the **BUSINESS** of **GOVERNMENT**

At the Editor's Keyboard

Paul R. Lawrence

Our government came of age in the decade after the Korean War. During this time period, we saw large growth in federal programs. By 1965, when LBJ declared war on poverty and announced the start of the Great Society, federal government expenditures were 18.5% of our gross domestic product.

Because these were government's formative years, many of the programs that exist today were naturally shaped and influenced by the thinking of this period. This thinking was a function of how people communicated and received information, which was primarily paper-based.

After the Korean War, we relied heavily on newspapers and hardcopy documents sent through the (then) Post Office Department to obtain and process information. Access to electronic information was very limited. In 1953, only 12% of U.S. households had televisions and broadcast hours were limited. Except for specialized purposes, cable television was not in use. And just 62% of Americans had telephones at home. The only widespread electronic media in use in 1953 was radio and 96% of Americans owned one.

With this perspective, it is not surprising that early government programs provided information and instructions via paper, required citizens to complete paper-based forms, and mandated that the forms be returned via the mail or a personal visit to a nearby government office. What is surprising, however, is that many present government programs still retain these same features.

Private-sector businesses began at the same place as the public sector. Yet, there are striking differences in terms of how they render service today. In the stores where merchants deal face-to-face with customers, the hours of operation extend from early in the morning until late in the evening in order to accommodate different preferences and different schedules on the part of the consumers. Round-the-clock telephone service now exists that enables customers to receive information or make purchases at any time. In many cases, such telephone communication is with a computer, offering a menu of predetermined choices.

The private sector is increasingly focused on providing specific services, customized to different consumers. This segmentation enables identification of unique needs by customer group. Addressing these needs offers the chance for greater customer satisfaction and increases the likelihood of a loyal customer, returning for the rest of their lives.

Finally, the private sector has been quick to embrace electronic commerce. Through the internet, businesses are developing new ways to serve customers. Recently, I spent an hour on the 'Net looking for a

wristwatch. After looking at detailed pictures of almost 50 watches and reading about their features, I made a purchase using a credit card. The next day, my watch was delivered to my doorstep. This experience has changed my purchasing habits forever. No more driving to multiple locations to find what I want, no more searching for an employee who can answer my questions, and no more waiting in tedious lines to make a purchase.

Secretary of Commerce William M. Daley recently pointed out the magnitude of the Internet. In an April 15 speech entitled "The Emerging Digital Economy," Daley noted that last year, 100 million people logged onto the Internet, up from 40 million the year before. According to Daley, this is faster than when the phone, TV, and radio were adopted.

The private sector adopted these practices because they saw people receiving information in a remarkably different way. Instead of the circa 1950 paper method, individuals are now receiving a significant portion of their information electronically. In 1995, 98% of American households had a television and 63% had cable television. The prevalence of computers in the workplace has now spread to the home. By 1995, 34% of American households had computers. The fact that 67% of the population now use credit cards to make purchases is further evidence of our comfort with electronic medium.

As we think about the government of the future, the private sector experience tells us that government will become a more electronic based government (E-government). No doubt this E-government will continue to embrace the Internet, but it is impossible to foresee its exact configuration. For the very same reason that we could not have foreseen voicemail when the telephone became commonplace, we cannot predict how new technology will change our interaction with government.

It is appropriate, however, to describe the principles by which E-government should abide. These new tools should make government:

l   convenient to access, simple to receive and send information;
l   quick to meet the needs of its customers; and
l   customized to incorporate existing information on individuals, avoid duplication, and recognize that one size doesn't fit all.

A business-like E-government will increasingly incorporate technology now widespread in the private sector. It will do so because government's customers expect it and can use it. The challenge is to focus less on the tools and techniques and more on whether this new E-government serves our citizens better than its paper-based forerunner.

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Improving the Business of Government

Mark A. Abramson and Paul Lawrence

"We have both sides mad at us. We must be doing something right," stated G. Edward DeSeve, acting deputy director for management at the Office of Management and Budget, when asked about the current controversy over OMB's Circular A-76 that regulates public private-sector competitions. Circular A-76 provides policies and procedures regarding the conduct of comparison studies between the public and private sectors when deciding whether to contract out or perform recurring commercial activities with in-house resources.

For most of its 40-year history, A-76 has lived in relative obscurity common to government administrivia. Recent days, however, have seen A-76 receive increased attention from Congress, the private sector, and public sector employees. Last year, the Senate and House of Representatives held hearings on a series of bills that would have required all non-inherently governmental activities to be privatized without public private-sector competition, essentially ending the in-house option for government. In March of this year, joint hearings were held on revised bills that would permit public-public and public-private competition, but also would dramatically change other rules for deciding when competitions are required and how to conduct them.

Interest in the A-76 process is likely to increase as government continues to sort through its core mission competencies and decides how to handle recurring commercial activities, such as the repair and maintenance of equipment, installation services, and data processing. Commercial activities, defined at length in the March 1996 A-76 Revised Circular, can be operated either under contract with commercial sources, in-house using government facilities and personnel, or through interservice (interagency) support agreements (ISSA).

