graduates, and to keep them committed to the organization and our objectives." To solve that problem, Stefl and the ALP forged an alliance with the Postal Service's Office of Strategic Planning in 2001 and began a post-graduate seminar series titled "Strategic Direction."

"What we had in mind," explains Paul Van Coverden, the Postal Service's manager for strategic evaluation, "was to help create a program that would help the next generation of executives better understand the strategic and business challenges facing the organization and how their leaders are addressing those issues. It's an enhancement of what the ALP was already doing, and a chance for us to build a shared understanding of the Service's strategic objectives."
Back at the Bolger Center auditorium, Chief Operating Officer Pat Donahoe and Chief Marketing Officer Anita Bizzotto are wrapping up their strategic direction seminar. The conversation has again turned to transformation.

"In this environment," Bizzotto warns, "we need to be nimble enough to succeed with or without major transformational change."

"That means," adds Donahoe, "that we have to focus on doing what we can as well as we can. We have to set a foundation for transformation."

In the back of the room, Suzanne Medvidovich shakes her head in approval. The human capital aspect of the change is already under way.

Principles of Effective HC Strategic Management

The Postal Service executives responsible for the strategic management of human capital can point to several principles that other government agencies wrestling with the same challenge might consider adopting as they build their solutions.

Give Human Capital a Seat in the Boardroom. Wherever Suzanne Medvidovich managed—whether it was in district or area offices, field administrations, or processing and distribution plants—she never made a decision without her human resources leader in the room. Today she sits on the nine-member Executive Committee that serves as Postmaster General Jack Potter's decision-making board. "If you're talking about rewards, about downsizing, about employee issues such as safety and security, about virtually any aspect of a strategic plan, you're impacting people. Without an HR person present, you may never understand the implication of what you're proposing."

Measure Your Adherence to Organizational Values. Whatever the organizational values are that support its mission and vision, how effectively they're being embraced should become a part of any measurement system. At the Postal Service, for example, metrics for diversity, for safety, and for training and development are factored into employee rewards and recognition programs.

Emphasize Leadership Development. The Postal Service has acknowledged that leadership development can carry as much importance as skills training. "If we don't have a base of qualified and capable next-generation leaders," says William Stefl, "we will not succeed as an organization."

Communicate, Communicate, Communicate. "I thought nothing good could come out of the anthrax attack," says Medvidovich, "but in one regard I was wrong. We learned that, when we communicate every day with our employees—as we had to in the weeks following the bioterrorism—we can get our message across and reach understanding." Any successful human capital management effort needs the support of both management and the workforce. Communication is the catalyst for making that bond.

The strategic principles notwithstanding, Medvidovich and other postal leaders understand that 21st century success—the objective of their human capital strategies—must, in the final analysis, depend upon the ability and willingness of people and organizations to embrace change. And, in the case of the Postal Service, the senior vice president has faith. After all, it was just four years ago that she was first made an officer of the Postal Service—its vice president for diversity. Today, four of the Service's nine executive committee members are women. "We're giving development opportunities to everyone," Medvidovich concludes. "It comes down to selecting the right people as leaders."

In managing its human capital, the United States Postal Service is delivering. ■

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Who Says It Can't Be Done? Recruiting the Next Generation of Public Servants

By Abigail Llewellyn Bailes

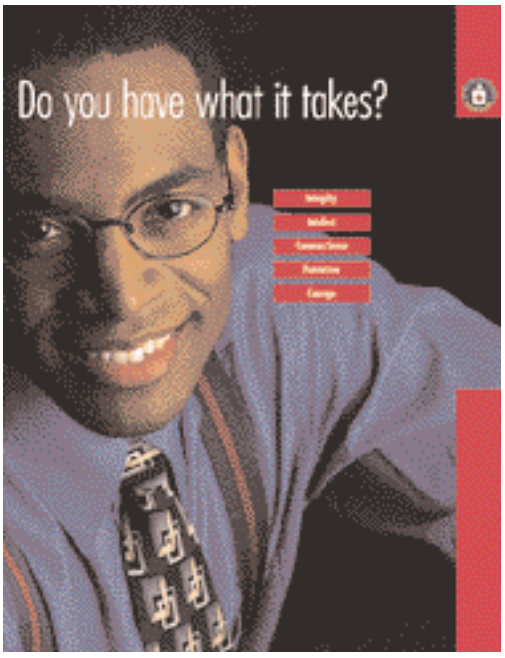
"Do you have what it takes?" Recruiters for the Central Intelligence Agency (CIA) are selling its challenging global mission to prospective job seekers. And it's working. Throughout the federal government, agencies are revamping their image and recharging their efforts to attract the next generation of public servants.

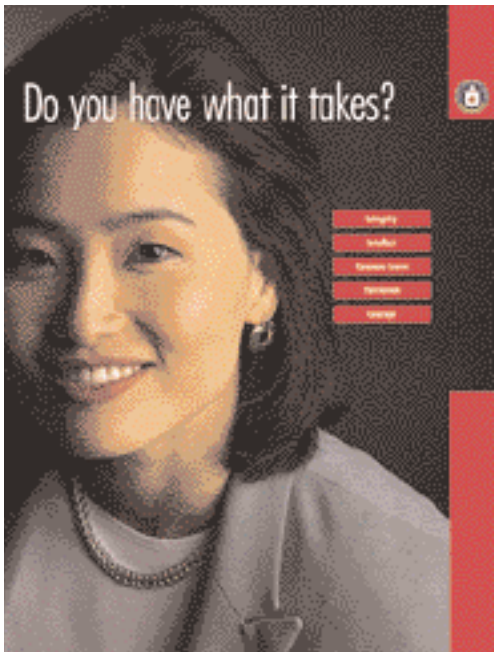
In the past, the federal government has often had to work hard to compete with the private sector for talented employees for a variety of reasons. Lack of resources, lower pay, and a poor public image have been the usual suspects. In addition, private industry aggressively recruited job seekers with the best skills, experience, and knowledge, offering incentives and higher pay than comparable civil service positions. Surveys of college graduates also revealed that prospective employees believed jobs in the private sector offered more interesting and challenging work, rewarded outstanding performance, and allowed employees to take initiative. In contrast, the public's perception of government jobs was poor. In addition, the much anticipated wave of retirements threatens to leave gaping holes in the civil service, creating a shortage of workers and aggravating the problems of attracting the best and brightest to public service.

Most agencies have had limited resources to overcome these obstacles. In response, some abandoned traditional recruitment strategies or severely cut back their efforts. However, recent global events have created a dramatic shift in the public's perception of the government. In response, some agencies have reassessed their approach to recruitment to get better results.

Branding and "new image" strategies

Prior to September 11, the federal government clearly faced a public image problem. While some agencies were lampooned and others vilified in the public psyche, for most agencies the problem was that they didn't have any public image at all. Sally Lyberger, assistant director of strategic recruitment at the Internal Revenue Service (IRS), explained that focus groups revealed that most people "had no knowledge of us an as employer." Not surprising, since hiring and budget cutbacks in the 1990s eroded the IRS's recruitment





CIA recruiting advertisements that have appeared in magazines and newspapers and online.

program. Ron Sanders, director of the Office of Human Resources at the IRS, revealed that until the agency's recent overhaul of its operations, the IRS had not recruited on a college campus since 1993. Its hiring and recruitment strategies were "like an eating disorder," says Sanders, "we binge and hire … then we purge."

Now the IRS has a new organizational structure, new image, and new methods of recruitment. Hoping to attract new blood, the IRS hired a marketing firm to create a "brand," using media and marketing tools to develop a positive public image. Today, the IRS markets itself as "an employer of choice." Its employment ads—aired on radio and published in newspapers, magazines, and employment websites like Monster.com and HotJobs.com—emphasize issues of quality of life, stability, career progression, and benefits. From its website, IRS asks: "Not what you expected? Good. That's what we were going for." Thirty-three full-time recruiters are also selling its new image at university recruitment fairs all over the country.

Responding to the younger generation's desire for flexibility and free time, the IRS uses an "understanding" approach to recruitment, offering alternative work schedules and work/life programs. Their online ad reads: "We've all heard them. The first career horror stories.… You're working 60-80 hour weeks; doing the grunt work while others claim the glory; your friends think you've disappeared; your family barely knows you anymore.... At the IRS, our character as a progressive employer means making sure you have time outside of work ... ample time ... to simply be you."

The IRS jobs site also posts the "Top Ten Reasons To Join the IRS." The number one reason: "You will have important work from day one." The IRS is targeting people who feel that working for the government is a valuable and important role,

Federal Recruiting and Hiring by the NSA in the 21st Century: Being Open to Change Can Bring Benchmark Results
By Harvey Davis

To compete effectively and to stand out in a competitive marketplace, an organization must exhibit certain attributes. Among these is the ability to take an honest assessment of current operations, a willingness to explore new ideas, and, perhaps most critically, the courage to implement innovations. This, in fact, describes the nature of the transformation at the National Security Agency (NSA).

The challenge was not unlike those facing many other federal agencies: How does a government entity compete in a market whose very character is dominated by private sector companies and whose own processes are governed by arcane rules and regulations? And in terms of hiring, how does it compete in one of the most competitive job markets in 30 years? In the case of the NSA, the answer was not easy. Private sector companies traditionally move faster than government entities; they are quicker to adopt new recruiting practices, strategies, and technologies. They contact applicants earlier in the process and communicate with them more often. So, the NSA had to become a more nimble, flexible, agile, and accessible hiring organization from top to bottom. This meant, among other things, retooling its recruitment, employment, and hiring processes.

This move to a change-oriented culture was the direct result of the philosophy of Lieutenant General Michael Hayden, director of the NSA. Lieutenant General Hayden's mission was, and is, to transform the NSA into an organization ready to meet the challenges of the future. One of the director's first acts was to name two review teams to learn what was wrong with the agency and what was right. Other changes included hiring a chief financial officer, installing a corporate board of directors, and analyzing current management structures across all agency operations. In September 2000, the director established the Office of Recruitment and Hiring. The first challenge for this new office was to hire at least 600 new full-time computer scientists, mathematicians, engineers, linguists, and intelligence analysts within the year.

This was a marked change for an agency that for nearly a decade had mounted no significant hiring initiatives while cutting its workforce by approximately 30 percent. As a result, the NSA was faced with an aging internal workforce, a third of which were eligible for retirement. Moreover, the agency had no external recruiting image and no practice competing with the private sector for highly qualified job candidates. The timing was also unfortunate. The market for technically skilled candidates was the hottest and tightest within the last 30 years. The recruiting challenge was clear and defined.

Paralleling best industry practices, the NSA implemented measurable changes regarding its recruitment and hiring operations. Taking a strategic approach, the NSA focused more intently on developing its relationships with colleges, universities, and professional affinity groups; bolstered its student programs that reach high school and college candidates; and began posting career opportunities on both major and niche Internet sites. Perhaps most visibly, the agency implemented a cohesive advertising campaign with the theme "For Your Eyes Only" that encompassed all media (print, broadcast, Internet, video, etc.). Appearing throughout the country, the ad campaign was recognized for its creativity by winning two awards from the Employment Management Association (EMA)—the largest professional organization in the country for human resource professionals.

a perception that seems to have grown since September 11. Applicants can download the application form or link to the Office of Personnel Management's (OPM) USAJOBS (www.usajobs.opm.gov) to look for listings, build their résumé, create a profile, and have job notifications sent via e-mail. The IRS's job website averages 100,000 visitors each month.

While economic woes have caused private companies to slash hiring, the IRS is recruiting for revenue agents, law enforcement positions, and tax specialists. Although the IRS plans to hire fewer employees than last year, it will continue to build on its investment. Students today want to apply online, says Julia Cronin, director of the IRS's Career Management and Recruitment Division, so agencies are moving away from the traditional paper-based applications processing system. The IRS plans to debut "QuickHire Online," its automated application system, this summer. By reducing the time and inconvenience of applying for a government job, the IRS hopes to improve its image as a static bureaucracy and attract talented workers who otherwise would be quickly snatched up by private industry. Another increasingly popular recruiting tool is the use of "virtual recruiters," says Cronin. Virtual recruiting includes online job fairs, chat rooms, and opportunities to answer questions online.

Creating a unique brand while promoting the "core vision and core values" of the federal government is one of the chief concerns of OPM Director Kay Coles James, as stated during her recent radio interview with The Endowment: "Giving up a portion of your career to serve your country in the civil service [is] a noble calling. I think that we need to return [to] that sense of nobility today." James appeals to Americans' sense of duty in urging workers to: "Bring those skills, bring that creativity, and bring that energy that you have to the federal workforce. When you do, you will find that there are some unique opportunities that you cannot find in the private sector."

Systemic changes included making conditional offers of employment to highly-sought-after candidates on the same day they interviewed; shortening the time between offer and hire by streamlining the security process for new applicants; and offering $10,000 signing bonuses to IT candidates. To improve relationship building with candidates, NSA human resource personnel now regularly call and e-mail applicants to inform them where they are in the hiring process. Yet another strategy involves the implementation of external outreach events. The NSA held its first ever Career Fair in February of 2001. Out of a total of 3,000 applicants, more than 120 were hired, representing over 10 percent of the agency's hiring goal.

As steps were taken to upgrade HR tools, the NSA realized that its website (www.nsa.gov) needed to reflect the same quality and attractiveness that characterizes the sites of today's most admired private companies. A new look was developed that conveyed the unique character and mission of the agency. Content was refocused to underscore the incentives of working at the NSA. The goal was to leave talented professionals with an unshakable perception of the NSA as not only the world's preeminent intelligence organization, but also as a rewarding career environment.

In addition to leveraging the web, other technologies were quickly adopted. Now NSA recruiters who visit college campuses hand potential candidates a "business card" CD that delivers an interactive message and provides a dynamic link to the NSA job website. The NSA also helps potential recruits to complete their education through a cooperative education program. The agency pays for one class per semester, and students work alternate semesters and summers at the NSA during their sophomore, junior, and senior years.

Upon completion of the program, 80 percent of students accept job offers with the agency. In addition, the agency provides a Skills Enhancement Recruitment Incentive Program (SERIP), an offering that enables hired candidates in selected disciplines to pursue an advanced degree on a full-time basis while earning a full salary.

The NSA also disseminates precisely targeted brochures that speak to candidates in the areas of computer science, computer engineering, cryptanalysis, foreign languages, intelligence analysis, mathematics, and signals analysis.

With the institution of new hiring and recruiting processes comes the flexibility to respond to changing hiring dynamics. The NSA received 26,338 résumés between September 11 and December 10, 2001, roughly four times the usual volume. With new mechanisms in place, the NSA is diligently responding to these applications. It is even contacting retirees to augment its workforce further.

The organizational transformation of the NSA, along with new tools and processes, provides the agency with critical speed and decisiveness in its pursuit of job candidates. And while the NSA is well on its way to meeting its short- and long-term hiring goals, much work remains to be done. Tomorrow there will be hiring needs in new areas; there will be other innovative ways to reach employment candidates more quickly and more effectively. The NSA now has the commitment, the mind-set, and the resources to be at the forefront of those changes.

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IRS recruiting materials on Monster.com and HotJobs.com.

Richard Whitford, acting associate director for employment service at OPM, works on the front lines implementing the director's vision of public service. He says that, in the past, agencies would "put out an advertisement and wait for applicants to come in." Today, Whitford encourages agencies to be more "proactive" to meet the challenge of hiring "the workforce of the 21st century." OPM supports agency recruitment efforts by offering its professional services to agencies. Some of its practical "tools" include quantitative evaluation for workforce planning and analysis and branding. Agencies such as the Defense Finance and Accounting Service and the National Credit Union Association have hired OPM to develop recruiting materials, marketing strategies, products, and services. Branding is what Whitford calls a "best practice." He believes that the federal government needs to create and promote its image through asserting government-wide values such as stability and benefits. Then, individual agencies can specialize and develop their own branding within those values to appeal to different kinds of employees.

Challenges for a Changing World

"Today we're seeing one of the highest levels of trust in government since the mid-1960s, which is due partly to the surge of national pride that has swept our country since the terrorist attacks," President George W. Bush announced during his speech to civil servants on October 15, 2001. This is good news for Robert Rebelo, chief of the CIA's Recruitment Center, who received more than 56,000 résumés in just the first two months of 2002, and a growing number applied online. That is nearly as many as the agency received in the previous entire year. Rebelo plans to hire more employees this year than in the past to deal with "global intelligence issues."

Rebelo believes that recruits aren't looking for jobs that offer the most money; they want to make a difference. What is the CIA doing to harness this enthusiasm and corral the best and brightest to join its ranks? The CIA's recruitment campaign builds on the critical nature of its mission to recruit individuals interested in a "unique career." CIA Clandestine Services are described as: "A way of life that will challenge the deepest resources of your intelligence, self-reliance, and responsibility." These ads are published online and in print, for example, in Delta and United airlines' in-flight magazines.

Prior to 1998, recruiting for the CIA was decentralized—the responsibility of their various regional offices—resulting in "inequities" and "inefficiencies," according to Rebelo. A study was commissioned to review the recruiting strategy. The result was the creation of the Recruitment Center in 1998, a centralized recruitment and hiring operation that relies heavily on frontline employees of the CIA to pitch job seekers. Rebelo, now chief of the Recruitment Center, was initially one of the hiring officials brought on board to head up employment decisions. Hiring officials create very specific job descriptions that meet the future needs of the agency. After creating job descriptions, a strategy for recruiting and hiring for these positions is developed. Then a cadre of advisors conducts behavioral interviews, looking for candidates with the best fit and skills. These advisors are CIA practitioners, employees who work in the field where the CIA is hiring. Rebelo says this process has shortened the hiring process by approximately one to two months.

Like the IRS, the CIA relies heavily on a robust college recruitment program that emphasizes relationship building. Thirty-five recruiters from the CIA have attended more than 70 events in the first few months of 2002. In addition, Rebelo says that reaching out to key departmental programs and professors to build relationships is the lynchpin of their college-recruiting program. Recruiters speak at and attend job fairs at target schools and professional organizations likely to attract the caliber of candidates the CIA needs.

The CIA hires at the entry, developmental, full performance, and expert levels. As the jobs get more sophisticated, the need to hire expert employees with more experience and skills has increased. "The world is changing and [the jobs] are getting more complex and sophisticated across the board," states Rebelo. The CIA's greatest challenge in recruitment is filling unique skills positions for very specific jobs, he says. Rebelo describes recruitment at the CIA as a "surgical approach" to identify individuals who match very specific job criteria. For example, the CIA needs employees fluent in foreign languages that meet critical needs, and these needs change frequently.

An important part of this targeted approach at recruiting includes efforts to attract minorities to the federal government. In particular, OPM's Whitford says that Hispanics are the most underrepresented minority in government. OPM recently met for the first time with NACE (National Association of College Employees), a career services group of colleges and universities, to forge a relationship between minority colleges and government recruiters. The CIA says diversity is mission critical. "Ethnicity brings a lot of capabilities to the job," says Rebelo. Most CIA positions require that individuals have language skills and varied cultural experiences. CIA ads have appeared in minority magazines such as *Essence* and *MAES* (Society for Mexican American Engineers and Scientists). The IRS is also targeting minorities and people with disabilities. The IRS has created ads that feature real employees with disabilities who have fulfilling careers at the IRS, and offers a web page with "opportunities for the disabled."

Other agencies interested in recruiting the next generation of civil servants may learn from the successes of agencies like the IRS and the CIA that recruiting for the federal government is possible. Rebelo credits a supportive executive and senior leadership for the success of CIA recruitment efforts. And the IRS's image makeover proves that branding makes an impact on potential applicants. OPM offers "applicants care and feeding," says Whitford, to support agency efforts. Whitford points to pay reform, the streamlining of hiring processes, and e-government initiatives such as automated staffing, to create "a different way of looking at government" in the future. Anyone interested in civil service now? Pass in your résumés. ■

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The Transportation Security Administration's Approach to Recruiting

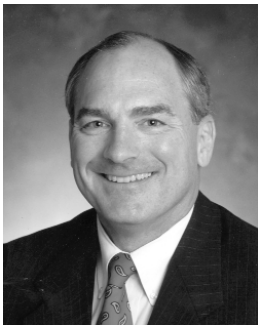
Secretary of Transportation Norman Mineta recently announced that the Transportation Security Administration had awarded a $103.4 million contract to NCS Pearson Inc. for recruiting and hiring more than 30,000 baggage screeners. Positions range from entry-level to supervisor positions at the nation's airports. In addition to providing an automated, web-based recruiting and application processing system, the contractor will:

- Identify highly qualified candidates
- Establish facilities for testing
- Manage candidate applications, selection, and processing
- Provide a full range of human resources support

This contract promises to harness the technology and business capabilities of the private sector in an effort to recruit for federal government positions. It also presents yet another option for federal government agencies to recruit new employees in a competitive market. While some government agencies have enlisted private headhunters to recruit for senior leadership roles, this contract may be the largest public sector recruitment contract won by a private company.

Competing for Talent: Special Hiring Authorities for Federal Agencies

By Hal G. Rainey



In recent years Congress has provided certain federal agencies with special authorities for hiring professionals and executives to help them recruit talented people in highly competitive job markets. In what people are calling the "war for talent," federal agencies increasingly have to compete against the private sector in seeking critical personnel in professional and executive categories where the pay is high and the competition intense—as it is, for example, for executives with experience in leading complex information technology (IT) projects. Highly-sought-after individuals are often offered more money in the private sector than they can receive in government. In addition, managers in government face constraints under the federal personnel system that impede them in the fast-paced competition for such high-priced help. Supporters of these special authorities for hiring see them as crucial to success in this competition. The authorities also spark some controversy, as described below, but they definitely represent an innovation that deserves careful consideration. Recently, Congress gave the new Transportation Security Administration "critical pay" authorities similar to those implemented at the Internal Revenue Service (IRS), also described below, so it becomes important to learn as much as we can about their effective use. I recently undertook a study of such hiring authorities to better understand their potential use in the federal government.

In recent years, Congress has provided different patterns of authority and flexibility to some agencies. In 1996, Congress authorized the Federal Aviation Administration (FAA) to develop its own independent personnel system. Congress has given the U.S. Patent and Trademark Office (PTO) more independence from its parent department, the Department of Commerce, to develop its own executive positions. In two other agencies, Congress authorized certain numbers of special positions with special provisions for pay and recruitment. The Office of Student Financial Assistance (SFA) in the Department of Education, which provides financial assistance to students for higher education, received authorization for 25 excepted service positions for use in hiring key managerial and professional personnel, with some flexibility in authority to set salaries for these positions.

In the special authority that has attracted the most attention, Congress authorized 40 new "critical pay" positions for the Internal Revenue Service. IRS can hire these people for four-year terms for positions involving a critical need for special talent, paying them at a level up to that of the vice president of the United States. Congress authorized these positions in the IRS Restructuring and Reform Act of 1998, which mandates major changes for the agency as part of a sweeping reform. Among other steps, the IRS has undergone a major reform of its organizational structure, a major effort at modernization of the tax system including its computer and information technology systems, and a major initiative to alter the agency's culture toward greater emphasis on communication with taxpayers to facilitate honest citizens' efforts to pay their taxes. Proponents of the critical pay authorities in IRS feel that these special authorities have been crucial to the pursuit of these reforms.

As one might expect, these different authorities provided by Congress have led to different responses. In interviews, representatives of PTO point out that they did not receive any special hiring authorities, but mainly a grant of some independence in such matters. Previously, they had to compete with other agencies in the Department of Commerce if they wanted another Senior Executive Service (SES) position from the department's allocation of such positions. Now they have more independence in designing their own positions as needed. They value this independence, but it does not involve a set of designated positions, as do the authorizations to the other agencies.

At FAA, recruiting executives and professionals represents only part of the changes involved in developing their own personnel system, but FAA representatives feel that their new independence enhances such recruitment. They say that they are able to streamline recruiting through such steps as using

recruiting firms. Previously, they had little incentive to use such firms because they had to go through the procedures of the federal personnel system, which slowed the process to the point where sought-after recruits located by a search firm would take another position rather than wait. FAA representatives point to both an increase in hiring from outside government and the hiring of highly qualified IT professionals as evidence of the benefits of their new authority.

At SFA, the new hiring authorities came as part of a transition to a Performance Based Organization (PBO). As a PBO, the agency receives some autonomy in managing itself in exchange for being evaluated on its attainment of performance objectives to which agency leaders commit themselves. Representatives of SFA feel that they have found the excepted service positions very valuable in attracting people they need for key positions in pursuit of their strategic plans and performance plans and their efforts to enhance their capacity to manage for results. The legislation authorizing the positions did not clarify whether the 25 excepted service positions were to be used to fill key managerial positions as well as professional positions, or whether SFA could use them for high-level professional needs and use their other authorities to allocate still more positions for management needs. Very significantly, SFA leadership interpreted their authority in the way most likely to avoid exceeding what Congress intended to authorize. They used the 25 positions to cover both their managerial and professional needs. We see this pattern in the other agencies, in which agency leaders value the authorities so much that they take pains to justify their use of them.

If you ask IRS executives to justify their use of their 40 critical pay positions, as my study did, they start by showing you a list of the people they have hired. They have successfully recruited numerous individuals with very competitive credentials and experiences for positions that IRS leaders considered very important in their reforms and new structure. They say that they have found particularly valuable the flexibility to recruit people with such qualifications as executive leadership skills in highly technical areas and people with special skills in public communication and outreach.

Another way that IRS executives respond to questions about how well they have made use of the critical pay authorities is to hand you the list and invite you to speak with as many of them as you want, as well as the individuals involved in hiring them and working with them. Soon, this researcher was sitting across the desk from a person who had come over from a position as a very successful private sector executive to head one of the largest divisions of IRS, newly established under the recent reforms. This executive, while expressing great respect for his new IRS colleagues, also gave a good account of ways in which he felt he brought new perspectives and possibilities with him. In another interview, a middle-level professional with a background in dealing with professional associations described his efforts to introduce innovative ways of using relations with such associations for IRS outreach efforts.

> "FEDERAL AGENCIES INCREASINGLY HAVE TO COMPETE AGAINST THE PRIVATE SECTOR IN SEEKING CRITICAL PERSONNEL IN PROFESSIONAL AND EXECUTIVE CATEGORIES WHERE THE PAY IS HIGH AND THE COMPETITION INTENSE...."

If you keep asking tough questions of the people at IRS, they point out that the congressional Joint Committee on Taxation conducted a routine inquiry into their use of the critical pay authorities, to which IRS responded completely satisfactorily. Under the reforms, IRS now has an oversight board that can also provide supervision in this matter. In addition, while on the surface the new critical pay authorities sound like a carte blanche for IRS to hire whomever they want, the study found out differently from the people in IRS who actually work on these matters. The critical pay recruits have to undergo the same extensive background checks and financial disclosures that all IRS recruits have to undergo, with attorneys in IRS and at higher levels in the Treasury Department paying close attention. So while this new arrangement has provided IRS with flexibility in making these hires, it involves extensive provisions for accountability.

Even so, the critical pay authorities have attracted critics. Representatives of the Senior Executive Association express the concern that this approach can bypass and demoralize long-term, loyal, talented career civil servants. IRS executives respond that they feel this concern, too, but have a mission to accomplish and cannot wait for the reforms needed to overhaul the system—through such steps as increasing pay levels for the SES—to avoid these problems while meeting

the challenges of recruiting in the intense current contest for talent. In addition, the television news show *Primetime* ran a segment criticizing the IRS for, among other things, paying large relocation "bonuses" to wealthy business executives to transfer to the IRS. IRS officials respond by explaining that the amounts for this purpose were not bonuses but budget allocations to cover relocation costs such as moving expenses and temporary housing. They point out that the amounts were clearly acceptable under all existing regulations and that comparable amounts are available to regular SES executives when they transfer.

Apparently weathering such criticisms, the critical pay authorities at IRS appear successful as an innovation. My study concludes that the dissemination of such authorities to other agencies should be carefully considered. At the same time, however, the IRS experience suggests that agencies receiving such authorities need to adhere to some important conditions for successful use. Their effective use requires careful attention and sponsorship from top leaders, as well as from a team of sponsors and implementers in the agency. This team needs to devote careful attention to the design of the new positions with well-defined priorities and challenges, to recruitment in effective and appropriate ways, and to effective transitions of the new people into the organization. As the controversies show, the agencies also need to ensure accountability and transparency, and experience to date shows that they can achieve this without undue sacrifices in flexibility. More generally, a network of officials in Congress and the various agencies need to share information and learning about this innovation in federal hiring authority. As the new Transportation Security Administration implements its critical pay authority, and as proposals go forward to further disseminate this approach, all concerned need to participate in a learning and development process, drawing on the experiences with such authorities at SFA and IRS. ■

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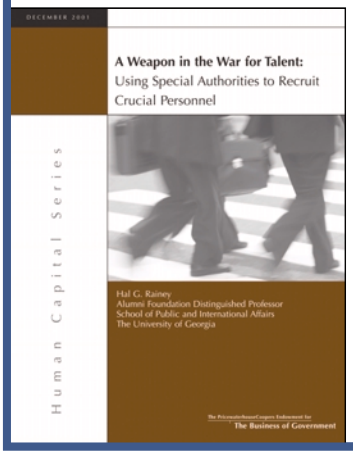

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Achieving Accountability for Workforce Diversity Programs

By Katherine C. Naff and J. Edward Kellough

Accountability may turn out to be the watchword at the turn of the 21st century. As the president said in his introduction to his Management Reform Agenda, echoing the sentiments of Congress when it passed the 1993 Government Performance and Results Act, "[W]hat matters most is performance and results. In the long term, there are few items more urgent than ensuring that the federal government is well-run and results-oriented."

Diversity management programs, now in place in the majority of federal agencies, are surely not exempt from this dictum. And yet few of them have set appropriate outcome goals or measures to evaluate whether those programs are achieving their intended purpose. This article argues that a mechanism for doing so should be put in place, and offers an approach for measuring the impact of diversity programs. But first, some background is in order.

It All Started in the 1980s …

The publication of two reports by the Hudson Institute in the late 1980s served as a rallying cry for public as well as private sector employers. These reports warned of the growing diversification of the labor force and the need to change management practices developed for a more homogeneous workforce. The increasing "feminization" of work, for example, would require employers to provide leave for child rearing and pregnancy and more flexibility in work arrangements. Greater efforts would need to be made to integrate blacks and Hispanics into the workforce, according to the institute.

These reports spawned the development of a vast literature and army of consultants to advise organizations on how to better "manage diversity." Equal employment opportunity (EEO) and affirmative action (AA) programs have been in place in many organizations for years, of course. But the diversity management movement intentionally distinguished itself from EEO/AA. Consultant and former Harvard Business School Professor R. Roosevelt Thomas wrote that the premises underlying affirmative action were "shopworn" and that the goal instead should be to "manage diversity in such a way as to get from a diverse workforce the same productivity we got from a homogeneous workforce, and do it without artificial programs, standards, or barriers." This distancing from AA should perhaps not be surprising, given that the 1980s were also a time when the political and legal climates were becoming increasingly intolerant of affirmative action. Table 1, taken from the National Institutes of Health website, emphasizes the differences between the two programs.

Table 1

National Institutes of Health Definitions of EEO/Affirmative Action and Managing Diversity

EEO/AFFIRMATIVE ACTION	MANAGING DIVERSITY
Mandatory	Voluntary
Legal, social, moral justification	Productivity, efficiency, and quality
Focuses on race, gender, ethnicity	Focuses on all elements of diversity
Changes the mix of people	Changes the systems/ operations
Perception of preference	Perception of equality
Short-term and limited	Long-term and ongoing
Grounded in assimilation	Grounded in individuality

Federal agencies were slower to join the diversity movement than their private sector counterparts. A study by the U.S. Merit Systems Protection Board, published in 1993, found that agencies were devoting few resources to addressing changing demographics. By 1999 the picture had changed. A survey sent to 160 federal agencies and sub-agencies revealed that 88 percent had undertaken some kind of diversity initiative. These initiatives varied widely in their components, however. While nearly all of those with diversity initiatives provided diversity training to employees, only about half reported that internship programs were part of their initiatives and one-third included mentoring programs.

Agencies also structure their programs in different ways. The National Institutes of Health (NIH) and the National Institute for Standards and Technology (NIST) have two of the most highly developed programs in the government. NIH houses both its traditional EEO functions and Workforce Diversity Initiative in its Office of Equal Opportunity, while NIST separates them. Both agencies have diversity councils that report to the agency director. At the NIH, the council is designed to be representative of its workforce by such dimensions as occupation, gender, ethnicity, sexual orientation, age, and physical ability. The NIST Diversity Advisory Board, in contrast, includes representatives from each operational unit.

An important question for agencies to ask themselves is: Which of the many approaches to diversity management being undertaken by federal agencies is more effective? But there is a prior question that is even more important: Are any of these programs achieving their purported purpose—to create a more inclusive environment for the diverse workforce? While half of the agencies responding to the 1999 survey reported they used measures to evaluate the effectiveness of their programs, in most cases it appears these are simply the comparison of agency workforce demographics with the civilian labor force—statistics that agencies have been required to report to the Equal Employment Opportunity Commission for years. It can take a long time to markedly change the composition of the workforce.

A Better Approach

Better measures are ones that are more dynamic. These could include promotion and turnover rates. Studies by the U.S. Merit Systems Protection Board in the 1990s revealed that, at least on a government-wide basis, promotion rates for women and people of color in lower grade levels were below those for men and nonminorities, respectively. A 1995 study by the U.S. Office of Personnel Management showed that African American and Native American federal employees were more likely to be fired from their jobs than employees from other groups. Voluntary turnover can signal dissatisfaction on the job. Measures that capture disparities among groups can indicate where efforts to create a more inclusive environment—the goal of diversity management efforts—may be falling short.

Most analyses assessing the extent to which women and people of color are as likely to leave their jobs, for example, as white men rely on quit rates. That is, if 10 percent of minority employees and 10 percent of nonminority in an organization quit their jobs, it is assumed that neither group is more likely to leave than the other. This measure, however, overlooks a critical factor. If the organization is comprised of 10 minority employees and 100 nonminority, then it would require 10 nonminority employees to leave, but only one minority, to have an equivalent quit rate.

For this reason, we propose instead a quit ratio that accounts for the relative proportion of jobs held by minorities and nonminorities. It is calculated as follows:

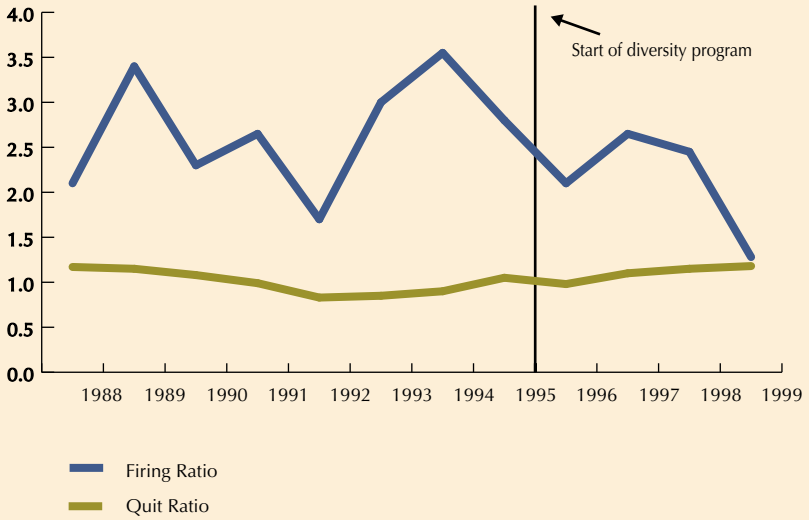
$$\frac{\dfrac{\text{Number of Minority Quits}}{\text{Total Number of Quits}}}{\dfrac{\text{Number of Minorities}}{\text{Total Number of Positions}}}$$

A quotient greater than one means they are leaving in greater proportion than their representation in the population. Similar measures can be constructed to examine dismissals and promotions.

From these ratios one can construct a visual picture of the impact of a diversity program in an organization. Figure 1 shows how the firing and quit ratios of African Americans looked before and after the implementation of NIH's Workforce Diversity Initiative. The quit rate for African Americans was in proportion to their representation in the NIH workforce before the program was implemented and remained that way. The firing ratio for African Americans had started to climb steeply just before the diversity initiative was implemented and then declined markedly after that point.

This lends support to the notion that the diversity initiative was effective in creating a more equitable environment for African Americans. Such analyses should be supplemented

Figure 1
African American Firing and Quit Ratios at the NIH



with the other measures discussed (e.g., promotion ratios) and can be augmented with interrupted time-series analysis, which provides quantitative estimates of program impact upon implementation and in subsequent years.

Conclusion

Since the mid-1990s, most federal agencies have been devoting resources to workforce diversity initiatives in an effort to improve the work environment for an increasingly diverse workforce. Meanwhile, Congress and the president have demanded that agencies demonstrate that their programs are achieving their intended purposes by setting performance targets and empirically measuring their progress toward achieving those goals. No less should be required of managing diversity programs. ■

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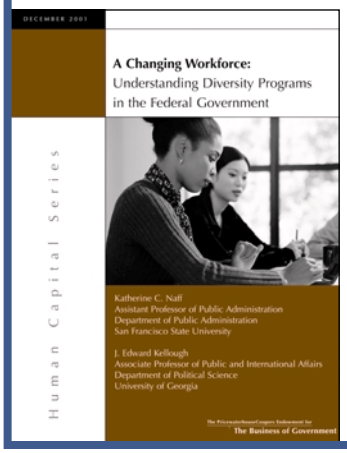

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Rethinking Careers and Public Service: A Conversation with Charles Handy

By Mark A. Abramson

As the federal government continues to work on the development of its human capital strategy, it will need to rethink the concept of career and what that will mean in the 21st century. Historically, government has offered individuals lifelong careers—entering public service at an early age and staying until retirement. Government was very successful in attracting individuals to public service in the 1960s and 1970s. Many of the individuals who entered public service in the 1970s are now becoming eligible for retirement, hence the current concern about the forthcoming "retirement crisis" and the resulting loss of institutional memory.

But the crisis changes dramatically if one views careers differently and if one begins to look at the future through a different lens. To find a different lens to view this issue, I conducted a telephone interview with Charles Handy, the noted British management theorist. He recently published his 12th book in America, *The Elephant and the Flea: Reflections of a Reluctant Capitalist*.

For the last two decades, Handy has been thinking and writing about the new world of work in the coming century. He has written extensively about what he calls the "Third Age of Living." (Other ages are the "First Age of Learning" and the "Second Age of Working.") Individuals in their Third Age are a huge resource, argues Handy, which organizations can clearly use in various capacities.

"I think we have it all wrong," Handy told me. "Organizations have adopted the attitude that you must be either totally in or totally out. They have created no in-between. This is stupid. As people move from their energy stage to wisdom stage, you don't need all their time. They probably want to do other things with much of their time but most likely would be willing to devote some portion of time to their former organization. They no longer need to have management roles, but they can become very valuable members of their organization. At this stage of their careers, they should not be viewed as threats to anybody. Working less than full time will also save their organizations money. They can be a valuable resource."

Handy's concept of the Third Age is based on several important premises about the future of organizations and society. First, he believes that organizations—in both the public and private sectors—will continue to strip down to the barest essentials with fewer and fewer full-time employees. Organizations, he writes, are never again going to "stockpile" people. Hence, retirements are likely to come at 55, if not earlier. Second, he observes that retirement is now "ludicrously the wrong word." Those living in the West are likely to have 25 or more years of active life after retiring, and will be seeking work that allows them to feel useful and of value. When he first started his career, observes Handy, the average person lived only 15 months after retirement.

In *Beyond Certainty*, Handy further explores the concept of the Third Age. "The Third Age will grow in importance. We cannot ignore it. Individuals need to see it as part of life and to prepare for it, financially, psychologically, and technically. Organizations must help them and encourage them.… It will make parting easier when people move on, not just out."

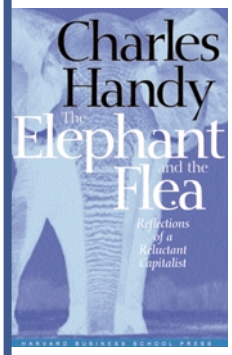
Handy has advice to all those participating in retirement parties. "We should no longer kid people that their working life will end when they say good-bye at the office party," he writes in *Beyond Certainty*. "We should stop pretending that years of gardening and television watching is a satisfactory 'retirement.' We should face facts, see the full-time job as just one phase of life, and move on contently to the next phase, which the French define as the age of 'living.'"

A Look into the Future

The Third Age is a potential source of labor and of experience.… As one firm said to a friend of mine, "We value your experience, Douglas, and your contacts and your knowledge and we want to use them after you leave us, but only on Tuesdays, Douglas, only on Tuesdays."