It is estimated that the Department of Defense will compete over 200,000 jobs through the A-76 process during the next several years. "You have to realize," stated DeSeve, "how large a number 200,000 employees is. Only 13 Fortune 500 companies have over 200,000 employees. This is roughly the equivalent of a company like Boeing jor AT&T running competitions to determine whether or not to outsource its entire workforce."

The A-76 process is also likely to become an even more important tool in the government arsenal to reinvent itself. According to the *A-76 Revised Supplemental Handbook*, other tools include consolidating, restructuring or reengineering government activities; privatization

options; make or buy decisions; the adoption of better business practices; the development of joint ventures with the private sector; asset sales; the devolution of activities to state and local governments; and the termination of obsolete services or programs. A-76 options include the conversion of recurring commercial activities to or from in-house, contract, or ISSA performance. It is frequently overlooked that conversions can go in both directions—from in-house to contract or from contract to in-house.

The federal government's support for the competitive provision of commercial services has historically been expressed and implemented through a series of bulletins and circulars. In 1955, the then Bureau of the Budget issued Bulletin 55-4, which stated the government's general policy to rely on the free enterprise system to provide the commercial support services it needed. This support, however, has been tempered by a concern for the best interests of the taxpayer. In 1957, Bulletin No. 57-7 was issued that added the first in a series of cost comparison concepts to the policy statement.

Nine years later, in 1966, Circular A-76 was first issued. The 1966 circular stated that the cost comparison guidelines of the circular are in "furtherance of the government's general policy of relying on private enterprise to supply its needs." The circular was revised again in 1979 and 1983 to improve the rigor of the analysis and to balance the equity interests of federal managers, employees, and the private sector with those of the federal taxpayer. The most recent revisions were made in 1996 and resulted in the publication of the *Circular A-76 Revised Supplemental Handbook*. The 1996 changes increased the level of competition available for the performance of commercial activities by applying the competition requirements of the circular to new and expanded interservice support agreements.

The name of the game today, according to DeSeve, is competition. "We have gone out of our way to make clear that we do not view the A-76 process as a way of cutting the number of federal employees or increasing the number of activities performed by the private sector," stated DeSeve. "The goal now is competition between the sectors. We have found that regardless of who wins the competition, the taxpayer saves money. Even when government wins a competition, studies have shown that the cost to the taxpayer is reduced by 20% or more."

From the government's perspective, there is also another benefit to competition. According to DeSeve, "there are some who are critical that
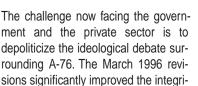
Changing Government

OMB Fundamental Principles on Public Private Sector Competition

In his March 1998 testimony to Congress, Acting Deputy Director Ed DeSeve set forth the following fundamental principles that any new legislation governing public private-sector competition should embody:

l First, the government must be permitted to choose the alternative – public or private – that is the most cost effective and in the best interest of the taxpayer. In so doing, the process must be fair and equitable to all interested parties.

l Second, any legislation should avoid judicial involvement in the inherently governmental management decision regarding whether or not to outsource.

l Third, the management documentation, employee participation, costing and source selection rules for the competition must be well understood so as to be enforceable and impartial.

l Fourth, source selection processes must permit efficient and effective competition between public and private offers for work presently being performed by the government or by a private contractor.

l Fifth, when an activity currently performed in-house is converted to performance by contract (including contracts awarded by another federal agency), in-house employees must be afforded the opportunity to compete to retain the work.

l Sixth, Congress must acknowledge the other reinvention and management improvement initiatives that are ongoing and must not delay or cause unnecessary administrative burdens upon the agencies.

l Seventh, the complexities of public-public and public-private competitions must be reflected in any new legislation. Mandatory schedules do not reflect these complexities

federal employees have to come 'off the line' to prepare A-76 proposals. I think it is terrific that federal employees work together to figure out how to improve their efficiency and lower the cost of their services. It is Deming quality circles at its best. A goal of this administration has been both to increase employee involvement and improve cycle time."

The controversy over A-76 has long centered on whether a "level playing field" truly exists between the public and private sectors. Is the government accurately capturing its direct and indirect costs, including the costs of federal retirement? How do you allocate indirect costs in government? The government has been working hard at improving its ability to generate accurate cost estimates. Through the work of the Federal Accounting Standards Advisory Board and the requirements of the Chief Financial Officers Act, the government is continuing to improve its ability to estimate the comparable costs of in-house and private sector performance to the taxpayer.

The challenge now facing the government and the private sector is to depoliticize the ideological debate surrounding A-76. The March 1996 revisions significantly improved the integrity of the process by continuing to improve the accuracy of both government and private sector cost proposals by placing an increased emphasis on employee participation, improving source selection technologies, and requiring post-Most Efficient Organization (MEO) Performance Reviews for in-house winners. The Post-MEO Performance Reviews should be an important learning tool as reviews determine whether actual in-house costs were within the estimates contained in the original in-house cost estimate. In addition, the government is likely to continue its move toward improved cost accounting.

For those interested in watching future trends in government, keep an eye on A-76. It use is likely to dramatically increase in the years ahead.

G. Edward DeSeve, Acting Deputy Director for Management, Office of Management and Budget

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the BUSINESS of GOVERNMENT

We are very pleased to announce that previous issues of *The Business of Government* are now available on the Web:

Issue 1 (January-February 1998): www.pw.com/us/BOG1.pdf
Issue 2 (March-April 1998): www.pw.com/us/BOG2.pdf

Also available on the Web is a recently published paper on "Reflections from the Top: Management Advice from Government CEOs," which is based on interviews with nine federal agency heads. It can be reached on the Web at www.pw.com/us/wh_paper.

Paul Lawrence, Editor-in-Chief
The Business of Government

Using Technology to Expand Home-Ownership

Thomas R. Janson and Andrew Schneider

Technology is rapidly emerging as a significant enabler to improve the way both the public and private sectors serve their customers. One impressive example can be found at Fannie Mae, one of the nation's leading mortgage lenders.

By effectively using technology to streamline the mortgage application processes, reduce costs and expand markets, Fannie Mae is playing a key role in generating new homeowners. Fannie Mae's development of a variety of computer applications (MORNET®, MORNETPlus®, Desktop Originator®, Desktop Underwriter®, and FannieMaps® Plus) are all excellent examples of how organizations can leverage technology to improve their operations and service to customers.

In the early 1990s, Fannie Mae launched a six-month study to identify ways of simplifying the process of home-ownership. A major finding in this study was the existence of a severe technology gap. According to Michael Williams, senior vice president of Customer Technology Services at Fannie Mae, mortgage loan processing at that time required lenders to bundle packages of loan documents and application forms and send them to Fannie Mae for review. Fannie Mae then had to enter vital loan data into computer systems, review the information, and then send back written correspondence to lenders explaining an underwriting decision or requesting additional follow up information. In many cases, Williams explained, "The lenders had already entered data into their own systems for internal purposes, but there was no structure in place to facilitate electronic communication among lenders, loan brokers and correspondents, and Fannie Mae."

This finding spawned a technology revolution within the Fannie Mae system that focused on three objectives:

l   simplifying/streamlining the lending process,
l   reducing the costs of underwriting and processing, and
l   expanding home-ownership in under-served markets.

Process Streamlining
Through the development of MORNETPlus, Fannie Mae, its lenders, and their networks of brokers and loan correspondents, were given the capability of communicating electronically, and electronically transmitting loan application data, price and product term quotes, underwriting decisions, and other vital information.

According to Williams, "MORNETPlus furnishes loan brokers with easy access to quote rates and product terms from participating lenders, replacing the previous system of communicating rates and terms through daily faxes from each lender to its network of brokers and correspondents. Rather than sending loan applications to credit reporting agencies, lenders can now access five credit-reporting agencies on-line through MORNETPlus and receive credit reports in a matter of min-

utes." Williams explained that over 2,000 distinct business entities communicate regularly through Fannie Mae's secure system and use over 70 applications that can be utilized as part of the MORNETPlus system.

Cost Reduction
Desktop Originator and Desktop Underwriter, two applications that run on MORNETPlus, work together to dramatically simplify the costs of loan origination and underwriting. Through Desktop Originator, brokers

Jim Johnson on Technology

(At a January 1998 Council for Excellence in Government lecture, sponsored by Price Waterhouse, James A. Johnson, Chairman and Chief Executive Officer of Fannie Mae, discussed the impact of technology on Fannie Mae.)

"We … have a system with an enormous amount of competition where the public mission combines with private energy …to be a huge force for squeezing costs out of ownership in America."

"The biggest dimension of that in the 1990s, of course, as you might guess, is technology. Four years ago, I made a public commitment that Fannie Mae would make investments in technology that would cut the costs of originating mortgage in America by $1,000. Since then, we have reduced the cost by $800 and we're confident we will reach the $1,000 goal. In the course of a year, about eight million mortgages originated in the United States. What that means, of course, is by reducing the origination costs by $1,000, we create the financial equivalent of an $8 billion down payment assistance program and make an enormous impact on affordability."

Outstanding Leaders

The Role of the Chief Executive Officer

Philip A. Odeen

**Executive Vice President and General Manager
TRW Systems & Information Technology Group**

How would you describe your previous position as president and chief executive officer of BDM International?
As CEO of a publicly traded company, I spent a lot of time externally from the organization. During my tenure at BDM, we did an initial public offering and a secondary offering. I worked actively to keep industry analysts well informed, as well as our major investors. I made regular phone calls to our analysts and took frequent trips to New York, Boston, and the West Coast to brief investors. All this took a significant amount of my time.

What about your internal role?
I spent a good bit of time communicating with employees. I relied heavily on the heads of my five business units to run the business. I held frequent town hall meetings with employees. What I heard at those meetings was very helpful, in particular the type of questions that people asked. Were they asking internally focused questions, such as asking about the future of their jobs? Or were they asking externally focused questions about the market place and our customers? Their questions told me a lot about the status of the offices.