Charles Handy
Beyond Certainty: The Changing Worlds of Organizations

Selected Books by Charles Handy



The Elephant and the Flea: Reflections of a Reluctant Capitalist (Harvard Business School Press, 2001)

The Hungry Spirit (Broadway Books, 1998)

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Gods of Management: The Changing Work of Organizations (Oxford University Press, 1995)

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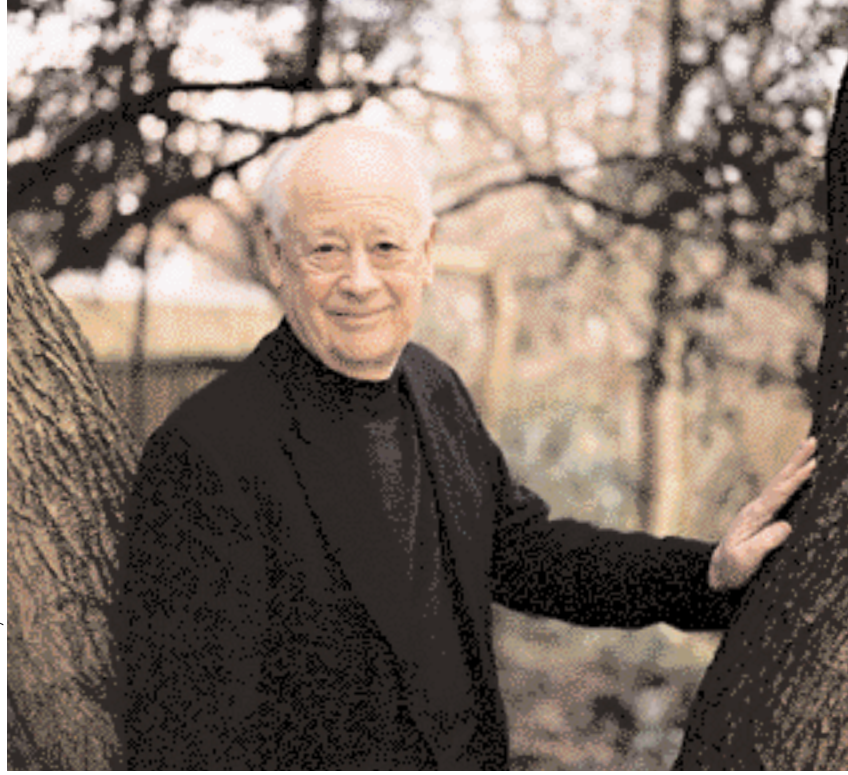

© Elizabeth Handy

Charles Handy

In my conversation with Handy, we also talked about individuals at the beginning of their careers. He believes that although government is a good place for people to start their careers, they should not be expected to stay forever. "In the United Kingdom," Handy told me, "we have a tradition of young people joining the British Army at the start of their career. It is an exciting thing to do. They are given quite a lot of responsibility. It is an interesting period for them. Government can give people interesting assignments and they can learn much."

But Handy is not as positive about the bureaucratic career for those in their Second Age of Working. In the United Kingdom, he doesn't see public sector organizations giving their employees as much freedom to innovate and initiate new ideas as he would like. He sees the private sector giving individuals more opportunities "to make things happen." He also sees a "negative accountability" cycle in the United Kingdom public sector. "People get punished if something goes wrong, they don't get rewarded when things go right," Handy told me. While the Next Step agencies, on which the United States has based its concept of Performance Based Organizations (PBOs), have moved in the direction of giving public servants more freedom and ability to manage, Handy believes that much more needs to be done to make government more exciting and to provide public servants with opportunities to make a real difference.

In our conversation, Handy also advocated more emphasis on "results" in the public sector. "While our government has established performance targets, targets are too often used as punishing devices. If civil servants don't meet their targets, they get punished. They have *plans* in business, not *targets*. There are also very few incentives in government for people to take risks. Government needs more rewards. Government should reward people for achieving things. And it isn't just about money. People want to make a difference and to make things happen. That is often the real reward," reflected Handy. Government can change, states Handy, but it will take a dramatically different approach for it to change. Government needs to allow people to "tinker at the edges" and conduct "small experiments." He advocates "piecemeal" projects that experiment with new ways of delivering services. "The problem in the United Kingdom," Handy told me, "is that it has tended to emphasize big reforms. You have to reform the whole service, which is difficult to do. You have to reform the entire structure of health, education, or law enforcement instead of working at the edges to improve smaller programs."

Handy believes, however, that over time governments around the world will continue to devolve many of their activities to the private sector. "The major role for government will continue to be to legislate, regulate, and finance. They don't necessarily need to run their own operations. Government needs to be strategic."

There is little doubt that organizations and society will continue to change dramatically in the decades ahead. If Charles Handy is correct, the federal government will need to rethink its vision of the traditional career and make major adjustments, including devising creative ways to use the experience and wisdom of those who will be "retiring" from, but perhaps not leaving, public service. Handy has provided us with a new lens to view the retirement crisis. The federal government must now contemplate its implications for the future. ■

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Executive Director
Joint Financial Management Improvement Project

Karen Alderman, executive director of the Joint Financial Management Improvement Project (JFMIP), leads a small office of nine employees who assist other federal government agencies with financial management of their budget. JFMIP is "specifically chartered to enable collaboration across government entities," says Alderman. JFMIP promotes strategies and guides financial management improvement across government, reviews policy promulgations, and acts as catalyst and clearinghouse for sharing and disseminating information about good financial management practices.

JFMIP was created in 1950 as a joint cooperative undertaking of the U.S. Department of the Treasury, the General Accounting Office (GAO), the Office of Management and Budget (OMB), and the Office of Personnel Management (OPM) to improve financial management practices in government. "The focus was on streamlining and improving accounting operations, which at the time," says Alderman, "were choked with even more red tape and conflicting requirements than they are today."

Alderman is currently collaborating with other federal government leaders to challenge agencies to look to modern private industry as the model for creating new standards for financial management in the federal government. "The goal has been shifting to improving the value and utility of financial information," reports Alderman. Working with top government executives, Alderman believes, "we are in a very good position to deal across agencies and work on these government-wide issues." Top executives in partnering agencies form the JFMIP Steering Committee, which runs the day-to-day operations and "sets the major milestones and agenda items for JFMIP." In addition, Alderman explains, "We work closely with the Chief Financial Officers Council (CFOC), the Financial Systems Committee, and the HR Committees to help bring about government-wide policies and studies.... We work with anyone who will work with us."

One of JFMIP's major priorities is to assist agencies in getting timely and "clean" audited financial opinions for federal managers. "A clean opinion indicates a baseline level of financial discipline and accountability," says Alderman. "It communicates responsibility to the American public about stewardship of funds."

"I think the financial management environment and the priorities are continuing to evolve," says Alderman. "Specific goals ... have accelerated reporting deadlines, established interim reporting on a quarterly basis and comparative reporting focused on program performance." JFMIP is assisting agencies in getting "clean opinions for all civilian agencies by 2003, and a government-wide clean opinion by 2005." This effort includes tackling problems such as the unreconciled differences in intergovernmental transactions that totaled more than $250 billion in the last government-wide statement. "It's too big a pot to dismiss," says Alderman. "You won't get a government-wide clean opinion unless we figure out how to reconcile buying and selling activity between agencies."

In addition to its other responsibilities, JFMIP is working with agencies to replace outdated financial management systems. "A lot of agencies currently rely on very old systems ... built in the 1960s and the 1970s." As a result of inefficiencies, explains Alderman, "there is a tremendous wave of activity. [Agencies] are replacing homegrown or highly customized systems with commercial products ... because [they] are concerned that the [systems] that they have today will totally break down ... unless they act."

"It's still a very tough business, successfully transitioning to new systems," says Alderman. To assist agencies in this task, JFMIP initiated a project called *Financial System Road Map* (located at: http://www.jfmip.gov/jfmip/roadmap.htm), to build a communications structure for organizing and disseminating information that will help federal agencies achieve better results from systems implementation efforts. "We've tried to organize information so it's readily available to the community; so everybody doesn't have to do all their own original research," says Alderman.

In the future, Alderman believes that "government will have to find ways to use industry standards to conduct their business, because government will not be able to afford to have unique infrastructures for administrative purposes.... [Leaders] are going to have to reach across functional boundaries, facilitate partnering, both within organizations and externally." ■

"THE EMPHASIS IN FINANCIAL SPECIALISTS WILL CHANGE FROM INTERPRETING INFORMATION PUT INTO THE SYSTEM, WHICH IS WHERE WE HAVE SPECIALIZED IN THE PAST, TO INTERPRETING THE INFORMATION THAT RESULTS FROM THE PROCESS."

Radio Interview Excerpts

Karen Cleary Alderman
Executive Director
Joint Financial Management Improvement Project

DEVELOPING LEADERSHIP

On her career

I was 33 and ... a woman in the Department of Defense who became a member of the Senior Executive Service. There were very few women and very few senior executives under the age of 40.

In the Department of Defense, there were two types of positions or experiences that I still draw upon every day. [First], part of my portfolio for 10 years was managing the productivity in enhancing the Capital Investment Fund. That was a fund of about $100 to $200 million that financed high-payoff capital investments that we selected through a competition based on return on investment, discounted return on investment, total return on investment, and manpower savings. The management of that process gave [me] a really good education on the cost of current processes and the potential for reducing costs and improving mission capability through doing things differently.

Another type of experience that was a real stretching experience was heading up the Defense Travel Re-engineering Initiative in the Department of Defense.... I was responsible for making it all happen. It required identifying a vision, changing basic business practices, partnering with industry, and using electronic-commerce principles when they weren't really commonplace.... So we also had to change rules and regulations, and that introduced me to JFMIP.

It wasn't always an easy process because [my teachers and mentors] set very high expectations. But, every position I was in, I learned a lot and built on it. I built networks and found new opportunities as a result of it. . . It was those types of opportunities that arose in my career by simply working very hard, but keeping my eyes open for other opportunities.

INTERAGENCY PROJECTS

On working with other agencies

The JFMIP principals currently include Comptroller General David Walker; Secretary of the Treasury Paul O'Neill; Director of the Office of Management and Budget Mitch Daniels; and Director of the Office of Personnel Management Kay Coles James. The JFMIP Steering Committee, which runs the day-to-day operations, is chaired by Jeffrey Steinhoff, the managing director for the General Accounting Office's Financial Management and Assurance Organization. It also includes the chief financial officer from OPM, Kathleen McGettigan; General Services Administration's Bill Early; Fiscal Assistant Secretary of the Treasury Don Hammond; and Joseph Kull, who is the OMB deputy controller.

... the JFMIP vision really is shaped by the Steering Committee. I anticipate that we're going to continue as an organization to be a cross-agency facilitator, a facilitator for change, and a barrier-removal agent. I think we've played that role in the past and we'll play that role in the future. We're specifically chartered to enable collaboration across government entities, particularly for crosscutting issues. In a network world, where resources are tight, I see demand for both those roles increasing over time.... We are in a very good position to deal across agencies and work on these government-wide issues. What are the current priorities? Those include finishing up the system requirements documents that we've been developing ... updating core financial system testing, and qualification process.

On developing cross-agency requirements

We look for a senior-level team leader from an agency with a strong incentive to develop system requirements. For instance, the Department of Education led the process to update the direct loan system's requirements document. They manage a huge direct-loan portfolio and they also were looking to replace their direct loan system.... After identifying a leader from an agency, we organize representation from all around the federal government where there is an interest. We get work teams together. JFMIP staff facilitates the process.

We don't consider ourselves the expert in every area. We are the facilitator to bring the experts together. We develop the document. We send it around within the federal environment, first to the interest groups and to the organizations ... then,

"WE ARE THE FACILITATOR TO BRING THE EXPERTS TOGETHER. WE DEVELOP THE DOCUMENT. WE SEND IT AROUND WITHIN THE FEDERAL ENVIRONMENT, FIRST TO THE INTEREST GROUPS AND TO THE ORGANIZATIONS.... WE GET THOUSANDS OF COMMENTS ON THESE DOCUMENTS. WE RESOLVE EVERY COMMENT BEFORE IT IS ISSUED."

after the Steering Committee is satisfied that the document is reasonably complete, we put it out through a formal exposure draft process. We put it in the *Federal Register*, we put it out for open comment, and we get thousands of comments on these documents. We resolve every comment before it is issued. That's basically the process.

When it's an update of an existing document, it usually takes six to eight months. The development of a new document that's never been done before ... may take a year to 18 months.

FINANCIAL SYSTEMS MANAGEMENT

On measuring financial systems

The high-order measure is whether an agency can get a clean opinion. On that measure, 18 agencies succeeded in 2000.

[However], there are a variety of debates about how to measure the [quality] of your financial systems, in addition to whether an agency gets a clean opinion, [such as] whether the systems support the requirements of the Federal Financial Management Improvement Act and those high-level requirements, whether the systems comply with the U.S. Standard General Ledger, whether they support federal accounting standards, or whether they comply with systems requirements....

THE FUTURE

On technology in the future

Basic technology common in our lives today really wasn't that accessible in 1990. It was there, but it wasn't widely used. We've lived in the last 10 years through an information revolution, even though we haven't fully digested the impact of it—the revolution is not complete. I expect that there's going to be a shakeout in the industry ... consolidation of information technology with some dominant players in networking, databases, application development, and service providers. As a result, the industry will move towards standards and seamless integration....

Government will have to find ways to use industry standards to conduct their business, because government will not be able to afford to have unique infrastructures for administrative purposes.... Electronic processes will become the norm for transaction processing. The mantra of "enter the data once and reuse it" will become a reality in the next 10 years. The source of that data is largely going to be customers and frontline workers, with managers electronically approving them. The specialists who were in the middle of those processes in the past will be replaced by electronic edit checks built into the systems. Self-service without intervention by financial personnel and other specialists will become the norm.

That has implications for how the business gets done. Brick-and-mortar will disappear. There will be a lot more consolidation of processing centers and more end-to-end integration of systems and supply-chain management all the way back into financial management. The emphasis in financial specialists will change from interpreting information put into the system, which is where we have specialized in the past, to interpreting the information that results from the process.

On leading with vision

Leaders are going to have to be able to establish a vision, organize work around that vision. They're going to have to reach across functional boundaries, facilitate partnering, both within organizations and externally. And their skills are going to be broader. They'll have a technical component to it. I hope managerial breadth is rewarded in the future, because ... with technology, you're going to [have to] look more broadly.

The Business of Government Hour's interview with Karen Cleary Alderman is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

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Mayi Canales

Deputy Chief Information Officer and Director of Security
Office of the Chief Information Officer
U.S. Department of the Treasury

"E-government is providing government [services] in various forms to citizens and businesses," asserts Mayi Canales, deputy chief information officer (CIO) and director of security at the U.S. Department of the Treasury. Canales emphasizes that technology should make it easier for citizens to interact with government through any means possible. Citizens "should be able to walk in, fax, call, [or] go online" to complete a transaction with the government, says Canales.

Canales began her career as a private sector consultant for the government, specializing in information technology research and development. She credits her private sector experiences with her understanding of a broad range of government operations, which she now draws upon in her current role at the Department of the Treasury.

Canales focuses on making government more citizen centered, in part, because Treasury's mission and activities impact all Americans. "Treasury is actually one of the most diverse agencies in government. We do everything from promote prosperous and stable American and world economies, to taxation, to producing coins and currency, to safeguarding financial systems, to law enforcement and trade, to protecting the president. We have 14 different agencies that run the gamut of operations," states Canales. She is responsible for planning, investing, and managing information technology solutions to address programmatic issues facing Treasury. Her office employs 220 federal government workers and nearly 500 contractor staff who provide oversight and services to the department's agencies.

Beyond her work at the department level, however, Canales also works government-wide to streamline and expand information technology. She serves on the federal Chief Information Officers (CIO) Council as a member of the Executive Committee and as an E-Government Portfolio Coordinator. These committees and the council work across departmental and agency boundaries to tackle issues that impact all federal government entities, and to better connect agencies through integrated technologies. In addition, she sits on the board of directors of FirstGov, the federal government's recently redesigned, web-based "single entry point" to access all government services.

To identify government-wide issues, Canales explains, the federal CIO Council created a task force to look at different e-government initiatives and interview agency leaders in information technology. During these conversations, says Canales, "many similar [concerns] fell out like travel, records management, architecture, secure transmissions, [and other] … business processes that crossed many agencies." The council reviewed these common concerns and incorporated the citizen-focused and results-oriented initiatives driven by the President's Management Agenda. The council then identified 23 key e-government initiatives to be completed over the next two years. "We tried to pick [services] that citizens really wanted and had been asking for through the years, [services] that helped us in dealing with reducing the paperwork burden on businesses, states, and local government … things that made life easier," notes Canales.

Initial efforts to satisfy the demand for government transactions online, according to Canales, resulted in fragmented and disparate services across federal government. "We're in the very, very early stages of planning and design," she explains. "We actually have to take a step backwards in some cases and deal with the fact that we have all of these online services that don't talk to each other." The problem is that the pieces and parts of existing e-government services don't satisfy the customer's needs, Canales says. She hopes that agencies will "start sharing some of these tools and advances that we've made, and then maybe start doing away with some of the things we have out there" that don't work, in order to create integrated processes that reach across agency and departmental boundaries to provide services that are more convenient for citizens.

In the future, Canales believes that "the management of change" will be the critical challenge facing government managers. Leaders will need people skills to be able to guide their organizations through upcoming changes. Therefore, succession planning and programs to grow new leaders will be increasingly important to the life of an agency. When asked about leadership, she answers: "I've found that the most successful people in life are people who take the time to listen; they're honest, they're fair, and they treat everyone with respect and dignity. In the higher levels that's what's most important." ■

"AS THIS NEXT GENERATION GROWS UP, GOVERNMENT BETTER BE RESPONSIVE AND PROVIDE GOVERNMENT IN LOTS OF MECHANISMS—ONLINE, OFFLINE, BUILDINGS, PHONE, AND FAX.... I THINK OUR CITIZENS OF THE FUTURE ARE ONLINE CITIZENS, AND I SEE GOVERNANCE GOING ONLINE."

Radio Interview Excerpts

Mayi Canales
Deputy Chief Information Officer and Director of Security
Office of the Chief Information Officer
U.S. Department of the Treasury

HER CAREER

On moving from the private sector to public service

I started my life in the private sector, designing missile systems in the Navy as a consultant, and went from there, after the Challenger accident, with NASA … to work as a consultant for NASA designing a quality assurance program to try to prevent any future Shuttle accidents, which I'm proud to say, so far so good.

From there, I met someone who took me kicking and screaming into government life, but I have enjoyed it thoroughly. I have met hardworking, talented people, and I'm having a blast. I started with the Department of Veterans Affairs in their headquarters in what became the Office of the Chief Information Officer … doing the strategic planning, the financing, and nationwide solutions. Now I'm with Treasury and am the deputy chief information officer and still having a blast.

On getting to know government

…. As a consultant one day you're working with NASA, one day you're [with the] Army, one day you're [with the] Marines, one day you're [with the] Navy, and you get to know all about government. Which is interesting, because you think internally people would get to know more about government, but what I found is that people get to know their agency and their mission very well, but it's hard for them to get to know other agencies and other missions. As e-government grows that will change a little bit because we have to get to know each other.

LEADERSHIP

On leaderships skills

The technology background that I have … helps a great deal. I know what people are talking about. I know when somebody's trying to sell me something I don't really want. But what [also] helps me … are my business degrees and the business background, understanding what government's trying to do. If you think about it, technology is there to support business, and if we don't understand our business and our mission and what we're trying to do, the technology doesn't make any sense…. I've found that the most successful people in life are people who take the time to listen. They're honest, they're fair, and they just treat everyone with respect and dignity. In the higher levels that's what's most important.

On growing leaders

We've got two interesting programs that I'd like to mention: the executive potential program and the management potential program. The executive potential program is for what are called GS-14s and 15s, which are one level down from the top…. [The program] trains them and it sends them to different facets of government and private sector and opens them up to things like what happens on the Hill, what happens in OMB [the Office of Management and Budget], what happens in other agencies…. It gives them team-building and facilitation skills and business classes…. It's an 18-month program, and it prepares them for Senior Executive Service.

Then we've got the management potential program, which is the next level down…. It prepares them to be senior information technology managers in the government, and it opens them up to program management skills, team-building skills. Performance-based contracting is one of the things we're teaching them in there. We're trying to build a succession ladder.

TECHNOLOGY

On FirstGov

FirstGov is a single entry into all government services. At first [the government portal] started with just informational components, but now as we progress we're moving more into transactions like student loans online, passports online, and grants online. Not that agencies didn't already have those pieces and parts by themselves, but [FirstGov] gives it more of a federal look and feel with all the components in one place…. It's going to play a vital role. It may provide all of the

"IF YOU THINK ABOUT IT, TECHNOLOGY IS THERE TO SUPPORT BUSINESS, AND IF WE DON'T UNDERSTAND OUR BUSINESS AND OUR MISSION AND WHAT WE'RE TRYING TO DO, THE TECHNOLOGY DOESN'T MAKE ANY SENSE."

tools and standards, the security. It may provide the architecture for us to the search engines. It will play a vital role in everything we do in the e-government arena across government…. I think the success will be measured by its popularity, how many people use it—citizens, businesses—and how many people are coming in through FirstGov and finding what they need through FirstGov.

On online security

People think of online security as being such a mysterious thing because it is online. I think what it is that scares people is that there is so much access to information. It's not just your credit card. It's everything about you and everything about everyone around you. What we need to provide is a sense of comfort to people that shows this is the risk factor you're taking, and it should be minimal. Nobody is going to guarantee complete risk-free anything, whether you're paying with your credit card in a store or whether you're going online to Southwest Airlines buying an online ticket. They can tell you this is the security we provide and we need to in government provide that, and the technology is out there to provide it whether it be biometrics, whether it be smart cards, or whether it be public key infrastructure with certificates.

THE FUTURE

On the role of technology

I think you'll see a lot more of being able to do your job anywhere anytime…. I am now accessible 24/7 with e-mail, phone, paging, and it's all in one little box. I can do my whole job from a little wearable device…. We are not limited to our offices. We can work from home, [Treasury] agents can work from the field, and you have access to everything you normally have access to [on] your desktop. That's the biggest change I see.

On the role of managers

I think [technology] will make it easier for managers. A lot of what took so much time in the past was the paperwork, signing memos and routing them around, and some person physically walking this memo around because it had to get out that day. Now I send a memo out and I send it to six people, and I can either structure it so it gets approved serially or all at one time…. As far as workflow, it's made our lives so much easier. You'll see a lot more … program managers where they're managing solutions and services and not managing people.

On citizens

Anybody who has kids or has watched kids in grade school, in college, in high school nowadays [knows that] they don't wait in line for anything. They do everything online…. As this next generation grows up, government better be responsive and provide government in lots of mechanisms—online, offline, buildings, phone, and fax. I think government needs to adapt to that and provide the services based on what our citizens want. I think our citizens of the future are online citizens, and I see governance going online.

On the Department of the Treasury

I believe that we're going to be doing investment management, making decisions about where to spend money, how to streamline things, not just at Treasury but across government.

On performance-based contracts

We need to redefine contracting in government. It used to be very specific where you would bring pieces and parts in and deliver them and set them up and hopefully they would work, but now we're not doing that anymore. I'm trying not to own any pieces and parts. But contracting has had the biggest hurdle to jump here trying to define a contract where you guys are my partner…. The biggest hurdle is [that] the contracting rules and regulations are not exactly created … to find innovative contracting methods and incentive-based contracting.

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

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Joseph Cipriano

Program Executive Officer for Information Technology
Department of the Navy
U.S. Department of Defense

Joseph Cipriano is working to supply the Department of the Navy with the equipment and capabilities it needs to communicate swiftly, seamlessly, and securely among its internal operational units so that its decision makers can make "faster, better decisions." It is the Navy's unique challenges, such as the groundbreaking development of the Navy-Marine Corps Intranet (NMCI), according to Cipriano, that brought him back. Throughout his career, Cipriano has rotated between the public sector and private industry, gaining experience and expertise that today contribute to his current role as the Department of Navy's program executive officer for information technology.

With more than 900,000 people in the Department of Navy—including Navy and Marine Corps active duty and reserves, plus approximately 180,000 civilians—developing an information technology network capable of linking disparate units and geographic locations is a daunting challenge. Cipriano is responsible for promulgating and fielding NMCI and developing enterprise-wide software for the purpose of linking command centers to the naval shipboard systems with a global computer reach.

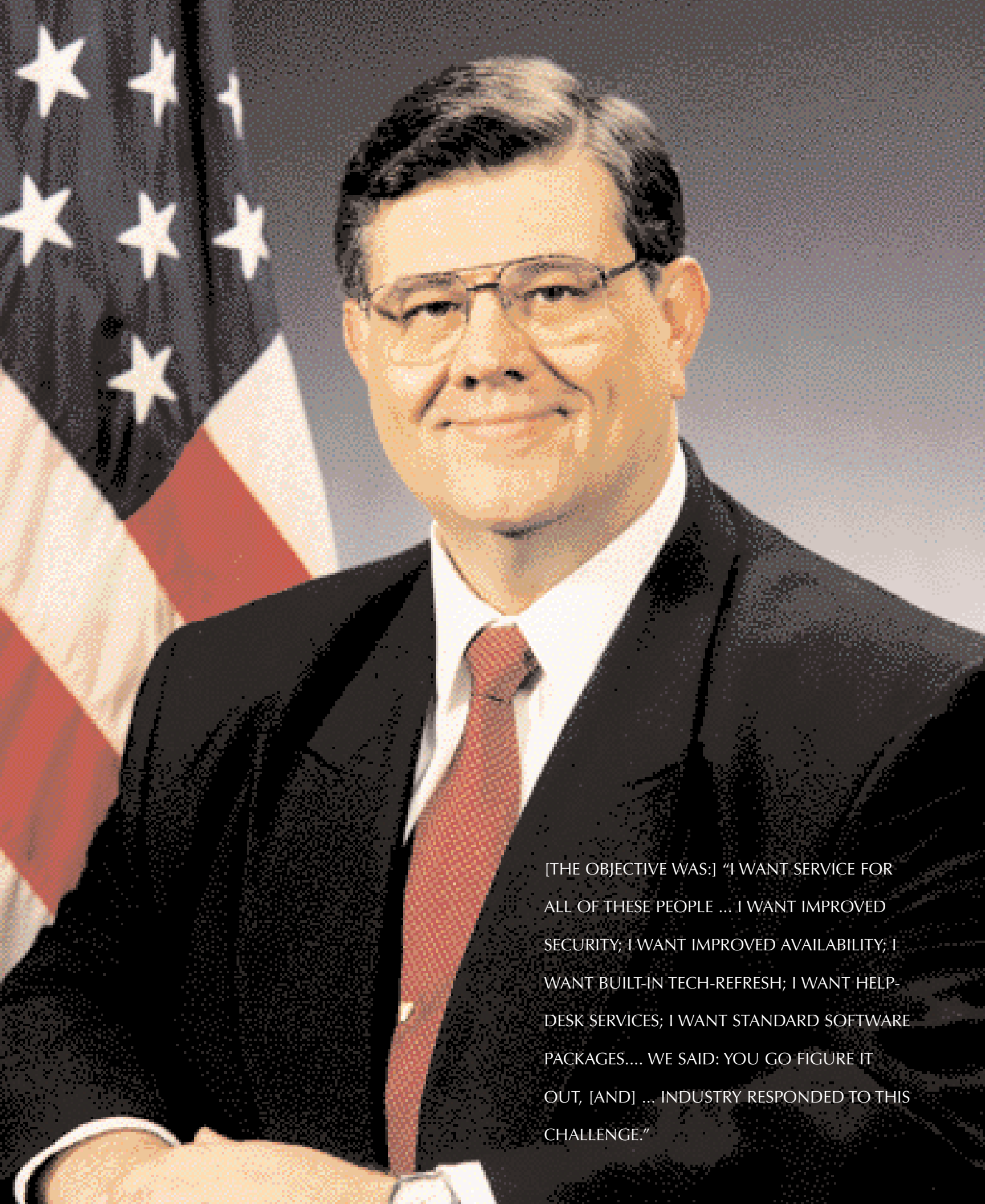
"In the past, we have purchased information technology at various levels within the organization," explains Cipriano. "We found that in doing that, there were inter-operability problems. There were problems talking to each other because there were no standards that were being imposed across [the system]. We also had security issues with some places that made it difficult to exchange information ... it wasn't particularly efficient." Facing a splintered and inefficient network, Cipriano began building the business case for outsourcing information technology.

"We really needed to think about this differently," recalls Cipriano. Bringing a new perspective to information technology in a military environment was aided by Cipriano's previous experiences. Cipriano joined the Navy in 1969 as a missile flight analyst, then left for several years to become vice president, director of Western operations for the Evaluation Research Corporation. In 1984, he returned to the Navy as deputy chief engineer for design and manufacturing, reporting directly to the chief engineer. Later, he accepted leadership of the Department of Energy's $8 billion Superconducting Super Collider Project, before returning to the Navy again to help develop NMCI.

It was his understanding of both the private and public sectors that helped him to use their individual strengths to best meet the needs of a common goal. "We decided that operating and maintaining [information] networks wasn't a core competency of the Department of Navy," recalls Cipriano. "There were people in industry that did this better than us, did it less expensively than us." As a result of this internal assessment, the Navy decided to treat information technology as a "service rather than a commodity," says Cipriano. The objective was: "I want service for all of these people, including an extra 55,000 that don't have service today that need it. I want improved security; I want improved availability; I want built-in tech-refresh; I want help-desk services; I want standard software packages ... and I want it all without spending any more money than I'm spending today." Cipriano says, "We did not specify any hardware and we did not specify any software. We said: You go figure it out, [and] ... industry responded to this challenge."

Focusing on the Navy's core competencies and using industry models and technology from the private sector appears to be working. The primary contractor, EDS, was able to get the Navy's communications network—knocked out in the terrorist attack on the Pentagon—up and running in only three days because of the analysis of the computer systems the company had conducted. Today NMCI's approach to information technology contracting is being lauded as a model for other agencies. In fact, the Department of the Air Force received congressional funding to study the NMCI experience to develop a similar network.

"The Navy is truly on a path to be one of the best-run organizations of any kind," Cipruabi states. When asked about measuring the success of NMCI: "I think the question when we're done is going to be: Have we in fact sped up our decision-making process? Because when all is said and done, if we aren't making faster, better decisions as a result of this investment, then we didn't do it right." Cipriano emphasizes, "I think faster, better decisions are the keys to success in business, and the keys to success in warfare." ■



[THE OBJECTIVE WAS:] "I WANT SERVICE FOR ALL OF THESE PEOPLE ... I WANT IMPROVED SECURITY; I WANT IMPROVED AVAILABILITY; I WANT BUILT-IN TECH-REFRESH; I WANT HELP-DESK SERVICES; I WANT STANDARD SOFTWARE PACKAGES.... WE SAID: YOU GO FIGURE IT OUT, [AND] ... INDUSTRY RESPONDED TO THIS CHALLENGE."

Radio Interview Excerpts

Joseph Cipriano
Program Executive Officer for Information Technology
Department of the Navy
U.S. Department of Defense

MISSION FOCUS

On the mission and activities of the Department of the Navy

The Department of the Navy is made up of maritime services, the U.S. Navy and the U.S. Marine Corps. In a time of war, the U.S. Coast Guard also becomes part of the force. The Navy is responsible for all fighting at sea, and the Marine Corps is responsible for fighting from the sea; they project power ashore. We work very closely together, the Navy and the Marine Corps, to accomplish that mission. There is a common mission that both services—in fact, all services—share. That is the mission to train, maintain, and equip the war fighters to fight and win, to maintain freedom of the seas and to deter aggression.

MANAGING FOR RESULTS

On building network efficiency

In the past, we have purchased information technology at various levels in our organization, and each requirement was tailored to support one of our echelon commands or missions. We found that in doing that, there were inter-operability problems. There were problems talking to each other because there were no standards that were being imposed across [units]. We also had security issues with some of the places that made it difficult to exchange information.... It wasn't particularly efficient.

So we were moving to a network centric ... organization, where we were trying to speed up our decision making ... to use information so that a decision maker has in front of him the best information available to make a decision ... quickly. We needed to be able to share information ... in all these different places around the world and be able to access it and get it in front of the decision maker very quickly and securely. The program executive officer of information technology was created to do that ... so that we can move information seamlessly across the enterprise.

On outsourcing information technology

We started doing business cases on the non-core areas, to understand how much it was costing us to do them ourselves, and how much it might cost us to have somebody else do them for us.... By comparing those two, it's a very compelling business case, in this particular example, that it's something you want to let somebody else do for you.

.... The first step was to agree on what ... service levels had to be.... We found that in fact that there is a core set of requirements that everybody shares, and we were able to agree on a service level that . . . would support everybody's requirements.... This became the basis for a contract. We did not specify any hardware and we did not specify any software. We said, "You go figure it out. I just want to buy this from you as a service."

.... The second thing we did was ... to get out of this business. We turned over to industry our existing infrastructure.... We just want a service, like a telephone service or electricity, where it's just there and I don't have to worry about however it gets there. It's just there every day and I can count on it. I want to be able to count on IT that same way. So industry responded to this challenge... We allowed innovation that was out there to be a big part of this effort.

On innovation

I believe innovation is fostered by a results-oriented organization or management approach. When you are the commanding officer of a ship at sea, and you have command of all these resources and you are being held accountable for success of a mission, innovation is important and allowed. You have a lot of authority to make decisions on how to do things and you are being held accountable for the success of a mission—innovation is important.

.... We had a sign that was hung on the front of the contracting team's office that said: "This team has been bludgeoned into believing they can do anything consistent with common sense. Please do not convince them otherwise," signed by Lee Buchanan [Assistant Secretary of the Navy for Research,

"WE HAD A SIGN ... 'THIS TEAM HAS BEEN BLUDGEONED INTO BELIEVING THEY CAN DO ANYTHING CONSISTENT WITH COMMON SENSE. PLEASE DO NOT CONVINCE THEM OTHERWISE,' SIGNED BY LEE BUCHANAN [ASSISTANT SECRETARY OF THE NAVY FOR RESEARCH, DEVELOPMENT, AND ACQUISITION]."

Development, and Acquisition]. That was actually hanging on the front of the door, just to remind people that, it's okay in this case to think out of the box, to look at things that you may have been told or led to believe you couldn't do and to challenge those.

We found there wasn't a single statute that had to be changed or violated. In fact, we have an enormous amount of freedom, if we use it, to do things very quickly and efficiently.

MANAGING PEOPLE

On managing military and civilian personnel

There are challenges, because obviously there are some differences in culture between the civilians and the military and also between the Marines and the Navy. But we share a lot of common objectives as well. We tend to work together, between military and civilian, by alternating management levels.... At one level of management [there is] a civilian, and the next level up might be a military, the next level up might be a civilian and so forth.... If the principal is military, the deputy will be a civilian, and vice versa, to get both of those perspectives as we go up.

The military brings an understanding of the mission, understanding of what an objective is, and the civilians tend to have more in-depth training on the rules of contracting, law, and administrative things necessary for procurement.... They bring functional expertise, and the war fighters bring understanding of the mission and focus to the job.

On workforce restructuring

Another concern was [that] there were a lot of people's jobs that were affected by NMCI, since we had about 2,000 civilians and military that were operating and maintaining networks that would no longer have that responsibility once NMCI came to their sites. Of course, these people were concerned about what would happen to them as a result.

We asked industry to help us.... For anyone that we identify as being impacted by NMCI ... the contractor promises to hire him or her. They get a 15 percent raise, they get a hiring bonus, and they get guaranteed employment for three years. So they have a nice package to transition to industry if they want to continue doing the kind of work they were doing before.

If they want to move into knowledge management, or if they move into some of the other areas in information technology where we are growing people and moving, then we were offering training opportunities.... [We said]: "We will try to place you in the Navy in other locations to help with some of the remaining responsibilities we have," because these are very talented, very high-value people. And IT people are in short supply.

CAREER

On his public and private sector career

Each job contributed something. I've tended to have more of a military career than a civilian-type career in that I've changed jobs every three or four years, and I've learned and moved around with most of those job changes.... My industry experience taught me how to manage cost and cost centers, how to make a profit, how to understand how much things cost, and control those things better than any job I've had in government could have. The experience [working on the Super Collider Project at the Department of Energy] helped me understand how Congress works.

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

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John M. Dalrymple

Commissioner, Wage and Investment Division
Internal Revenue Service

John Dalrymple, commissioner of the Wage and Investment Division of the Internal Revenue Service (IRS), is celebrating 26 years of public service at the IRS. He is using his years of experience to change the image and organization of the IRS in order to improve its performance.

In addition to collecting taxes, the IRS in recent years has added a new mission with a customer service orientation: "To educate and assist customers with understanding and satisfying their tax responsibilities." Dalrymple says, "We see ourselves in the future ... listening more to what our customers are telling us, and we're trying to react to that in real time."

The modern IRS is built around four customer-focused organizational units—Small Business and Self-Employed, Large and Mid-Size Business, TE/GE (exempt organizations, employee plans, and governmental entities), and Wage and Investment. The Wage and Investment Operating Division is structured around customer education and assistance, helping taxpayers to understand the law and providing assistance to help taxpayers file correct returns. By dedicating a separate unit with full responsibility for serving each set of taxpayers, the IRS hopes to better focus its efforts, resources, and staff to helping their customers comply with the tax laws.

"There are about 40,000 people in the IRS that are in the Wage and Investment Division, give or take a few thousand, depending on which time of the year it is. There are about 115 million taxpayers that the ... division serves," according to Dalrymple, who oversees their activities. He believes that changing the focus to customer service will take the collective action of all IRS employees. "Everybody has to internalize that to make it actually happen here. And I think from my perspective, it means actually that ... from this point forward, we take into account what ... impact our actions have on our customers," says Dalrymple.

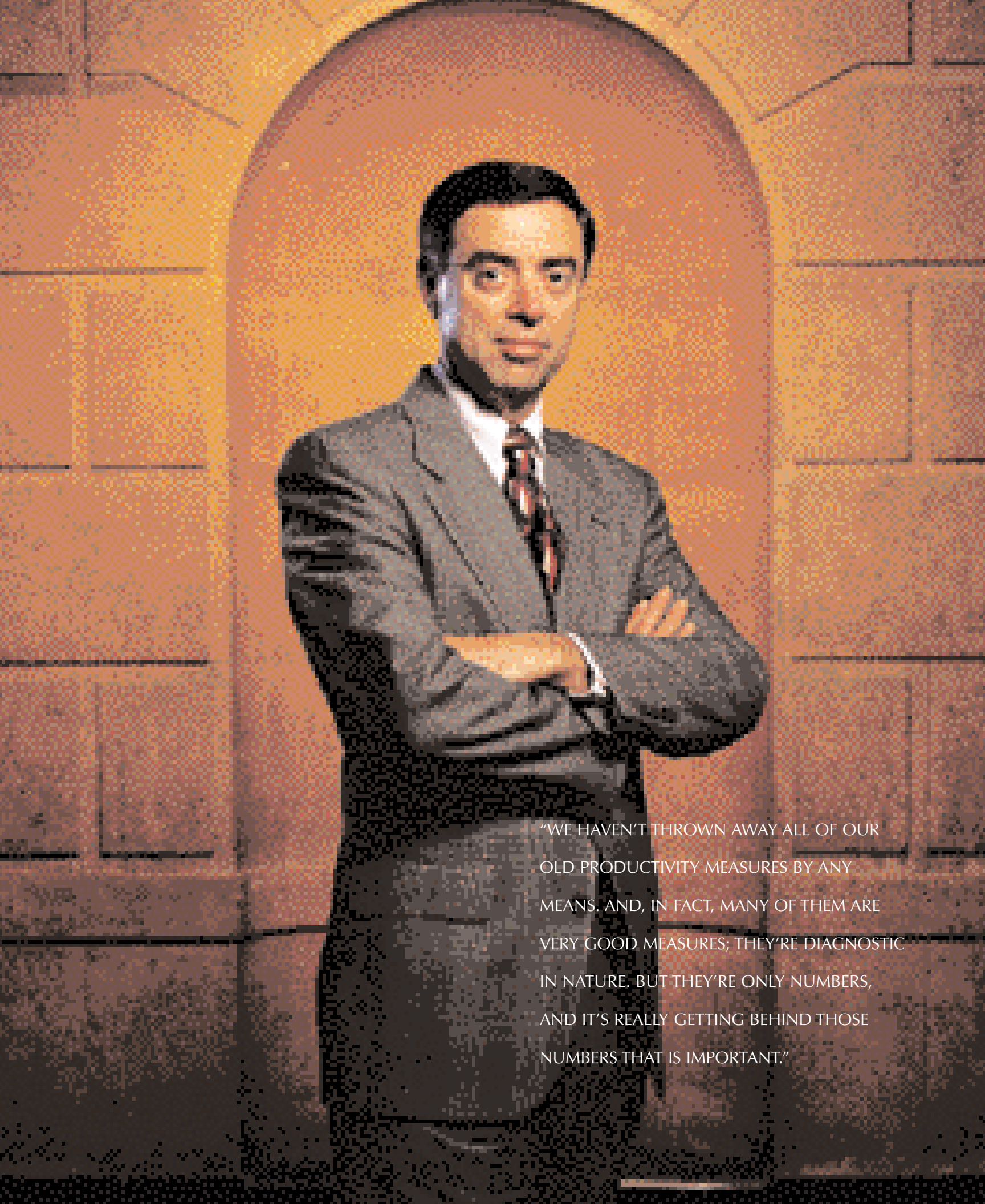
The IRS began an organization-wide modernization effort as a result, in part, of the IRS Restructuring and Reform Act of 1998. When asked what he believes is the most significant innovation to come out of reinvention, Dalrymple points to the creation of the new division structure. He says, "What we try to do now is segment so that we're focused much more on segments of the population. So in Wage and Investment, it is my responsibility to ... understand and provide the services and the activities ... that the public needs in order to comply with the tax laws. So no longer are we ... in a situation where our scope is so large that our focus is difficult to attain." He compares his division to "a laser focused in on the Wage and Investment customer." The IRS hopes that all these changes will shift the IRS away from its tough cop image to a more customer-friendly face.

When asked for lessons learned about large-scale transformation, Dalrymple cautions that the agency must be "fully committed," or else you might "slide back." "It really has to be a process that you buy into that's going to ensure that everybody feels that they at least had an opportunity to be heard in the reorganization," he asserts.

Dalrymple cites IRS efforts to include its employees in the reinvention process as another successful innovation. The IRS partnered with the National Treasury Employees Union (NTEU) to survey employees about the upcoming changes. "Not everybody's ideas were accepted. But everybody had an opportunity to actually be heard and offer suggestions. And, in the end, that's actually what I think helped us tremendously," reports Dalrymple. "Our employees then understood how important that was in order to move forward."