I also started a "pizza with the president" lunch. I usually met with 12 people from all different parts of the organization. There was no staff at these meetings. Just me and the employees. I learned a great deal from these meetings as well.

Did your 14 years with the management consultant firm Coopers & Lybrand prepare you to become a chief executive officer?
Both Coopers & Lybrand and BDM are people businesses. Their success depends on their ability to attract, retain and motivate staff members. So I was prepared for the human resource aspect of the position. My knowledge of the federal government market was also very helpful to me at BDM.

How did you monitor if people were doing what you asked them to?
I received regular financial and business development reports from our business units. I also spent time looking at data from our human resource department: turnover rates, recruitment information, and how long it took us to fill jobs, and so forth. Human resource management is critical in a professional services firm.

At BDM, what was your experience with the government as a market place? How did you view the government procurement process?
During my time at BDM, we grew our federal work significantly. We almost doubled it in five years, from about $250 million to $500 million. We decided, however, to focus our growth initiatives outside of the fed-

Phil Odeen

Phil Odeen has been executive vice president and general manager, TRW Systems & Information Technology Group since TRW acquired BDM International in late 1997. As former president and chief executive officer of BDM, Mr. Odeen directed its fast-paced growth from under $300 million in revenue in 1991 (when he assumed the Company's presidency) to the billion-dollar mark in five years.

In February 1997, Mr. Odeen was named by Secretary of Defense William Cohen to chair the National Defense Panel, which reviewed and made recommendations to the Secretary concerning DOD's Quadrennial Defense Review. He is currently vice-chairman of the Defense Science Board and a member of the Chief of Naval Operations Executive Panel. In 1995-96, he chaired the Defense Science Board Privatization and Outsourcing Task Force. Before he joined BDM in 1992, Mr. Odeen was vice chairman, management consulting services of Coopers & Lybrand. Earlier, he served for 13 years as the managing partner of Coopers & Lybrand's Federal Practice in Washington. From 1973 to 1978, Mr. Odeen was vice president of the Wilson Sporting Goods Company.

From 1971 to 1973, Mr. Odeen served as director, program analysis for the National Security Council. He has also served as principal deputy assistant secretary in the Department of Defense.

eral sector and that business grew 10 fold. All of our acquisitions were non-federal companies.

The federal government is making some progress in moving away from contract awards based on low cost to awards based on best value. The "indefinite quantity" contracts have been a mixed blessing. They have turned out to be more costly than anticipated. You spend much money, time and effort to prepare the original proposal and then spend addi-

The Role of the Chief Executive Officer

James Lee Witt

Director
Federal Emergency Management Agency

In your role as chief executive officer of the Federal Emergency Management Agency (FEMA), how do you define your job?
I found that the job came with a lot of responsibility, and I have taken the job very seriously. Shortly after assuming office, I undertook two major initiatives. First, I worked within the agency to strengthen it. I wanted to involve employees in the future of the agency. Second, I refocused the organization on the customer by placing emphasis on those we were serving externally.

As a new agency head, it was my job to describe where FEMA needed to go. After describing where we wanted to go, it was my job to involve the entire organization. I wanted employee input into how we could best meet our goals because I strongly believe in involving our people. I met with the FEMA's senior managers during a three-day retreat in which I described where I thought the agency was heading.

Can you tell us more about your efforts to involve your employees?
I made a special effort to visit with employees, both at headquarters and in the regions. I am constantly asking them what they think we should be doing. I also developed an open-door policy: any employee can make an appointment to see me on Tuesdays to discuss any matter. For those in the regions, they can call and make telephone appointments to speak with me on Tuesdays. The open-door policy has been very effective. I also started lunch sessions with employees from all over the organization.

I have worked closely with members of the Senior Executive Service (SES) in FEMA. When I came in, I told them that I thought the agency needed new ideas and new faces. I thought that they could all benefit from a rotation system for SES members. All but two of the SES members were enthusiastic about assuming a new job and new challenges. The two who were reluctant turned out to be happy with their new assignments, and they are now two of my most effective senior managers.

How do you spend your time externally?
I spend a lot of time with Congress. Since President Clinton elevated the position of FEMA director to cabinet status, I've spent more time with other cabinet members and on special assignments from the White House. For instance, FEMA was placed in charge of the Church Arson Program. Being in the cabinet has also allowed me to share my experiences at FEMA with other cabinet departments. FEMA is responsible for coordinating 27 federal agencies. This takes time.

What is the best preparation for the position of director of FEMA?
There is no shortcut for experience in emergency management. As a local elected official in Arkansas, I had the opportunity to work with FEMA at the local level. As state director of the Arkansas Office of

James Lee Witt

James Lee Witt was appointed by President Clinton and confirmed by the U.S. Senate as director of the Federal Emergency Management Agency in 1993. He was the first agency head who came to the position with experience in emergency management, having previously served as the director of the Arkansas Office of Emergency Services for four years.