"I have 26 years of experience. And I've also managed a number of different aspects of the operation here at the IRS over that period of time.... Listening to customers has been incredibly important to me, because that's helped me reframe and rethink a lot of the old attitudes I had about how to do business." Reflecting on his role in the reorganization process, Dalrymple states that "leading people isn't always about pulling out your sword and your shield and marching forward. Most of the time, it's actually listening to the people that you work with and your customers to figure out what the best solutions are."

Dalrymple looks to the future and hopes that new employees will join the IRS in its continuing efforts toward transformation. "We're looking for people who like a good challenge. We have lots to do here," he says. ■



"WE HAVEN'T THROWN AWAY ALL OF OUR OLD PRODUCTIVITY MEASURES BY ANY MEANS. AND, IN FACT, MANY OF THEM ARE VERY GOOD MEASURES; THEY'RE DIAGNOSTIC IN NATURE. BUT THEY'RE ONLY NUMBERS, AND IT'S REALLY GETTING BEHIND THOSE NUMBERS THAT IS IMPORTANT."

Radio Interview Excerpts

John M. Dalrymple
Commissioner, Wage and Investment Division
Internal Revenue Service

IRS TRANSFORMATION

On customer service

We're focusing a great deal of attention on increasing our ability to actually have people access our services. You might think on the compliance side of the house, how does that fit? You've got a particular role there, and it's not necessarily a customer-friendly kind of role. But on the other hand, if you think about the experience that people have when they go through those activities, which is some examination or a collection activity, we're actually surveying those people to find out: ... Were we professional? Were we courteous? What things were important to you in that interaction? And then we're trying to make changes to, in fact, deliver on those things.

On barriers to innovation

Our size, actually, has been an incredible impediment to anybody that's come in to try to help us figure out how to do things differently. Almost any contractor that's bid on any work for us has always been able to tell [us] how they've done things elsewhere before and how it would apply to the IRS. But, when they get in here and actually start dealing with the problems, because of the scope of the activity that we have—we have probably one of the world's largest databases ... our size and the complexity of the work that we do has over and over gotten in our way.

On lessons learned

Don't undertake it [transformation] unless you are fully committed to it, because this really is [like] changing a tire while you're driving a car or living in a house as it's being renovated. It is incredibly difficult. And you still have a mission to accomplish. You can't just set aside the work that you have to do....We still had to process tax returns, we had filing seasons going on. It is reasonably celebrated that some of our compliance activities have fallen off. But aside from the reasons behind that, we still had to have a focus on what our responsibilities were. You can't undertake something like this unless you really understand the scope of what you're going to do and are committed to that scope, because if you're not, I think what would happen is, you'd only get part way there, and you'd probably just slide back to what you had before, because it would be easier.

MEASURING SUCCESS

On balanced scorecards

Well, we have a lot of new measures in place. And, certainly, we have a balanced measures approach in the IRS: employee satisfaction, customer satisfaction, and business results. Even the business results are balanced between productivity and a quality measure.

What we're doing is bringing those measurements as low in the organization as we possibly can with the management information systems that we currently have in place, and making people responsible as possible for ... outcomes.... Frankly, we're pretty embryonic with some of this. Our customer satisfaction measures are ... only a couple years old, and we're still understanding a lot of the information we're getting back from them.

We haven't thrown away all of our old productivity measures by any means. And, in fact, many of them are very good measures; they're diagnostic in nature. But they're only numbers, and it's really getting behind those numbers that is important. So, for example, we're still looking to see how many liens we file. We don't hold individuals responsible for how many liens they file, but corporately [we] look at how many liens were filed, and if the numbers fall off dramatically or increase dramatically, I want to know what's going on to cause that to happen.... So it is really a matter of the use of the measures as opposed to what the measures are.

HUMAN CAPITAL

On the skills needed to work at the IRS

I personally do not have an accounting degree, and there's a lot of people here who don't.... We have other people who are

"THERE'LL BE A LOT LESS RELIANCE ON INDIVIDUAL COMPLIANCE ACTIVITIES AND A LOT MORE ON HELPING PEOPLE COMPLY BEFORE THEY GET INTO TROUBLE."

accountants and who have law degrees, a lot of people with business degrees. I, personally, have an economics degree. We also hire a lot of people who don't have degrees [to] work in our submission processing sites and our service centers. It's a really very wide divergence of backgrounds and abilities that we hire for, here in the service.

On leadership qualities

I looked for people who had vision, first of all, that's very important to me, and people whom I trust. So trust is a very important thing. And you only get trust through honesty. I tend to look for people who have built up a long history of being honest and forthright. And then, finally, people who have good technical skills in the areas for which they're going to be responsible. So if you can find that combination in a person, my sense is to grab on to them and then give them lots and lots of flexibility and room to do their job.

On building employee buy-in

We got our internal folks focused on the external activities and our partners and stakeholders that we have to deal with. The teams were actually responsible for looking at best practices and finding out, for example, from the Federation of Tax Administrators, how they wanted to interact with the IRS in the future and the AICPA [American Institute of Certified Public Accountants], the bar association, and the Chamber of Commerce. We reached out to literally hundreds of stakeholders that we felt had an interest in what we were doing and had an interest in us understanding what their needs were.... We have a couple thousand people actually involved in the re-engineering effort. And we brought employees from the lowest-grade of employees we have in the organization through executives leading teams that folks were on.... And so I think by doing that, our employees then understood how important that was in order to move forward.

On the retirement wave

Well, there's a couple things going on. First, the IRS was granted quite a bit of flexibility by Congress through the IRS restructuring their format. It's helped us to actually fill quite a few key executive roles in the IRS. That's a big help, because we have had a number of people leave the organization. And in addition to that, it's brought in a lot of new ideas to help us move forward.

I think the second part has to do with how we are going to recruit people into the organization, sort of the next generation of IRS folks to come in here. We haven't done a lot of hiring at the IRS, really, in the last five or six years, primarily because of the budget situation. We're doing a lot of recruiting and hiring this year. And I actually think the recent slowdown in the economy has helped us in some of our ability to recruit.

THE FUTURE

On the role of technology

Our future is tied inextricably to technology improvements. I think it's reasonably well known that the IRS is tied to some 1960s architectural designs for their technology infrastructure. We're still batch processing tax returns and keeping our data in batch files. No one does that anymore that I know of, and definitely no one does it in the scope that the IRS does it.

On his vision of the future

There'll be a lot less reliance on individual compliance activities and a lot more on helping people comply before they get into trouble. That's clearly going to be the case. Then, in addition to that, I do have a vision on how things might work around here in the future. We're going to have an incredible amount of interactive services on the Internet. I think you'll see virtual offices online for people. Anything you could do in a walk-in center, you'll be able to do over the Internet.

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Lieutenant General Michael Hayden

Director
National Security Agency

Lieutenant General Michael Hayden, director of the National Security Agency (NSA), worked in Korea as a negotiator for the U.S. Forces Korea, located within range of North Korean artillery, and at other hot spots during the Cold War. Although he has had many difficult assignments throughout his career, Hayden says, "This is the toughest job I ever had."

As part of the larger intelligence community, NSA is responsible for what is called "signals intelligence." Hayden explains that NSA is "trying to learn things that are useful for American safety and liberty out of the electromagnetic spectrum" that includes telephones, cell phones, e-mail, fax, and other communications. "We're drowning in this sea of data," says Hayden. "With the great volume, variety, and velocity of modern communications out there, a signals intelligence agency ... runs a serious risk of being overwhelmed with the vast quantity of ones, zeros, and bits.... It's hard to pick out the valuable piece of intelligence in the vast array of communications."

After a decade of downsizing and deep budget cuts, Hayden is implementing a series of management reforms to bring the nation's electronic intelligence operation into the 21st century. Hayden inherited an organization where power, decision making, accountability, manpower, and resources were dispersed. In response, last year Hayden announced a major organizational structural overhaul to use staff more efficiently and effectively to monitor signals and protect Americans lives. He led a team of outsiders and agency veterans to reorganize various NSA components to better serve the entire agency, so that "America's code makers and code breakers" could "focus day-to-day on [their] mission ... extracting information for America's policy makers ... and preventing adversaries from doing the same things against us."

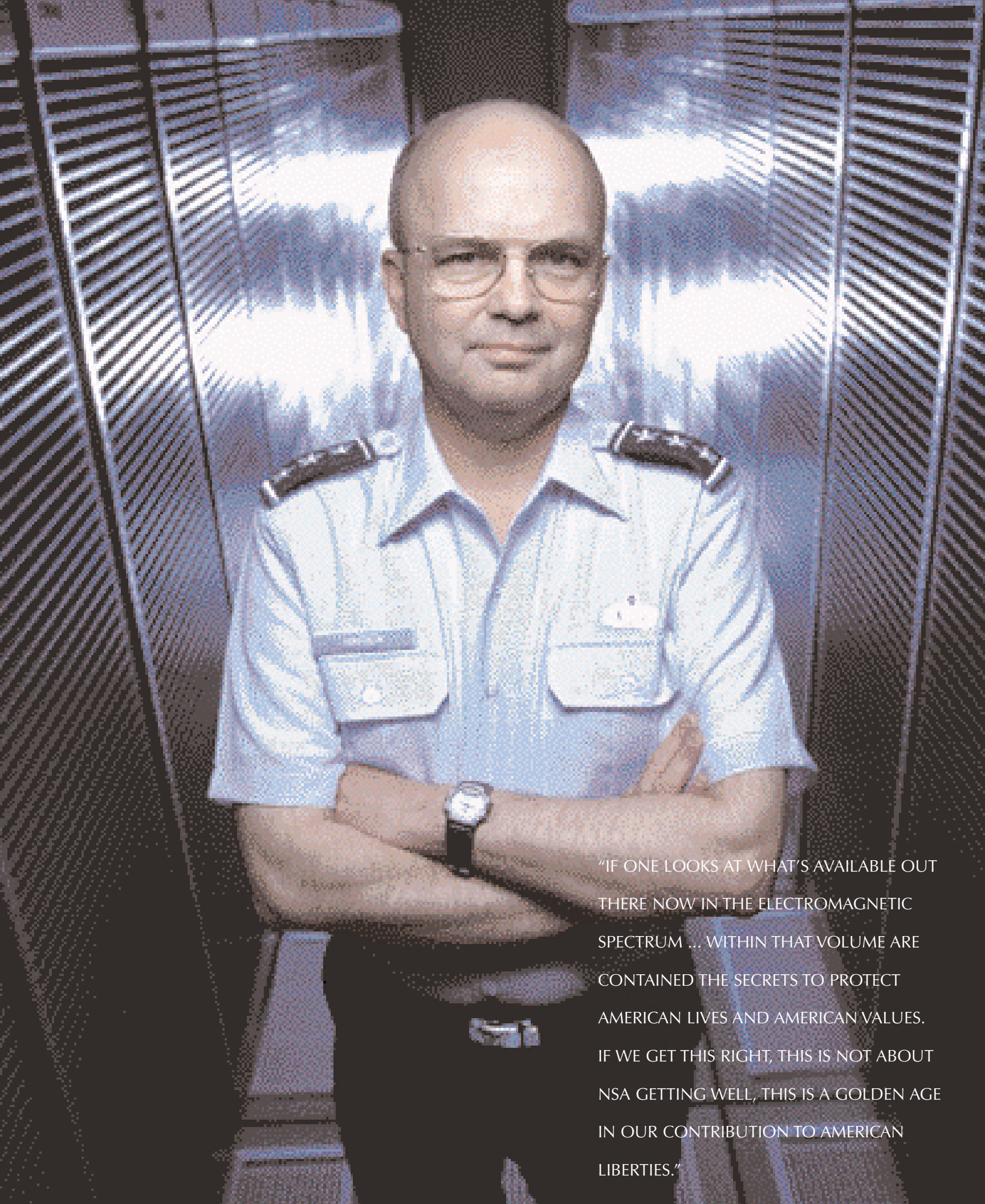
"What we did in this restructuring was essentially leave at the key component level ... the core missions—signals intelligence and information assurance— ... and extract out everything that we viewed to be corporate functions.... That's given me and the other members of the senior leadership the ability to make ... significant turns and changes in direction," explains Hayden. "The biggest challenge was to force people to get out of businesses that weren't their core business and to take that leap of faith that the corporate entity responsible for that activity would indeed be there when the component needed it. The classic for this is information technology [IT]. We were so dispersed throughout the agency, practically everyone had his or her own IT shop. Because of the kind of organization we are, IT is everything. If the information technology doesn't work, we don't work, it doesn't happen."

Technology has emerged as a central target for managerial change at NSA. "The thing we need most of all is the ability to manage large volumes of information—knowledge management—to make that a less labor-intensive process, and to allow our human capital, our human brain power, to operate at the higher levels." To meet this need, Hayden searched outside of NSA for a private firm that could conduct the levels of technology necessary for NSA to carry out its mission. The outsourcing contract announced in July 2001, known as "Project Groundbreaker," is the largest outsourcing ever conducted by an intelligence agency. NSA's private sector ally will operate a significant portion, nearly 40 percent, of NSA's IT needs, including telephones, workstations, networks, and network management. Hayden says Project Groundbreaker "allows us to concentrate on those parts of our information technology that only we can do because they're so mission essential, because the activities are so inherently governmental."

This is a dramatic change from the secretive NSA that once joked that NSA stood for "No Such Agency." "We built up habits of turning inward, doing things for ourselves rather than looking externally," says Hayden. In order to break these habits, Hayden launched an openness campaign to help "Americans know us better." An important aspect of this campaign has been the declassification of more than 50 million pages of classified documents that tell the stories of NSA's activities and involvement in history over the past 50 years.

Hayden is hopeful that reorganization and a more open NSA will produce a positive public image and intelligence results. "The agency's quite successful today, and we get very positive reviews from our customers and user base," says Hayden. "If one looks at what's available out there now in the electromagnetic spectrum ... within that volume are contained the secrets to protect American lives and American values. If we get this right, this is not about NSA getting well, this is a Golden Age in our contribution to American liberties." ■

D.A. Peterson



"IF ONE LOOKS AT WHAT'S AVAILABLE OUT THERE NOW IN THE ELECTROMAGNETIC SPECTRUM ... WITHIN THAT VOLUME ARE CONTAINED THE SECRETS TO PROTECT AMERICAN LIVES AND AMERICAN VALUES. IF WE GET THIS RIGHT, THIS IS NOT ABOUT NSA GETTING WELL, THIS IS A GOLDEN AGE IN OUR CONTRIBUTION TO AMERICAN LIBERTIES."

Radio Interview Excerpts


D.A. Peterson

Lieutenant General Michael Hayden
Director
National Security Agency

MANAGEMENT AND LEADERSHIP

On leadership

I've seen a lot of good leaders and they've had different styles. I guess what's driven me is to "dance with who you brung"—to bring yourself to the job and not try to reshape yourself ... too much to the demands of the particular environment in which you're placed.... Be true to yourself. Now that doesn't mean you don't adjust up and down, left and right, depending on specific circumstances, but you can't get too far from who you really are.

On his role as a leader

What's worked for me and what I've seen work for many others is to look upon yourself in a leadership position as an enabler, as a person who removes impediments from others in the organization, making sure those others have a pretty clear idea of where we want to go and then get out of the way and let them do their part of the work.... What I can do for them is to provide the context within which they have the greatest opportunity and the highest probability of success. That's how I view my job.

RESPONDING TO CRITICISM OF NSA

On spying on American citizens

We're prohibited from targeting what the law calls "American persons," which is a step beyond American citizens. An American person is an American citizen in the United States or anywhere in the world, anyone legally in the United States, and any group comprised of the kinds of individuals I just described. We can't intentionally target them unless we have provable probable cause that they're an agent of a foreign power. We have to make that case to a body outside the agency.

On NSA oversight

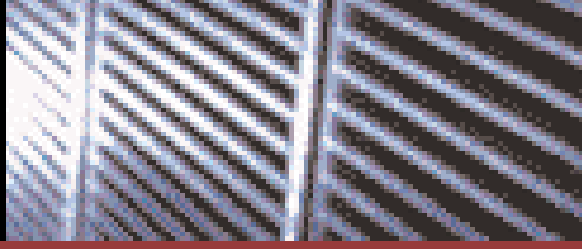
You can trust us. I know the people in the NSA. I know how committed they are to protecting American privacy. I know how knowledgeable they are about the Fourth Amendment and the other regulations that control their activities. So they deserve your trust. But, you don't have to trust them—that's the punch line.

There is a body of oversight in the executive and legislative branch that looks into our business constantly and routinely. There's no way we could sustain any kind of violation of American privacy without these oversight bodies being aware of it. There's an oversight office within the Secretary of Defense's office. There's an oversight subcommittee at the President's Foreign Intelligence Advisory Board. Both the Senate Select Committee on Intelligence and the House Permanent Select Committee on Intelligence have a powerful oversight role over the NSA. They have staffers that have badges to enter the agency, just like mine. They are very aggressive in looking at what the agency does. If we're violating the law and covering that up, everyone I just described has to be in on it, and it's simply not true.

On the contributions of NSA to the American people

The larger American society needs a better understanding of what the NSA does. We can't be viewed as malevolent or incompetent, which was making the rounds in some press articles about two years ago. But we also can't afford to tell people what it is we're doing today for reasons of operational security. Signal intelligence [SIGINT] is a very fragile discipline and an adversary's knowledge that you might be detecting him is in itself sufficient to destroy that source for us. So one has to be very careful with this kind of information.

How do you explain to the public at large what it is you're doing without compromising what it is you're doing? The answer is history. The declassification project has allowed us to tell some stories. We've told the story of Venona, which is our breaking of Soviet diplomatic codes and our backstopping to the Communist spy scandals in the early 1950s.... We've also been able to tell the part of the NSA in the Cuban missile crisis. What we saw, what we learned—hearing Spanish-



"PROJECT GROUNDBREAKER ... IS A PRETTY DRAMATIC CHANGE OF COURSE FOR US.... WE NEEDED ALLIES.... THAT'S ALMOST COUNTER-CULTURAL FOR NSA. WE WERE AMERICA'S INFORMATION AGE ENTERPRISE DURING AMERICA'S INDUSTRIAL AGE. AND DURING THAT INDUSTRIAL AGE, WE BUILT UP HABITS OF TURNING INWARD AND DOING THINGS FOR OURSELVES RATHER THAN LOOKING EXTERNALLY...."

speaking pilots, for example, at airfields in Czechoslovakia—that kind of information that allows us to show what we actually contribute to the American people and to American safety and security. Right now, because it's the 50th anniversary of the war, we're rolling out a whole trench of documents on what it is we did during the Korean War.

MANAGERIAL REFORMS

On "Project Groundbreaker"—outsourcing to private firms

Project Groundbreaker ... is a pretty dramatic change of course for us. We made a strategic decision that as we're trying to cope with the technological revolution ... taking place on the outside, we needed allies.... That's almost counter-cultural for NSA. We were America's Information Age enterprise during America's Industrial Age. And during that Industrial Age, we built up habits of turning inward and doing things for ourselves rather than looking externally beyond the confines of Fort Meade to the broader American society because, by and large, the things we needed didn't exist in the broader American society. If we didn't do it, it wasn't going to get done.... That's no longer true.

America is going through a great technological revolution both in telecommunications and computer sciences. Some things that we need are now readily available on the outside. So we made this strategic decision that a significant portion of our information technology, about 40 percent, was going to be outsourced to a private firm. That effort goes by the name of [Project] Groundbreaker.... We expect a giant of American industry to come in and cover a significant portion of our IT needs—our telephones, our workstations, our network, and our network management. These are classified networks, but not narrowly, tightly defined mission networks.... It allows us to concentrate, then, on those parts of our information technology that only we can do, because they're so mission essential, because the activities are so inherently governmental.

THE FUTURE

On the future

Our heritage as an intelligence organization, our heritage as a government organization is very traditional. It's very bureaucratic and it's very hierarchical—power and information cascade from top to bottom. That is *not* how it can work in the future. We've got to be nodal networked and interconnected, just like the outside world. The big shift for leaders is to be confident and to be able to lead in a world that's not a hierarchy, in a world that's not bureaucratic, in a world in which power and information don't flow down from the top, but still be able to lead.

On skills needed at the NSA

Right now, our crying needs at NSA are by and large in technical skills. You will see us going after mathematicians, computer scientists, engineers, and the like. Being a foreign intelligence agency, we also need linguistic skills.... We need people who are culturally and intellectually diverse. We need people whose mental constructs allow them to think in ways that perhaps aren't parallel, rote, or acceptable ... or certainly [not] regimented by the way we Americans normally see things. We need intelligence analysts who are quite willing to immerse themselves in a second language and a second culture to be able to see things through the eyes of this second culture ... to better understand how that adversary or potential adversary perceives what it is we're doing. That's a tall order. It's almost a cultural question and it's something that I feel very strongly about, something that we need to have ... the kind of cultural understanding that informs judgments about modern events.... We can't afford a historical intelligence analysts.

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R. Schuyler Lesher

Deputy Chief Financial Officer and Director, Office of Financial Management Department of the Interior

The major challenge now facing chief financial officers government-wide is developing integrated systems, support systems, and staff capable of delivering timely, accurate, and useful information to managers to facilitate better decision making. "A lot of what [I] have to do in my position is to help set the vision of where the [Department of the Interior] needs to go, help interpret the guidance that comes from the Office of Management and Budget (OMB), and to help combine what we have to do as a department with the vision that is established by the president and the administration," explains R. Schuyler Lesher, deputy chief financial officer and director of the Office of Financial Management in the Department of the Interior (DOI). Lesher is also working to improve financial management government-wide, serving on the Chief Financial Officers (CFO) Council.

In 2001, Lesher won both the President's Distinguished Executive Service Award and the Association of Government Accountants Certificate of Excellence for his outstanding work in financial systems reforms and the creation of an annual accountability report. Within DOI, he is responsible for financial management policy, financial reporting, management systems, and management control. "My responsibilities," states Lesher, "are to deal with the financial policies, to ensure that our various bureaus are complying with those financial policies, to deal with the accounting systems, and [to] ensure that those systems are supporting the needs of the department." DOI is a "broad and diverse organization," says Lesher, whose duties also include financial management oversight for the department's 16 bureaus and 66,000 employees spread across the country. These bureaus implement specific elements of DOI's broader mission: "to protect and provide access to our nation's cultural and natural heritage," according to Lesher.

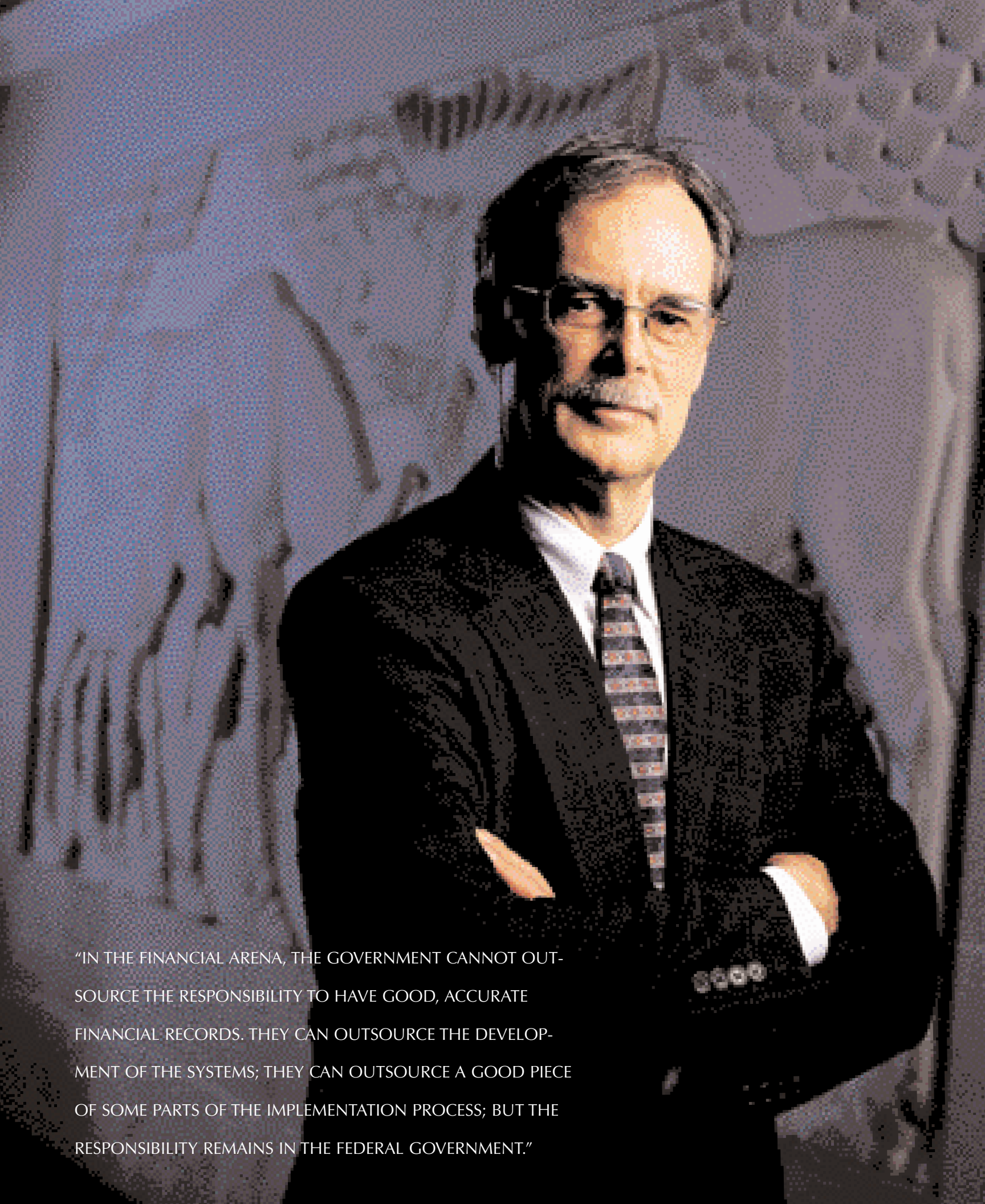
Prior to joining the department, Lesher was chief of the federal financial systems branch in the Office of Federal Financial Management at OMB. Before joining the federal government, Lesher implemented financial management systems for state, local, and nonprofit organizations as a partner with KPMG Peat Marwick.

Lesher is currently putting together DOI teams to address the five government-wide initiatives of the President's Management Agenda within DOI—strategic management of human capital, competitive sourcing, improved financial performance, expanded e-government, and budget and performance integration. For example, these teams are "focusing on erroneous payments ... financial statements ... timeliness ... [and] improving the quality of the data ... so that it's more readily available to the managers." Accountability will also be increasingly important as President Bush pushes up reporting deadlines.

An important part of the new set of challenges facing CFOs is replacing outdated financial systems. While there is a consensus that integrated financial systems are necessary, the question remains: How will the government obtain the money and resources to implement these systems? Finding these resources will be a formidable challenge. Lesher believes that "we need to build off the private sector models" to create systems that can automate and streamline data to create timely, accurate, and useful information. The government's responsibility is, according to Lesher, "to make sure they have accurate information for decision making and reporting to the public." However, he cautions: "In the financial arena, the government cannot outsource the responsibility to have good, accurate financial records. They can outsource the development of the systems ... [and] some parts of the implementation process, but the responsibility remains in the federal government."

Once functional systems are in place, the challenge becomes how to create systems integrity. Lesher explains that DOI operates on several financial systems, and across government there are hundreds of disconnected systems. "We need to deal with the standards issue so that we have more consistency. We do that in financial reporting with something called a 'standard general ledger,' which is a code that we established for reporting ... to Treasury and OMB. But there are other areas where we need to have standardization. Without that you can't develop the interfaces between the various systems."

When asked about measuring success, Lesher remarks: "The real proof will be when we start to see the results on improved operations, improved efficiency ... more effective reporting, and better understanding of the issues that we have to deal with." ■



"IN THE FINANCIAL ARENA, THE GOVERNMENT CANNOT OUTSOURCE THE RESPONSIBILITY TO HAVE GOOD, ACCURATE FINANCIAL RECORDS. THEY CAN OUTSOURCE THE DEVELOPMENT OF THE SYSTEMS; THEY CAN OUTSOURCE A GOOD PIECE OF SOME PARTS OF THE IMPLEMENTATION PROCESS; BUT THE RESPONSIBILITY REMAINS IN THE FEDERAL GOVERNMENT."

Radio Interview Excerpts

R. Schuyler Lesher
Deputy Chief Financial Officer and
Director, Office of Financial Management
Department of the Interior

A CAREER IN FINANCIAL MANAGEMENT

On his career

I joined the federal government in 1991 at the Office of Management and Budget. I'd been a partner with KPMG, and one of my very good clients was the first comptroller of the federal government under the CFO Act. He recruited me to join his team at OMB to head up the financial systems branch.... But I spent most of my career in consulting and doing a lot of work in financial systems.... I moved several years later ... to the Department of Interior as the deputy chief financial officer, which gave me a broader portfolio beyond just the financial systems.... It gave me the opportunity to get into the whole range of financial management issues in a department that has ... field operations.

On key experiences

In terms of [my] background coming into the federal government, my experience at one of the major accounting firms, and in their consulting department, gave me a broad background which was very helpful when I came in to work on specific issues within the federal government environment.

One of the things that you have to do as a consulting partner ... is you have to work with people at many different levels, both senior executives and people down in the trenches. When I came into OMB ... I came in with the responsibility to deal with financial management systems, and I had five or six people.... [I] needed to know enough about what the problems were but also how to make it happen [even] when [I] didn't have the staff. One of the things we did is help set the agenda, but also work with teams throughout the federal government in the various departments. I think the fact that in consulting I had worked in putting together teams made it much easier.

.... The work ethic within the OMB environment was certainly similar to what I experienced in the private sector. They worked just as hard, or in some cases longer hours than even in the private sector, as we went through certain budget periods.... Moving over, of course, to Interior with three and one half years of experience in OMB [helped me] to understand how the federal government works [and] made it much easier for me to address the issues there.

On his role as deputy chief financial officer

My responsibilities as the deputy chief financial officer are to deal with the financial policies, to ensure that our various bureaus [within the Department of the Interior] are complying with those financial policies, and ensure those systems are supporting the needs of the department.

Another area [of my responsibilities], which is referred to as the Management Control Area, is to oversee the reviews that we do to ensure that there is some integrity in our operation, as well as financial integrity to the systems…. I also oversee the preparation of the financial statement, which is the reporting at the end of the year.

On advice to future CFOs

Having worked both in the private sector and the public sector, the public sector really does provide a tremendous opportunity for people to work and develop. I will say that the people I've worked with in the federal government are as bright a group of people as I've found anywhere in my career.... Sometimes they don't necessarily get the credit that they're due because it's pretty easy to attack a small, isolated situation where somebody may be abusing their situation and applying it to the rest of the government. In fact, I think that's not what I found.

I think the challenges are tremendous. If people look at the size of our operations, they're big. We are as big as some of the Fortune 500. You have lots of opportunities to grow, and the satisfaction is enormous. The opportunities are going to be great because there are going to be a lot of people retiring in the very near future. So your chances of success and advancement are great.

"I THINK THE CHALLENGES ARE TREMENDOUS. IF PEOPLE LOOK AT THE SIZE OF OUR OPERATIONS, THEY'RE BIG. WE ARE AS BIG AS SOME OF THE FORTUNE 500. YOU HAVE LOTS OF OPPORTUNITIES TO GROW ... SO YOUR CHANCES OF SUCCESS AND ADVANCEMENT ARE GREAT."

MAJOR ISSUES IMPACTING FINANCIAL MANAGEMENT IN FEDERAL GOVERNMENT

On preparing for the retirement wave

We don't generally staff ourselves with that extra 10 percent of the staffing to allow us to train the people behind them. We tend to, basically, staff ourselves at the bare minimum. And that's going to be an issue we're going to have to deal with. It takes a long time to replace positions. And that means that not only do you not have the person there to train them, but also you have a period of four to five months that nobody, or at least a temporary person, [is] covering that position.

On critical success factors for modernization of financial systems

We need to deal with the standards issue so that we have more consistency. We do that in financial reporting with something called "standard general ledger," which is a code that we established for reporting ... to Treasury and OMB. But there are other areas where we need to have standardization. Without that you can't develop the interfaces between the various systems.

We need to do a better job in ensuring that the software that's coming from the vendors ... meets our requirements and that they understand the environment that we have within the federal government. There is a tremendous need for understanding, education, and training. The implementation costs are often much more significant in the area of the training, the process changing, the change management than it is actually in the software itself.

... Leadership, which is senior management, needs to understand the importance of these systems. They need to be able to recognize that they need investments, and they need to support them....There's a need to find some way of having the continuity for projects ... to carry these projects through their completion.

On outsourcing financial management

In the financial arena, the government cannot outsource the responsibility to have good, accurate financial records. They can outsource the development of the systems; they can outsource a good piece of some parts of the implementation process; but the responsibility remains in the federal government.

That means that you can't outsource the overall project management. You can hire project managers, but you still have to have project managers inside the government to oversee these projects so they don't overrun costs, deliver the value that they need to deliver to deal with the program issue, and deliver information to the program manager.

THE CFO, CIO, AND PROCUREMENT EXECUTIVES COUNCILS

On collaboration

Trying to measure success on how to improve the interaction is going to be something that will be a challenge for us as we move forward. One of the things that is clear to us is that much of what we're doing right now is very much process oriented. We put together teams. We have issues. We try to resolve those issues and work together on completing a plan or a program or a new policy. But the real proof will be when we start to see the results on improved operations and improved efficiency—which, of course, we've gotten over the last few years, partially because we've downsized the federal government substantially—but also in more effective reporting and better understanding of the issues that we have to deal with.

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

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David Mader

Assistant Deputy Commissioner
Internal Revenue Service

In commenting on his 31-year career in federal government, David Mader says, "I've probably worked in nearly every component of the IRS." A boast that may have made him uniquely qualified to preside over the day-to-day operations of the agency's massive reorganization as assistant deputy commissioner of the Internal Revenue Service (IRS) since April 2000. He began his career at the IRS in 1970 as a management analyst and moved through the ranks, holding numerous and varied positions. Mader believes that his various roles within the IRS "have all contributed to what I believe I bring to my current position, and that's a really good understanding of how this organization operates, how the complex parts interact."

The IRS has a new attitude. Prior to 1998, the IRS was suffering from perceived poor performance and a worse public image, intensified by increasing political pressure to make drastic changes in the way it conducted business. Mader states, "I hope that most federal agencies don't have to get to the point where the IRS did, where the Congress and the administration said: *You must change*." The result of the congressional mandate has been a complete overhaul of the IRS. Its new persona aims to change its perspective from fixing problems on the back end to addressing customer service on the front end, in order to support voluntary compliance.

And it is working. One of the initial positive indicators of the IRS's change initiatives appears to be better customer service, as evidenced by the American Customer Satisfaction Index report. This report showed that while the IRS achieved a customer satisfaction score of 51 among all tax filers surveyed, the taxpayers who filed electronically gave the agency a much higher score of 74, better than the private sector average.

"This has been a tremendous learning experience, to take an organization as complex as the IRS, as far-reaching as our mission is, and basically rethink how we interact with our customers," says Mader. "It's the complexity that has made it personally so fascinating and so rewarding."

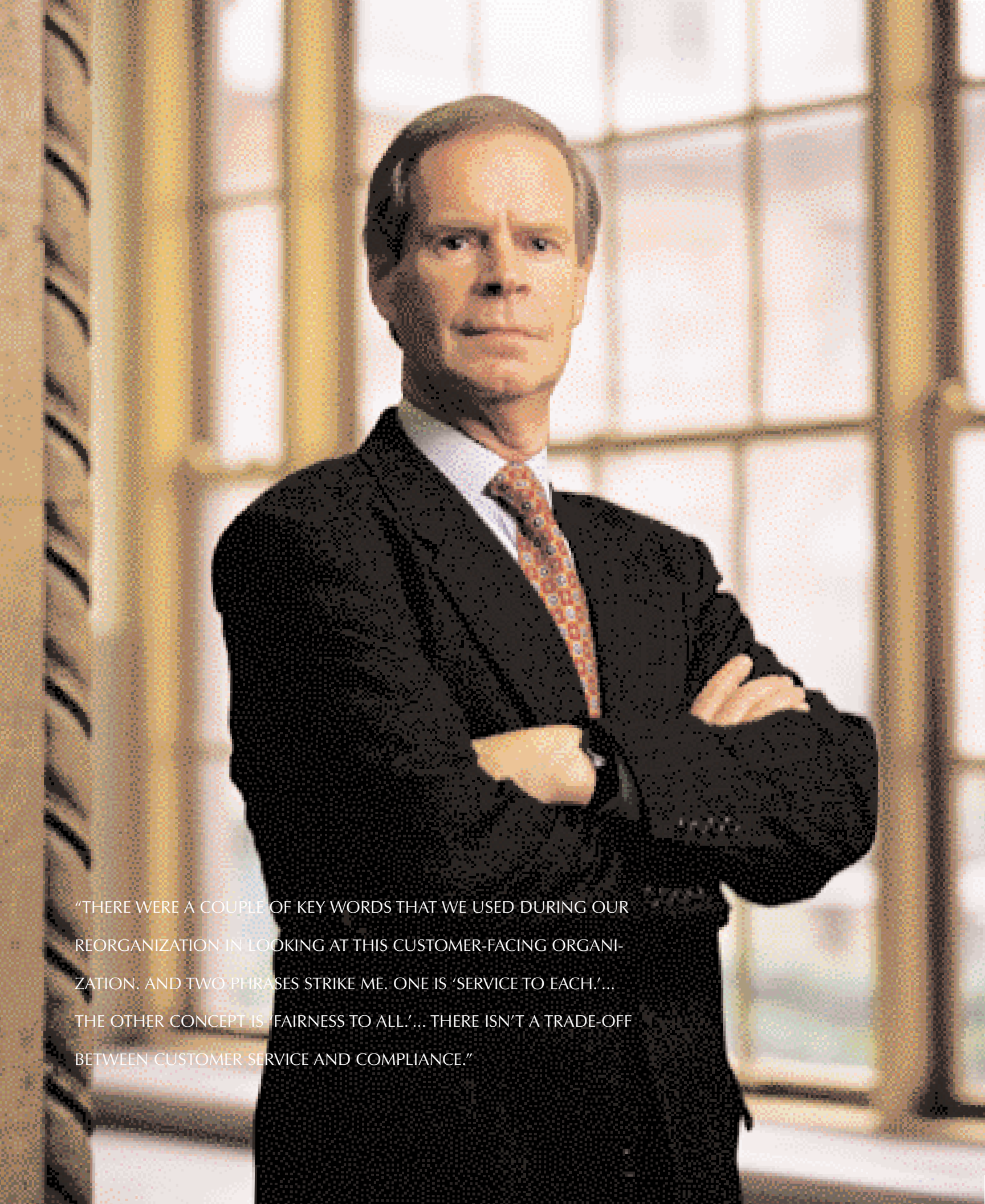
"Change of this magnitude obviously is stressful and impact[s] everybody in the organization," reflects Mader. While the president of the National Treasury Employee Union (NTEU), Colleen Kelley, hailed the employee involvement as a model for federal labor-management partnerships, Mader understands that the reorganization process was a wrenching experience for many employees. "We needed to work together to ensure that employees were going to make a smooth transition from the old IRS to the new IRS."

With more than 100,000 full-time, part-time, and seasonal workers, the IRS is a massive government employer, hiring accountants, collectors, customer service representatives, operations and processing workers, and some with new skill sets such as marketing and recruiting employees. Working with NTEU to create a top-down, bottom-up transformation was an integral part of the reorganization process.

In contrast to the old model of change at the IRS where a small group of managers and executives would dictate a process or structural change, Mader says, "This was very, very different. Because it was going to impact everybody, managers and employees alike, there was a concern that there needed to be a heavy degree of employee involvement." Creating teams of IRS employees helped get everybody involved. According to Mader, "At one time, there were about 1,800 employees working on hundreds of design teams. The responsibility of those design team members included going back one day a week to your workplace and sitting with your colleagues and explaining what was going on. That's a very different way of communicating organizational change than I think most organizations engage in."

Mader says that managing changes at the IRS required that "we understand what changes were going to take place in each of the organizational components ... and then take it down a couple of levels below the structural change to the actual impact, person by person."

When asked about what the future holds for the IRS, Mader replies: "It's easy to design [change] and talk about it, but it's a lot more difficult after you implement it to really effect the change that you hope to get.... I believe that the changes that we've made over the last 2½ years really create the foundation for us to provide more effective tax administration, both from the government's perspective, as well as from the taxpayer's perspective." ■



"THERE WERE A COUPLE OF KEY WORDS THAT WE USED DURING OUR REORGANIZATION IN LOOKING AT THIS CUSTOMER-FACING ORGANIZATION. AND TWO PHRASES STRIKE ME. ONE IS 'SERVICE TO EACH.'... THE OTHER CONCEPT IS 'FAIRNESS TO ALL.'... THERE ISN'T A TRADE-OFF BETWEEN CUSTOMER SERVICE AND COMPLIANCE."

Radio Interview Excerpts

David Mader
Assistant Deputy Commissioner
Internal Revenue Service

WORK EXPERIENCE

On his career

This past June, I celebrated my 31st year of federal service. I began with the General Services Administration (GSA), spent about a year and a half with GSA … was lured over to the IRS, and have spent the vast majority of my time now with the IRS. I began in New York as a management analyst in our support organization and, over time, moved over to different tax processing components. I've probably worked in every component of the IRS, with the exception of our counsel operation and our appeals operation.

On his experience

[My IRS experiences] have all contributed to what I believe I bring to my current position, and that's a really good understanding of how this organization operates, how the complex parts of [the IRS] interact, and how it's important for that interaction to take place so that the American public gets good service.