Mr. Witt's professional career includes the formation of Witt Construction, a commercial and residential building company. After 12 years as successful businessman and community leader, he was elected County Judge for Yell County, Arkansas, serving as the chief elected official of the county, with judicial responsibilities for county and juvenile court. After being re-elected six times to the position, Mr. Witt was tapped by then Governor Bill Clinton to assumed leadership of the Arkansas Office of Emergency Services.

Emergency Services, I saw how FEMA programs could be run more efficiently and effectively.

In the future, I think it is likely that Congress will require that all FEMA directors have some experience in emergency management. I think state and local experience provides an essential background for this job.

How did you go about selecting your team at FEMA?
When President Clinton appointed me, I asked him for the opportunity to interview all the political appointees who might serve with me in FEMA. The President agreed, and it has made a huge difference. I was able to put together a top-notch team. It has worked out very well.

Outstanding Leaders

James Lee Witt (continued from page 7)

Another factor that has made a big difference is the "crash" training program that we provide to all new political appointees. The training course discusses all issues, programs, and problems they will be dealing with. It has made a difference. We try to train them during the time period prior to their confirmation. We have also found that our effort in preparing appointees for their confirmation hearings is a tremendous learning experience by itself.

FEMA has dramatically improved its image and performance under your leadership. How did you do it?
As I mentioned before, a major part of the transformation was getting all employees involved. We worked hard at creating a more customer-focused agency. A major initiative was to provide customer service training to all FEMA employees, including senior management. This was a huge undertaking.

Our goal was to make FEMA a better agency, a better place to work, and an agency that provided better service to its customers. We were very pleased that our latest customer survey found that over 85% of our clients approved of our programs.

Another aspect of managing change is constant communication to employees. You have to keep employees informed. I have a director's report that goes out weekly. I have received a very positive response to it. The report, two to three pages in length, describes what is going on in the agency and how we are doing in meeting our goals for the agency.

At the same time that we were involving employees, we were also improving the operations of the agency. We decreased the number of our financial accounts from 45 to 14. We simply had too many accounts. We have also moved to quarterly spending plans, which was a major change from the past when we never quite knew how much money we had remaining. I am now holding our senior managers responsible for their spending. In addition, I'm working closely with our chief financial officer in overseeing the agency's financial management systems.

All of our changes at FEMA were based on my trusting my managers. I trusted my people to make the agency work. I gave them authority to do their jobs and I resisted the temptation to micro-manage.

We also found that we could improve the delivery of our services. After the Northridge earthquake, we found ourselves facing long lines of people waiting to apply for loans. Based on that experience, we revamped our 800-telephone system. We also worked with other agencies, such as the Small Business Administration, in improving the loan process. We have dramatically speeded up the process and made it more user friendly. We also gave our field investigators the latest technology to do their jobs. They now all have Palm Pilot computers to take their claims that can then be downloaded and transmitted. The system used to be paper based, with the forms being sent via Federal Express. All these efforts have reduced the cost of an application from $100 to $46. This has resulted in $35 million in savings, as well as improved customer service.

Another major innovation was our initiative to close out as many previous disasters as we could. I found that we were still working on Hurricane Hugo. We created special closeout task forces across the nation. This was a huge problem in that we were still holding money for those disasters. As a result of this initiative, we have found $485 million that can now be transferred to our emergency disaster account. We anticipate that we will find over $800 million after we close out many of our open accounts. I found that we had over 476 open disasters that needed to be closed out.

We have also worked hard to cut out as much red tape as possible and make the agency more responsive to its customers. We are now operating in a much more business-like environment. We are serving customers and taking responsibility for how our business is run.

What have you learned about public private- sector partnerships from your experience at FEMA?
Our newest project is Project Impact. It is based on creating more public-private partnerships. We have found that while we can't prevent disasters, we can do a much better job at prevention. Investing in prevention can improve the economic impact of disasters which now cause so much pain, anguish, and suffering by disaster victims.

We have selected seven pilot communities for Project Impact. In these communities, business CEOs and elected local officials, as well as FEMA staff, are working together to undertake prevention initiatives. Our goal is to build disaster resistant communities. We have learned from our experiences, such as the 1993 Des Moines floods. While we could rebuild the water treatment facility in Iowa at a cost of about $14 million, the local economy lost over $300 million. We now need to take more preventive measures in advance of disasters. Another example is Seattle, which has an important project to retrofit homes to make them more disaster-resistant.

Are you enjoying your second term? You now have the longest tenure of any FEMA director. What are the advantages of a second term?
After the 1996 election, I thought long and hard about returning to Arkansas. But I talked to the President about this and he asked me to stay and finish the job. I am now looking forward to working with Congress in a bi-partisan initiative to get FEMA ready for the 21st Century. We have made much progress and now have the opportunity to really put FEMA on solid footing for the future. I'm also enjoying our new initiatives, such as Project Impact, which I think can really make a difference.

Outstanding Leaders & Best Practices

Phil Odeen (continued from page 6)

tional time and effort responding to each individual task request. You also have to have a marketing staff to position you for the task order. This has added to the bid and proposal and marketing costs of government contractors.