On continual learning

I'm the kind of person that, after doing a task for a couple years, I'm ready to move on and learn something new. The IRS that I began with, and the IRS that will continue in the future, gives the employees the opportunity really to grow as much as they'd like.

IRS REORGANIZATION

On a new model for reorganization

Past reorganizations, we would look at changing an organizational structure, moving boxes around on an organization chart, which I think all large organizations do, whether they are private or public. This transformation is very different, because we looked at not only the organizational structure, but we looked at those integrating structures as well. How we compensate our managers—we've moved into pay banding for our senior managers. We have introduced some unique training opportunities for our employees. And, at the same time, we're looking at re-engineering the core business processes and then applying technology.

On becoming customer-centric

We moved from a geographic-focused organization to a customer-focused organization. We have taken the taxpayer base of the United States and actually segmented it into market segments. By doing that, we have an opportunity now to better understand what the unique needs are of each of those market components. If you're a small business taxpayer, your needs are very different than a multinational corporation, very different from a state or local entity.

This segmentation by markets is what the private sector has done years ago, if you look at financial services, at commercial banking, and at insurance. So we have moved in that direction, and I believe that will allow us the opportunity to better understand our customer needs and react to them with products and services.

On customer service

There were a couple of key words that we used during our reorganization in looking at this customer-facing organization. And two phrases strike me. One is "service to each." And what I mean by that is, in each transaction we have with the taxpayer, we want them to be satisfied with that interaction and with that transaction. For the vast majority of taxpayers, their interaction with us is usually just once a year when they file their return.

The other concept is "fairness to all." And the fairness to all asks: *Are all taxpayers paying their fair share?*... There isn't a trade-off between customer service and compliance. Both of those concepts exist within good tax administration. Because taxpayers who do voluntarily pay and report and comply want to be sure that their next-door neighbor is, as well. And that's where the compliance aspect of our business comes into play.

"FOR US TO BE A VIABLE TAX ADMINISTRATION AGENCY, WE HAVE TO CONSTANTLY LOOK AT HOW WE DELIVER OUR SERVICES EVERY DAY, RE-EXAMINE HOW WE DO OUR BUSINESS, BOTH INTERNALLY AND EXTERNALLY.... I CAN TELL YOU THAT IT CAUSES A CERTAIN AMOUNT OF STRESS IN THE ORGANIZATION.... SO IT'S A REAL LEARNING PROCESS FOR EVERYONE."

MANAGING CHANGE

On restructuring employees

The movement of the employees from the old structure to the new structure took an incredible amount of planning on the part of the entire organization, not just the human resources professionals. It took the requirement that we understand what changes were going to take place in each of the organizational components in the existing structure, how they were going to move to the new structure, and then take it down a couple of levels below the structural change to the actual impact, person by person.

During the course of the planning for the implementation, [we] had a plan that actually showed all 100,000 employees, where they exist in the old structure and where they were going to move into the new structure, by location, by series, by grade.... We wanted to make sure that when we moved 100,000 people, they were in the right place.... We didn't miss a beat. And I don't believe that, for taxpayers, they saw any change in the service that they get.

On the employees' perspectives

For us to be a viable tax administration agency, we have to constantly look at how we deliver our services every day, re-examine how we do our business, both internally and externally. That kind of operating model, people are slowly starting to understand. I can tell you that it causes a certain amount of stress in the organization. While employees embrace the new design, they're learning how to operate [within] what the expectations are of them that we have as the employer, and that taxpayers have of them. So it's a real learning process for everyone.

On employee satisfaction

I guess, no surprise to any of us: Pay is not number one. It's really being appreciated for the job that they do. There are a lot of non-monetary incentives that we as managers and leaders in any organization, whether it be private or public, can utilize to retain good employees. It's as simple as saying, "Thank you for a job well done."

THE FUTURE OF THE IRS

On doing business in the future

Change is constant. In order for us to deliver the goods and services that the taxpayers require, we're going to have to be continually re-examining how we do business and what offerings we have.... What improvements do we need to make around electronic filing? How do we appeal to more individuals to do business through e-government? That constant re-examination of how we do our business and what we offer is going to require that we retain a high degree of flexibility ... so we've got to every day examine what we do and how we do it from the point of view of: Are we meeting customers' expectations?

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Rear Admiral Patrick Stillman

Program Executive Officer of the Deepwater Program U.S. Coast Guard

Rear Admiral Patrick Stillman, program executive officer of the U.S. Coast Guard's Deepwater Program, describes the mission and activities of the Coast Guard: "Certainly our essence is maritime, our character is military, and we unquestionably are multi-missioned in our focus." This mission includes: "maritime security, maritime safety, maritime mobility, national defense, and ... protection of natural resources."

The Coast Guard, and other agencies linked to homeland security, will likely get a boost from the federal budget. In February 2002, the Bush administration proposed the biggest one-year spending increase in the history of the Coast Guard, and the president pledged his support for the Coast Guard's mission and equipment upgrade. That is good news to Stillman, who leads the Coast Guard's massive equipment modernization effort, dubbed the "Deepwater Program."

Stillman is patriotic and personal in expressing his deep affection for the Coast Guard and his dedication to his current role: "I'm a manager, I'm a leader, but, most importantly, I'm a steward of the people that have committed their hearts and souls to make [the Deepwater Program] work. I absolutely have to serve them in their best interests." The Coast Guard is currently at its smallest level since the mid-1960s, with 35,000 active duty, 5,700 civilian, 8,000 reservist, and slightly less than 35,000 members of the volunteer auxiliary. While its numbers have shrunk, its duties have expanded and changed dramatically in the months following September 11th.

At this time of heightened security, the Coast Guard faces a mounting mission with an aging fleet and outdated technology. The problem is clear: "We've got a Coast Guard that needs to be modernized and recapitalized because our assets are aging, and in many respects ineffective." Stillman laments that the Coast Guard ranks 37th of 39 in age of its inventory, when compared with naval services worldwide. "The ships and the assets that we operate are getting old, long-in-the-tooth, and quite frankly, they're highly manpower-intensive ... and that's not necessarily cost-effective," says Stillman.

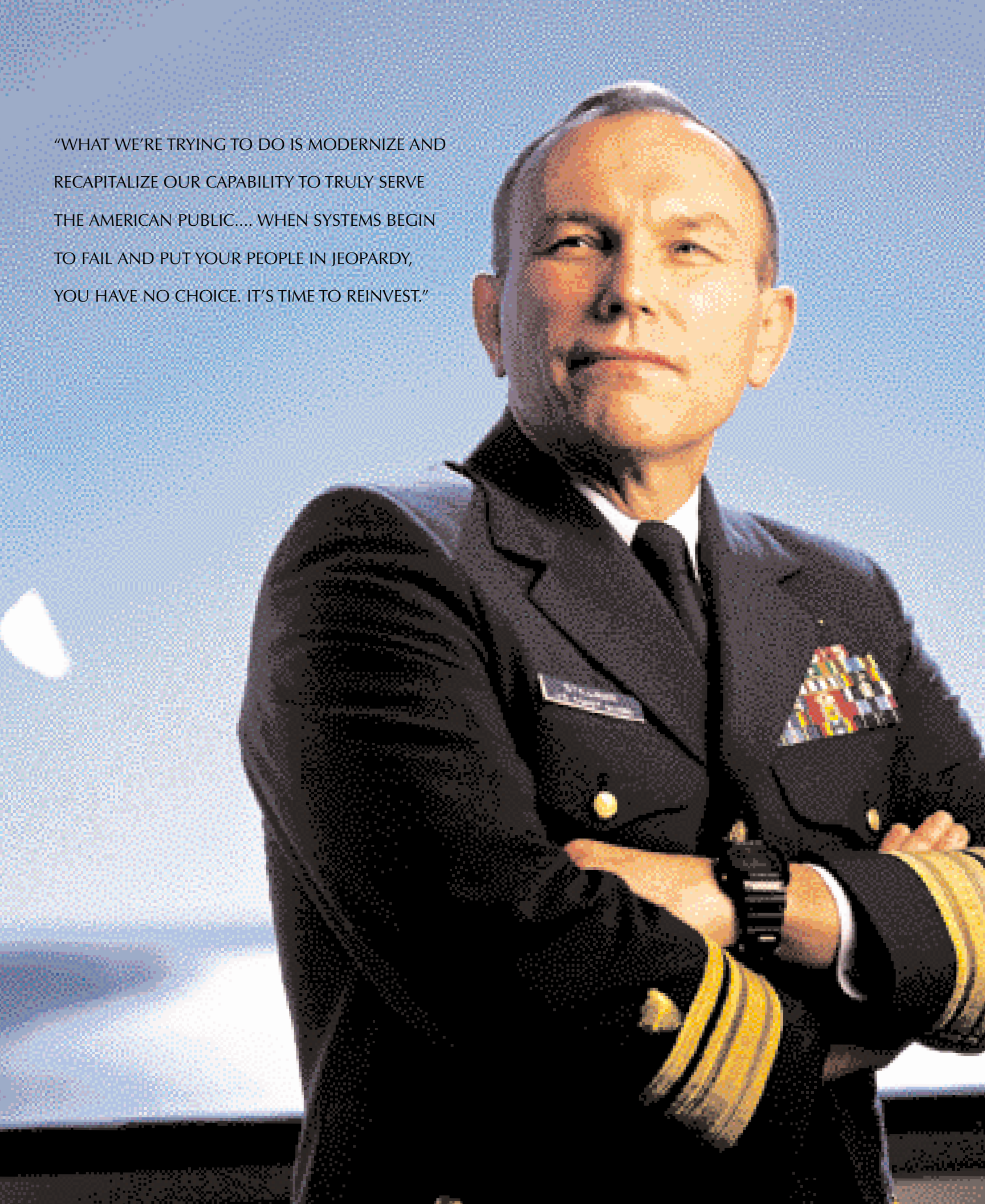
In response to the aging fleet, the Coast Guard created the Deepwater Program—the Coast Guard's effort to systematically purchase and modernize its assets over the next 30 years. "What we're trying to do is modernize and recapitalize our capability to truly serve the American public," reports Stillman. Deepwater's efforts to restore these assets and improve the Coast Guard's efficiency and effectiveness is a "very ambitious undertaking," according to Stillman, that began in 1998 and will likely expand over the next three decades of the 21st century. "When systems begin to fail and put your people in jeopardy, you have no choice. It's time to reinvest."

The Deepwater Program encompasses all aviation assets, nearly 100 large ships, smaller boats, and a complex command control center with computer, communications, intelligence, and surveillance networks that link these elements together in a cohesive unit.

Deepwater is unique in its approach. Each modernization is "a performance-based acquisition," says Stillman. "Industry was not provided the requirement to replace this particular ship with a replacement ship.... Because the Coast Guard has been very devoted to outcome-based performance, we took the Government Performance and Results Act ... embraced it, and truly found that strategic plans, business plans, and performance goals helped people." The prime contractor will be given a five-year award term contract, with an initial $996 million to start designing the modernization program and to become a partner with the Coast Guard, including co-location.

The General Accounting Office and others have described the Deepwater Program's acquisition strategy as one of the most innovative and aggressive ways to acquire new equipment over the long term. "We gave industry 66 specifications of performance for this system, and we told them to design the most cost-effective and operationally effective mixture of assets that truly will serve the American public's needs in the maritime environment ... I think that the President's Management Plan has the right answer in terms of truly focusing on the need to link budgets with performance."

Looking toward the future of the Deepwater Program, Stillman says he is realistic and optimistic that the Coast Guard will receive the money and support it needs, sequenced over time, to fully implement the acquisition strategy. Reflecting on his 29-year career in the Coast Guard as "a true adventure," Stillman reflects: "I can tell you with no reservations that the Coast Guard has done far more for me than I will ever do for it. I absolutely feel it's an institution of value and virtue and I was attracted to the Coast Guard because I wanted to do good." He sums up his thoughts by saying, "I am truly a sailor at heart." ■



"WHAT WE'RE TRYING TO DO IS MODERNIZE AND RECAPITALIZE OUR CAPABILITY TO TRULY SERVE THE AMERICAN PUBLIC.... WHEN SYSTEMS BEGIN TO FAIL AND PUT YOUR PEOPLE IN JEOPARDY, YOU HAVE NO CHOICE. IT'S TIME TO REINVEST."

Radio Interview Excerpts

Rear Admiral Patrick Stillman
Program Executive Officer of the Deepwater Program
U.S. Coast Guard

MISSION FOCUS

On the mission and activities of the Coast Guard

Maritime safety is perhaps the most common descriptor that is linked to the Coast Guard—search and rescue requirements, promoting maritime safety through marine safety offices, through marine inspection requirements to promote the safe and productive facilitation of commerce. That is very much at the heart and soul of the Coast Guard. That's complemented by our role in terms of the guardian of America's maritime security, and indeed the Coast Guard is responsible for the nation's maritime security. That is manifested through our efforts in the counter-drug arena, through our efforts in the alien migrant interdiction operations, through our efforts tied to homeland security and post-9/11 requirements, as they are now defined and to be defined.

In addition to those roles we also have a national defense role, and unquestionably we provide support to the war-fighting, to the nation's defense needs in multiple venues, be it through engagement [in] international activities with maritime organizations throughout the world or be it through supporting of port security unit deployments as it pertains to incidents after the [USS] Cole or situations such as that. When you take these factors together—maritime security, maritime safety, maritime mobility, national defense—and complement that with the protection of natural resources, the fact that we're responsible for protecting the environment in the marine sector—oil pollution, hazardous materials, all that falls to the cognizance and the aegis of the Coast Guard—you've got a pretty broad plate and one that's rather demanding.

On performance-based results

Externally I'm committed to two facets. [First] the American public. We are working to bring value to the table as far as the American public's concerned in the maritime arena. If we can't do that, then we ought to be fired. How do you measure value? Through efficiency and effectiveness. Performance-based results matter in that regard.... [Second] I've got a keen obligation to the practitioners of the Coast Guard, and by that I mean the young man or woman who flies the aircraft or takes the ship to sea or sits in that operation center for long hours and serves the American public. I have an obligation to equip them with the best possible equipment to empower them to do their jobs effectively.

DEEPWATER PROGRAM

On his role in the Deepwater Program

As the program executive officer, I'm the steward of the undertaking. Unquestionably I'm responsible, accountable, for the overall performance of what we are required to deliver to the American public.... I'm responsible to ensure that the acquisition adheres to cost schedule and performance requirements as any acquisition would. But in addition, we're reengineering the Coast Guard, and by that I mean ... we are probably going to have to change practices internal to the organization in terms of how we do business. Because of the mandates of change, as the program executive officer, I have to attend to that internally as well as the normal external demands that one finds with a large acquisition like [the Deepwater Program].

On public-private partnerships

If you want to embrace performance-based acquisition strategies, you've got to reconcile the fact that simpler in many respects is better; that what you don't want is an RFP of 2,000 or 3,000 pages—that is the epitome of management by contract. What you need is the ability to promote trust, communication, and partnership such that your private sector partner can truly embrace his or her responsibilities with objective reality.

The results have to be measurable, they have to be shared, and they can't be clouded. And that's where I think the lessons for me have come. You really have to embrace the fact that much of leadership is the art of simplification. But when you work with the best in the private sector to truly improve the way the Coast Guard does business, it's an empowering opportunity and one that I think is working.

"YOU REALLY HAVE TO EMBRACE THE FACT THAT MUCH OF LEADERSHIP IS THE ART OF SIMPLIFICATION. BUT WHEN YOU WORK WITH THE BEST IN THE PRIVATE SECTOR TO TRULY IMPROVE THE WAY THE COAST GUARD DOES BUSINESS, IT'S AN EMPOWERING OPPORTUNITY AND ONE THAT I THINK IS WORKING."

THE NEXT GENERATION OF THE COAST GUARD

On the human capital crisis

The challenge is absolutely inescapable ... and it's very much a concern of this program as every other acquisition program in government. When you step back and reflect upon the fact that conceivably over 50 percent of your workforce may be leaving over the course of the next five years, obviously expertise and acumen are very valuable commodities. We're looking at new or innovative practices to keep the workforce intact, [such as] part-time employment options.

On a culture of innovation

[I hope to create] a *learning organization*, such that people will feel that this is a great place to work. If you can manufacture and mold that environment, then attrition may not be a disabler.... You've got to encourage an environment and provide people with the opportunity to embrace innovation and be satisfied.... In the Coast Guard we've stepped back and reconciled the fact that, honestly, we have to reengineer our processes and structure tied to our workforce. We call it Future Force 21, where we're really stepping back ... to find out if in fact we have to change the way we do business as far as the long-term requirements of the organization.

On advice to prospective Coast Guard enlistees

I would say absolutely do it, because you get to embrace the world's greatest teacher and that is the sea.... The sea is the Good Lord's most magnificent gift. It's a metaphor fit for every occasion. It's a solace and it's a thief. And by that I mean it can be as comforting, placid, and as beautiful as anyone could envision, and yet a few hours later it could be a thief that turns your courage to water. You truly develop a profound sense of humility by embracing the Good Lord's teacher, and I can't think of a better way for any individual to mold their sense of character and their aspirations. For me, I stuck with it longer than I originally envisioned, but ... I think it's a great way to embrace the fruits of life.

THE FUTURE

On his vision of the future

I think the vision is that we absolutely will continue to embrace innovation in transforming ourselves to serve the needs of the American maritime public. I don't think there's any question that post 9/11 homeland security requirements, as they are manifested in the maritime arena, will challenge the Coast Guard. Yet I think Alexander Hamilton had it right and that the Coast Guard was aptly named over two centuries ago. Hamilton said that the people that attend to the business of the Coast Guard have to do so with prudence, with good temper, and with moderation. Those were the values that he ascribed to the individuals who chose to wear the uniform. Today we say that our core values are duty, honor, and respect—and respect for everyone that works internal to the organization as well as the stakeholder who receives our services.

So we will integrate technology to the maximum extent possible. I think we will be avid in attempting to find ways to do business better. I don't envision that we're going to be growing leaps and bounds, notwithstanding the fact that the homeland security requirements on the nation obviously are going to manifest a more active Coast Guard in many circles. I think that it's safe to say that this Deepwater enterprise is absolutely fundamental as far as giving people the assets and the common operating pictures and data necessary to make good decisions.

The Business of Government Hour's interview with Rear Admiral Patrick Stillman is available via Real Audio on the Endowment's website at endowment.pwcglobal.com.

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Angela Styles

Administrator for Federal Procurement Policy
Office of Federal Procurement Policy
Office of Management and Budget

"The Office of Federal Procurement Policy is responsible for the policies by which the executive branch purchases over $200 billion in goods and services every year—everything from paper clips to nuclear submarines," states Angela Styles, administrator for federal procurement policy, Office of Federal Procurement Policy (OFPP) at the Office of Management and Budget (OMB). OFPP, says Styles, "coordinates efforts to improve federal procurement law, policies, and practices which affect all federal and federally assisted purchases of goods, property, and services."

Prior to being appointed administrator of OFPP, Styles practiced law in Washington, D.C., where she focused on federal procurement law and litigation. She left private practice to join OFPP because she believes it is essential to "serve in the government, to really bring an influx of private sector ideas." Otherwise, says Styles, "the government becomes distant from the people that it is trying to serve."

Styles leads two dozen staff members at OFPP, a small group tasked with a big job. She envisions OFPP as "a premier policy office, the place that people go when they have the difficult policy questions." The majority of her time is spent focusing on Congress and legislative issues, according to Styles. She is concerned about issues such as: How should the procurement system be run? What should the role of competition be? What laws will govern procurement? She also works extensively with several congressional committees to resolve procurement policy issues. Styles also coordinates and serves on the Federal Acquisition Regulatory Council, the body responsible for maintaining the Federal Acquisition Regulation (FAR). FAR, explains Styles, embodies "all the statutory and policy direction that govern contracting." Keeping FAR current and updated with statutory changes is a formidable task, she says.

Two key pieces of legislation changed FAR and the landscape of procurement in government—the Federal Acquisition Streamlining Act of 1994 (FASA) and the Clinger-Cohen Act of 1996. "There's no question in my mind that prior to these laws ... our procurement system was drowning in paperwork," recalls Styles. While observing that these acts have resulted in much needed efficiencies, she notes that there are still improvements to be made in fundamental areas, such as competition.

Styles is currently tasked with helping to implement key elements of the President's Management Agenda. "I see myself as something of an honest broker, balancing a great deal of competing interests … and applying the president's overall goals in achieving results."

OFPP has taken the lead in implementing the president's competitive sourcing initiative to create a "market-based" government. The administration set a goal of opening up 50 percent of all positions engaged in commercial activities to competition. Through competition, Styles believes, "the government will accrue savings and will improve the service it provides to the public." She declares, "We are committed to achieving short-term results, while pursuing substantive reform of the currently cumbersome process governing competition." In addition, OFPP has taken the lead in finding solutions to the challenges inherent in the current A-76 process through her work with the Commercial Activities Panel. This panel "is a statutorily created working group of public and private sector representatives whose mission is to study the policies and procedures governing public-private competitions," explains Styles. In May 2002, the panel plans to issue a report on its findings.