It continues to be difficult to establish long-term relationships with federal clients. In the private sector, if you satisfy a customer you can probably count on keeping that client for a long time. In government, you almost always have to recompete, regardless of how well you did on your last job. Being an incumbent can be a difficult position to be in. Competitors often bid unrealistically low prices to get contracts.

You have had the unique opportunity to serve on several governmental commissions, most recently as chair of the National Defense Panel. How would you describe those experiences?
They have been excellent learning opportunities for me. I get to learn about new problems and issues and start to understand some very technical issues. From a business perspective, it has offered me the opportunity to better understand my customer. But most of all, I've viewed these opportunities as a way to provide public service.

From your perspective in the private sector, how does the federal government look to you these days?
It continues to be very difficult to make things change. You have to be very patient to serve in government these days. You can make a difference, but it takes time. I am very concerned about the ability of government to attract top-notch people. In particular, the government is having a very difficult time in attracting and retaining high-quality individuals in fields such as information technology. The government is at a competitive disadvantage in the salaries that they can offer to young professionals. Making matters worse is the brain drain that the government will face over the next five to 10 years as many highly experienced government managers retire.

How would you contrast the public and private sectors in their approach to management?
While this has begun to change, government is still dominated by their emphasis on "making policy" and designing new programs. After they have established a policy or designed a new program, they throw it over the transom for implementation. Government spends much less time implementing policies than does the private sector. In business, you spend 90% of your time on implementation and only 10% of your time on the decision. In business, an inadequate decision that is well executed is better than a perfect decision that is not well implemented.

Using Technology to Expand Home-Ownership (continued from page 5)

can submit loan applications to lenders, obtain credit reports, and receive preliminary underwriting feedback. Once an application has been submitted, lenders can use Desktop Underwriter to check the credit aspects of a loan against the Fannie Mae guidelines. If Desktop Underwriter renders a recommendation to approve, Fannie Mae stands behind the underwriting decision and will purchase the loan. This purchase eliminates the risk to the lender of funding a loan that ultimately gets rejected by Fannie Mae, as well as eliminating the recourse to the borrower associated with the underwriting decision.

In aggregate, Williams estimates that on average the combination of Desktop Originator and Desktop Underwriter reduces the costs of loan origination by between $700 and $1,400 per loan as a result of decreased risks, streamlined processing and saved time. In addition, during the latest refinancing wave in 1998, Williams projects that the combination of Desktop Underwriter and Desktop Originator enabled most lenders to originate about twice the volume of the prior refinancing wave (1993) with the same level of staff resources.

Market Expansion
Fannie Mae has also used its technology resources and innovation to expand existing markets by reaching new borrowers in under-served areas. One mechanism for accomplishing this expansion has been the leveraging of research through technology in the form of credit models. These models have determined characteristics of borrowers with suffi-

cient creditworthiness to receive mortgage loans that have essentially no true borrower equity.

Fannie Mae's Flexible 97, a new 3% down payment mortgage, uses Desktop Underwriter to provide financing to borrowers with very good credit that were previously ineligible for home-ownership because of an inability to accumulate sufficient savings for even a small down payment. In preliminary tests of the pilot of Flexible 97, Williams stated that 55% of the approved borrowers were first-time home buyers and that 50% of the borrowers had incomes which were below the median income for their corresponding geographic area.

As effective use of technology becomes increasingly connected to success in the public and private sectors, all organizations must now find ways to integrate technology solutions into their mainstream business. Fannie Mae's use of technology to streamline the lending process, reduce the costs of loan origination, and expand home-ownership opportunities for first-time or low/moderate income borrowers is a good example of how organizations can improve their operations and better serve customers.

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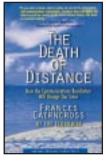*His e-mail: drew_schneider@notes.pw.com.*

Book Review

Coming to Grips with the Information Age

Mark A. Abramson

W hile much hyperbole surrounds the Information Age, this may be one time that hyperbole is indeed justified. There is little doubt that the Information Age has already changed our lives and will continue to change the way we work and play in the decades ahead. For readers seeking to better understand the potential impact of the Information Age on their lives, there are four new books that examine the impact of the communications and computer revolutions, each from a slightly different perspective.

Frances Cairncross,
The Death of Distance: How the Communications Revolution Will Change Our Lives.
Boston: Harvard Business School Press, 1997,
303 pp., $24.95.

Frances Cairncross' *The Death of Distance* is the most "academic" of the four and an excellent resource for those interested in focusing on the communications aspect of the Information Age. The major premise of the book is that distance will no longer determine the cost of communicating electronically. As a consequence, corporations will locate screen-based activity anywhere on earth, depending on where they can find the best bargain for skills and productivity.

Cairncross, a senior editor at *The Economist*, focuses on three technologies: the telephone, the television, and the Internet. She manages to make the telephone, normally thought to be a rather dull appliance, into a key component of the communications revolution. Cairncross traces the history of the telephone, the decreasing cost of phone calls, and the rise of mobile communication. She also argues that one should not underestimate the importance of television as a key component in the communications revolution. Her chapters on the Internet are informative and highlight the potential of the Internet on commerce and the economy.

Stan Davis &
Christopher Meyer,
Blur: The Speed of Change in the Connected Economy
Reading:
Addison-Wesley, 1998,
265 pp., $25.00.

Stan Davis and Christopher Meyer approach the Information Age from another angle—its impact on business. Davis and Meyer argue that the multiplication of speed (every aspect of the business operating in real time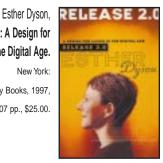) by connectivity (everything connected with high interactivity) by the importance of intangibles will equal *BLUR*. They state that *BLUR* is the "new world in which you will come to live and work." In his well-known earlier book *Future Perfect*, Davis set forth the concept of anytime/anyplace. *Blur* continues the discussion of the implications of anytime/anyplace on business and organizations. The authors also discuss the trend of bundling service and products—no product without service, no service without product. Another interesting discussion is on what they call the new "organization web" in which the boundaries of organizations become so permeable that their identify blurs and recedes, while the importance of alliances increases.

The most well-known author of the group is Esther Dyson, editor of the computer newsletter *Release 1.0.* In *Release 2.0*, Dyson provides interesting discussions of intellectual property, content control, privacy, anonymity, and security. The book will be useful for those seeking a better understanding of the major policy issues surrounding the Information

Esther Dyson,
Release 2.0: A Design for Living in the Digital Age.
New York:
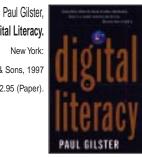Broadway Books, 1997,
307 pp., $25.00.

Age. Dyson argues for a limited role, if any, by government in resolving these policy issues. Her basic premise is that the digital age should be largely self-governed by what she calls "'net communities," such as Internet Service Providers (ISPs).

While Dyson's emphasis is on the impact of the Digital Age on communities, Paul Gilster's *Digital Literacy* focuses on the impact of the Information Age on individuals. He discusses at length how individuals can use the internet to collect and analyze information. Gilster defines digital literacy as "the ability to understand and use information in multiple formats from a wide range of sources when it is presented via computers."

Paul Gilster,
Digital Literacy.
New York:
John Wiley & Sons, 1997
276 pp., $12.95 (Paper).

The most interesting part of the book is Gilster's contention that the rise of the Internet is history's third biggest change in how we read and use information. The first change came in the late Roman times when books began to appear in manuscript form, with pages that could be turned rather than unrolled. This change enabled the reader to move backward in the text to find a previously read passage, or browse between widely separated sections of the same work. With this one change, cross-referencing became feasible, while the physical space

Stimulating Ideas

Article Abstract

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"Making Business Sense of the Internet"

Shikhar Ghosh

Harvard Business Review
March/April 1998

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As the rapid proliferation of the Internet continues, both business and government are presented with enormous opportunity. The Internet allows for faster and broader information sharing within and outside an organization. It also allows companies to streamline or even eliminate traditional business processes that are no longer necessary in the world of the Internet. Along with opportunity, the Internet also presents significant challenges. For example, large and established organizations, such as Fortune 500 businesses and government agencies, will face significant changes to traditional business processes, policies, and strategies as the Internet expands throughout the organization. In the March/April issue of the *Harvard Business Review*, Shikhar Ghosh provides a framework managers can use to examine both the opportunities and the challenges of conducting business on the Internet.

Ghosh believes the Internet provides organizations with four "domains" of opportunity. However, he cautions that managers should also explore the threats of each domain in order to plan for the investments and risks inherent to conducting business on the Internet. To fully assess the opportunities and threats, Ghosh suggests managers use a systematic approach to identify what the Internet can do for their organization. He believes an organization can use the Internet in several ways:

Establish a direct link to customers or others with whom they conduct business, including suppliers or distributors. Organizations can use Internet technology to deliver three forms of service to customers:

- service they currently get directly from a salesperson,
- personalized interactions with customers that build customer loyalty, and
- valuable new services which can be delivered inexpensively.

These online services provide customers with the advantage of "convenience, information, personalization, and interactivities" that competitors without an Internet presence cannot offer.

Bypass others in the value chain by eliminating the unnecessary links that were built to support traditional business processes. Ghosh states that the ubiquity of the Internet makes it possible for any one participant in the value chain to skip over any other participant. He refers to this as "pirating the value chain." For example, a manufacturer can pirate a distributor's value by using the Internet to sell its products directly to its customers. This allows the manufacturer to reduce cycle times, capture the distributor's margins, and increase its visibility to customers.

Develop and deliver new products and services for new customers. Organizations can use the Internet to provide new products and services and establish a new group of customers. Every "hit" on an organization's web site is an opportunity for that organization to provide a new product or service. An organization can deliver new products and services by partnering with other organizations, or by identifying new ways to provide the service on their own. Organizations that use the Internet to establish new business take existing business away from others. Ghosh states that the added value of one company weakens the value of another company "in a small way." He warns that the risk for established businesses "is not from digital tornadoes but from digital termites."