In the future, Styles says, agencies will need to better manage contractors supplying goods and services to the government. There is a great need for a government-wide cultural shift toward performance-based service contracts, she contends, and getting better results for lower costs. This shift may also require agencies to focus resources toward training, recruiting, and retaining employees capable of managing complicated technological and service performance-based contracts. Styles points to poor communication between procurement managers, staff, and private contractors participating in the acquisition process as another obstacle to preventing better procurement management. "I fundamentally believe," says Styles, "that competition is what improves quality, reduces price, and is the key to ensuring … integrity." Ultimately, Styles simply says: "The most important job is being a good steward of the $200 billion that we're spending." ■

"WE ARE COMMITTED TO ACHIEVING SHORT-TERM RESULTS, WHILE PURSUING SUBSTANTIVE REFORM OF THE CURRENTLY CUMBERSOME PROCESS GOVERNING COMPETITION.... I FUNDAMENTALLY BELIEVE THAT COMPETITION IS WHAT IMPROVES QUALITY, REDUCES PRICE, AND IS THE KEY TO ENSURING ... INTEGRITY."

Radio Interview Excerpts

Angela Styles
Administrator for Federal Procurement Policy
Office of Federal Procurement Policy
Office of Management and Budget

ON THE PRESIDENT'S MANAGEMENT AGENDA

On strategic management of human capital

It's the acquisition workforce … that is really essential to making each and every one of these initiatives work…. Over the past 10 years, there was a reduction in the acquisition workforce … and there were a lot of changes in the procurement system [that created] the need to appropriately train these people…. Federal procurement managers and employees are encouraged, and even required in most cases, to take continuing education credits and to update their skills and to stay abreast of the field, because it is constantly changing.

On budget and performance integration

This initiative is an attempt to reflect the full costs of many of the programs at different agencies in agency budgets. Many times somewhat irrational decisions are made because the budget and appropriations process isn't tied to the full cost…. It's very hard for a program manager to be able to make a rational decision one way or the other, because he only sees part of his personnel costs [and] he doesn't see the overhead costs. He doesn't have the same incentives for making decisions that you see in the private sector, where they have the ability to know what their full costs are. Once we have the reflection of full cost … we'll see a real tie between performance on programs and the budget for these programs…. We need to be able to determine what are the poor performers and what are the good performers in terms of programs and make sure that we're properly allocating those costs.

On competitive sourcing and the A-76 process

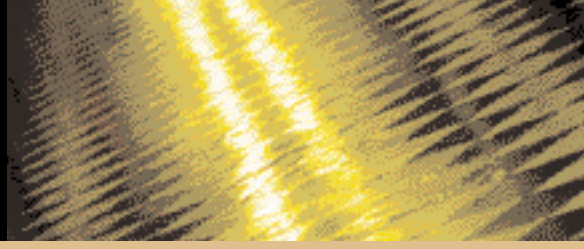
The competitive sourcing initiative … is really an attempt to infuse the elements of competition that you see in the private sector into the federal government where there are commercial activities that are being performed by federal employees. But a difficulty with that is the fact that in the public sector you don't have the true cost reflected…. Thus, we had the need for this A-76 process—which brings into line, through a cost comparison, the public sector cost with the private sector cost, so you can … compare the two.

…. The president is committed to competing those activities, to making sure that where the federal government is performing a commercial activity that they are performing it in a competitive environment with the private sector. [The president] set a goal of competing 50 percent of the FTEs [full-time equivalents] or the federal employees that are listed on the 2000 FAIR Act inventories. These are set up as public/private competitions, where the public sector functions and actually competes for their job with the private sector…. A-76 and public/private competition is … really a tool for management…. What we want people to do is look at their whole workforce. What are people on our workforce doing that's inherently governmental? What are they doing that's commercial in nature?… In order to manage the agency well, you really have to have a full view of the process. We're using one tool that we have to really try to force some good management and good management decisions.

On the management scorecard

We have a very aggressive mission … I can tell you every department and agency is "red" in competitive sourcing, [and] … that's not very useful in terms of pushing people forward. So … we have a second side to the scorecard, which is [helping agencies to] progress on achieving the goals that we've set forth…. If [agencies] … have a work plan; they have schedules; they have a good mix of direct conversions and true public/private competition; [and] if we see that they're making real progress, they can have a "green" [in the future quarterly rating] … and it's quite an incentive. It is an excellent tool for the departments and agencies to discuss where they're going with us because it's something … the president can use, that the director of OMB can use … to talk to the departments and agencies…. This is a way to effectively work with the agencies on their plans to really make some progress.

…. For competitive sourcing, we did have some rather objective goals: Have [agencies] competed 15 percent of [their] FAIR Act inventory from 2000?… It will probably be a couple years … before an agency can move from "red" to "yellow" as far as competitive sourcing goals…. The point is to have true competition infused in the government, to have



"WHAT WE WANT PEOPLE TO DO IS LOOK AT THEIR WHOLE WORKFORCE. WHAT ARE PEOPLE ON OUR WORKFORCE DOING THAT'S INHERENTLY GOVERNMENTAL? WHAT ARE THEY DOING THAT'S COMMERCIAL IN NATURE?… IN ORDER TO MANAGE THE AGENCY WELL, YOU REALLY HAVE TO HAVE A FULL VIEW OF THE PROCESS."

public/private competition, and to give employees an opportunity to compete and to show us their entrepreneurial skills, [to] really move the government forward from a management perspective.

ON HER ROLE AS ADMINISTRATOR FOR FEDERAL PROCUREMENT POLICY

On the call to public service

It's a fundamental commitment to give back something. It's our system of government that has enabled us to do well in the private sector, but it's essential for people to come back in and to serve in government, to really bring an influx of private sector ideas back into the government, or the government becomes distant from the people that it's trying to serve…. It's important, even more so in these times, and it's really a privilege in these times to serve…. There are a lot of people out there that are putting a lot more on the line than simply coming into work every day in D.C. So it's really an honor in these difficult times to be able to bring some resources, bring some ideas, and to help the government move forward.

On how her experiences contribute to her role as administrator

This job requires a vast array of skills, particularly working with the Hill. Being on the Hill, knowing how it works, having a good number of contacts there, helps in this job a great deal. I think you have to know how the system works in order to be able to effectively push legislation through, particularly in the procurement area.

In the legal area, my experience means [that] I take a very analytical approach to substantive issues. That's important, because the devil is in the detail oftentimes in the procurement area. We have to be very careful about how we choose to regulate people…. One of my topics … is transparency and the need to make sure that people understand that when we choose to regulate, it's thoughtful [and] analytical. We know what we're doing and we know what the effect of that is. My legal experience brings that to the job.

On her goals for the Office of Federal Procurement Policy

We've been through 10 years of acquisition reform [and] we want to make sure that we go back and assess what our goals were, whether those were achieved, and what changes we need to make in the system to make sure that we are properly promoting competition [and] that we haven't left behind some of the fundamental ideas.

What procurement reform really did was bring around efficiency where it was needed and innovation where it was needed…. I consider it my mission to make sure we know where we are; make sure the procurement officers that are implementing the changes in acquisition reform are doing it right; and see what kind of changes we need to make sure that we have good acquisition fundamentals.

On managing stakeholders' perspectives

OFPP has a large group of stakeholders … the president … Congress … all the departments and agencies … industry … [and] unions. The only way to be effective in communicating with them is to be out there talking with them. We have an open-door policy … and where people aren't coming in, I go out and seek them…. I think that it's essential … that we have good communications. We may not always agree on issues, but we have good communications, we get input, and we work on the issues together.

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

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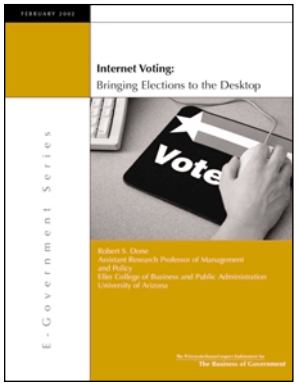
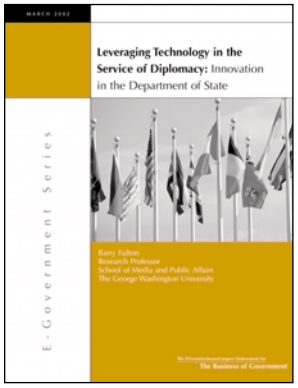


Internet Voting: Bringing Elections to the Desktop
Robert S. Done, University of Arizona

The 2000 Arizona Democratic presidential preference election was the first binding political election to include Internet voting. This study examines this unique election, looking for insight into the unresolved technical, legal, and social issues that surround Internet voting. The potential of Internet voting is explored as well as the experience of the Arizona election. While these issues remain unresolved, the author calls for further study on the effects of Internet voting on voter participation and the democratic process.



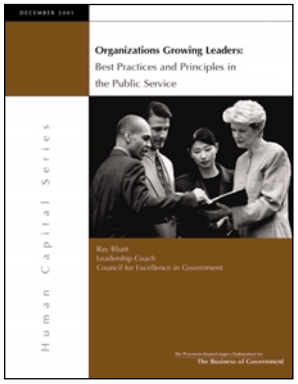
Leveraging Technology in the Service of Diplomacy: Innovation in the Department of State
Barry Fulton, George Washington University

Information technology has become invaluable and inseparable from the day-to-day operations of the federal government. Until recently, the Department of State lagged behind in implementing and using information technology in the practice of diplomacy. Leadership changes and new funding, however, are transforming the Department of State into a global leader in the use of information technology in the foreign affairs community. This study examines 12 examples of information and digital technology implemented at the Department of State, selected for their variety and contribution to diplomacy. Case studies reveal that leadership, resources, and staff impatience with the status quo were the common impetuses in the success of these technologies. In addition, this report makes recommendations for introducing technology in support of diplomacy.

State Web Portals: Delivering and Financing E-Service
Diana Burley Gant, Jon P. Gant, and Craig L. Johnson, Indiana University-Bloomington

Two major challenges facing state governments today are providing easy and accessible e-services and obtaining adequate funding to provide those services. This report combines two studies on e-service and presents their findings and recommendations. The first report examines and ranks the functionality of 50 state web portals across four dimensions: openness, customization, usability, and transparency. The top five web portals—California, North Dakota, Maine, North Carolina, and Pennsylvania—provide online access to services and contact information for key agencies, and are usable by most people in the states. The second study presents findings from a survey of 33 states that examined pricing strategies for delivery of e-service to citizens. The study found that traditional funding approaches by states for web portals leave them underfunded, without definable budgets, financial reporting, or accounting. The report recommends financing state web portal projects as long-term capital investments, accounted for in the capital budget, and reported publicly in financial reports like other major assets.

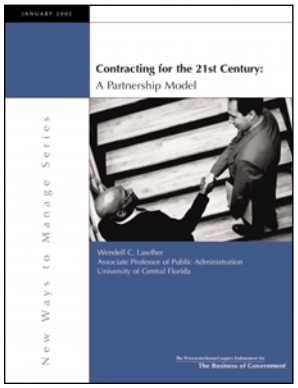
Human Capital Series



Organizations Growing Leaders: Best Practices and Principles in the Public Service
Ray Blunt, Council for Excellence in Government

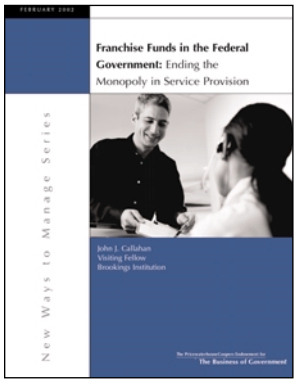
New challenges and the impending retirement wave of members of the Senior Executive Service signal the "quiet crisis" in government. Organizations within government need to develop strategies for succession planning to grow the next generation of public servants with the leadership capabilities to address the challenges of the 21st century. This report addresses the crucial question of how well the federal government is developing its next generation of leaders. Five organizations within the federal government are examined—the Pension Benefit Guaranty Corporation, the U.S. Coast Guard, the Western Area Power Administration, the Veterans Benefits Administration, and the Social Security Administration—that have created exemplary development programs for their future leaders. While each has undertaken the task in different ways, all have demonstrated a commitment to providing their future leaders with development assignments, training, self-development, and other state-of-the-art leadership-development practices.

New Ways to Manage Series



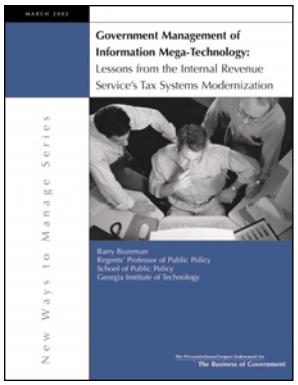
Contracting for the 21st Century: A Partnership Model
Wendell C. Lawther, University of Central Florida

As government services and delivery grow increasingly complex, contract officers in the public sector need to understand the challenges of the changing environment. This report presents an exciting new model for government contracting: a partnership model between the public and private sectors. In the coming years, the traditional government-contractor relationship will no longer be adequate as government continues to undertake increasingly complex projects and procurements. A new partnership model will be required that calls for a relationship based on trust, a common commitment to problem resolution, and flexibility to allow the relationship to evolve over time. This new report provides a series of recommendations for public-private partnerships to help contract officers achieve maximum effectiveness in the 21st century through trust, coordination, higher quality service, training, and flexibilities.



Franchise Funds in the Federal Government: Ending the Monopoly in Service Provision
John J. Callahan, Brookings Institution

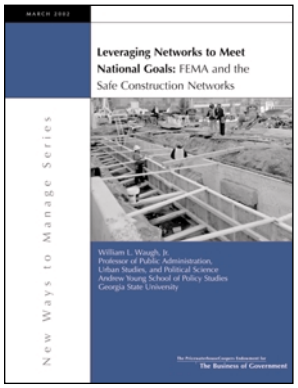
Creating competition within the federal government has been emphasized by the current administration as an important management tool toward making government more efficient and effective. The Government Management Reform Act (GMRA) of 1994 authorized the creation of six governmental franchise funds with certain rights and powers that allow them to operate similarly to private sector franchise operations. This report uses several criteria to evaluate whether these franchise funds have successfully achieved their mission. A set of recommendations for Congress, the executive branch, the General Accounting Office, and the Office of Management and Budget follow. In examining the franchise fund initiative, this report concludes that it has been a successful experiment in the business of government.



Government Management of Information Mega-Technology: Lessons from the Internal Revenue Service's Tax Systems Modernization

Barry Bozeman, George Institute of Technology

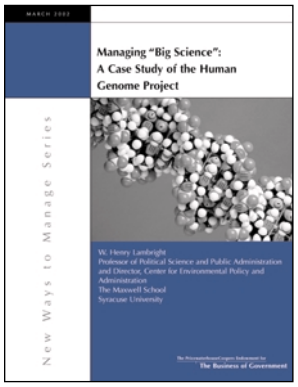
Undergoing massive technological change, or "mega-technology," is a daunting task for any organization. The Internal Revenue Service (IRS) information technology renewal, known as Tax Systems Modernization (TSM), stands out for the many problems it encountered throughout its history. While there were problems with the program, there were some positive benefits, including organizational learning, training, and infrastructure improvements. After reviewing the history of TSM, six possible explanations for the failure of TSM are evaluated, the evidence assessed, and a determination of validity for each one is made. From this study, the author draws a series of lessons learned to help other government organizations attempting to implement mega-technology.



Leveraging Networks to Meet National Goals: FEMA and the Safe Construction Networks

William L. Waugh, Jr., Georgia State University

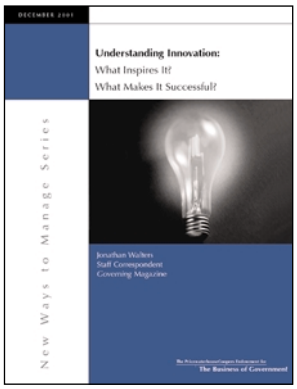
In the future, more and more government organizations will be asked to reach national goals by creating partnerships and leveraging networks. This report describes how the Federal Emergency Management Agency (FEMA) moved from its historical role of responding to disasters to a more proactive role in mitigating disasters. In short, mitigation is about preventing or lessening the effects of disasters. This report describes FEMA activities in fulfilling its National Mitigation Strategy issued in December 1995. The strategy's focus is greater "partnership" between the federal government and state and local governments in achieving the reduction of hazards. Achieving national goals requires partnerships and cooperation between the various levels of government, as well as between the public, private, and nonprofit sectors. This report describes how FEMA both created parts of a "safe construction" network and "leveraged" that network to work toward accomplishing the national goal of preventing and reducing damage from natural disasters.



Managing "Big Science": A Case Study of the Human Genome Project

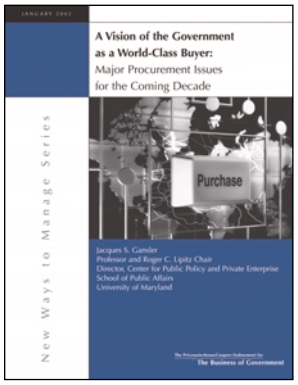
W. Henry Lambright, Syracuse University

The history of the Human Genome Project, from its inception in the early 1980s to the present, is a fascinating tale of scientific competition, politics, and the quest to understand the mystery of life itself. But it is also about the future and what major national projects will look like in the decades ahead. This report predicts that in the future large-scale research and development projects are likely to cross agency lines, involve public-private partnerships, and stretch beyond the United States. The Human Genome Project featured all three characteristics. If interagency and transnational partnerships are the wave of the future, the report's findings also suggest that a new set of leadership skills will be needed by future government executives to manage such undertakings. The approach described in this report is clearly applicable to other national and international challenges, such as global warming, terrorism, and disease. New approaches and new organizational designs will be needed to successfully meet those challenges.



Understanding Innovation: What Inspires It? What Makes It Successful?
Jonathan Walters, Governing *Magazine*

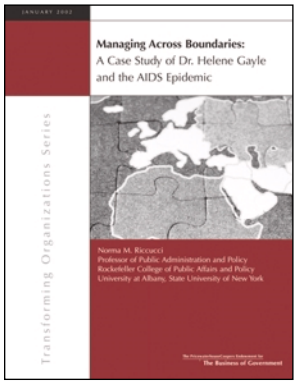
Innovators at Perry Public Schools in Ohio started a high-school-based computer company; the Mobile County Alabama District Attorney's Office created "The Safe Place," where mothers could legally and safely give away unwanted newborns; and the federal government developed a portal to e-government services called FirstGov. These examples of innovations, and many more presented in this report, substantially increase our understanding of what drives innovation in organizations and the elements of successful innovations that have stood the test of time and have been replicated in other government organizations across the nation. Many of these innovations were driven by frustration with the status quo, a crisis situation, a focus on prevention, an emphasis on results, adaptation of technology, and a desire to do the right thing. By understanding the drivers and the key elements of successful innovations, other government managers and leaders may learn how to foster innovation in their organizations.



A Vision of the Government as a World-Class Buyer: Major Procurement Issues for the Coming Decade
Jacques S. Gansler, University of Maryland

The past several decades have seen an increase in attempts to make the government procurement process more efficient and effective. Instead of examining only the traditional question: *How does government buy?*, Professor Gansler considers three additional questions: *Who does the buying? What do they buy? From whom do they buy?* All four areas of acquisition are addressed together in order to enact significant government changes that will transform the U.S. government into a world-class buyer. This report calls for a multi-pronged approach to procurement reform. Specifically, recommendations include transforming the acquisition workforce, changing the requirements and budget process, using commercialization and market forces to reform the acquisition processes, shifting to electronic supply chain management, and integrating commercial and government suppliers.

Transforming Organizations Series



Managing Across Boundaries: A Case Study of Dr. Helene Gayle and the AIDS Epidemic
Norma M. Riccucci, University at Albany, State University of New York

Some of the most pressing public problems facing the United States today do not stop at our borders. The challenge of working across coalitions and boundaries—whether cultural, economic, or political—is fundamental to addressing and resolving those issues that threaten Americans' health, safety, and lives. This report presents a case study of Dr. Helene Gayle, a public health leader in the fight against HIV/AIDS and other contagious diseases. Dr. Gayle's career in public health exemplifies effective managerial leadership. Her vision, personality, and coalition-building acumen have led to the expansion of global disease prevention and interagency cooperation. Eleven lessons learned about effective managerial leadership, based on Dr. Gayle's 20 years of experience and success in public health service, are provided in this report. ■

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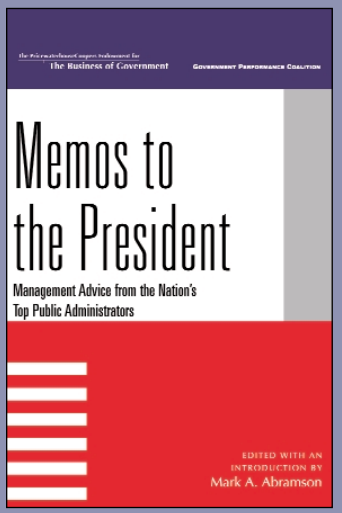

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