Become a dominant player in the electronic channel of a specific industry or segment in order to control access to customers and set new business rules. Ghosh states that organizations that develop a powerful Internet presence may become "online versions of today's category killer stores—such as Toys R Us and Wal-Mart—and become category destinations." People return to stores they know because they can quickly find what they are looking for. Ghosh believes that when it comes to the Internet, people "will gravitate toward sites that can meet all their needs in specific categories." He explains that organizations can become "magnets" and develop an electronic gateway to an entire industry. However, he believes that few organizations can justify the investment required to become a magnet because data is not yet available that will allow a manager to quantify the financial rewards required to offset the risk.

Ghosh concludes by cautioning established organizations that the Internet is a "tough nut to crack." There is a significant difference between developing a simple web presence and creating a web-based business model.

While Ghosh's article focuses on the private sector's use of the Internet, his concept of four domains of opportunity can be applied to the government. The General Services Administration's (GSA) Advantage! web site demonstrates the government's ability to seize the possibilities of the Internet by developing a leading edge electronic

Stimulating Ideas

Coming to Grips with the Information Age

needed to house a collection of books was sharply reduced. Page numbers became a possibility, as did indexes, and tables of contents became workable references.

The second major change came with the Gutenberg printing press that lowered the cost of books by making it possible to mass-produce them. Gilster writes, "Whereas the movement from papyrus and parchment roll to codex made modern library science possible, the quickening impulse of Gutenberg's press took the distribution of ideas into the hitherto unexplored realm of the mass media."

The next revolution, according to Gilster, is the interactive nature of the Internet. The Internet is a medium that isn't static—documents, images, sounds, and files are in a constant state of change. A web page can be updated daily, even hourly. Gilster does not argue that books will go away. We will always want to read a book in a comfortable location.   The distinction is that we will continue to read books, but we will spend more time browsing the web. Browsing differs from traditional reading because it is not a static thing, as noted earlier. Everytime one picks up a book from a library shelf, its content is the same since the last time it was looked at, unless you've happened upon a new edition. One can't make a similar assumption about the Internet. Access the same site on two consecutive days and you might find different content. Another big difference is hypertext that gives the ability to connect to other text or other forms of media with a click of the mouse. The internet is constantly taking readers/browsers to new places/sites in a somewhat unpredictable journey. Learning how to access, use, and verify information found on the 'net is what "digital literacy" is all about.

There is no doubt that the Information Age is here and that it will serve as the catalyst for significant changes in our lives and the way we do business. Coming to grips with the implications of these changes will present a major challenge to all of us individually and the organizations in which we work. Cairncross, Davis and Meyer, Dyson, and Gilster all highlight the issues and potential impacts that we should be considering in the years ahead as we spend an increasing amount of time in an increasingly digital world.

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"Making Business Sense of the Internet

business model. In 1994, the GSA's Federal Supply Service (FFS) gave up its monopoly on office supplies and began competing for government business. In support of its motto of "Better, faster, cheaper, or not at all," GSA developed the Advantage! web site. Advantage! allows government users to browse, select, and purchase hundreds of thousands of different products and services offered by vendors at reduced prices. With Advantage!, it appears that GSA has mastered several of Shikhar Ghosh's domains of opportunity.

l **GSA established a direct link with both customers and suppliers.** Customers throughout the government can browse, compare, select, and purchase products or services without leaving their desks. Every order is electronically forwarded to a vendor within 24 hours of the purchase.

l **GSA bypassed others in the value chain.** Advantage! allows government users to bypass the traditional paper-based procurement process. At times, GSA even removes itself from the value chain in order to provide better service to its customers. Customers who seek additional information about a particular product or service don't contact GSA, they contact the vendor directly. Many products have links to vendors' web sites where they can ask questions and, if available, view pictures of a product.

l **GSA has become a dominant player in the electronic channel.** Since its development in 1995, GSA quickly became a "magnet" for government procurement. In 1997, approximately 435,000 customers used Advantage! to purchase over $28 million of goods and services. Just seven months into Fiscal Year 1998, sales are already at $31.4 million. Features such as real-time pricing, storage of order and payment history, and "parking" of orders for purchase at a later date all contribute to GSA's dominance in electronic procurement.

The success of GSA's Advantage web site demonstrates how the government is keeping pace with the private sector in developing powerful applications for the Internet. Perhaps using Ghosh's framework for assessing the potential risks and rewards of the Internet, other government organizations will soon follow GSA's lead.

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Stimulating Ideas

Article Abstract

"The Changing Nature of Accountability: The Role of the Inspector General in Federal Agencies"

Kathryn E. Newcomer

Public Administration Review
March/April 1998

n the March/April issue of *Public Administration Review*, Kathryn Newcomer presents the results of a survey of inspectors general on how their mission, goals, and roles are evolving.

The Evolving Role of the Inspectors General

Federal managers are changing the way they do business. Initiatives such as the *National Performance Review* (NPR) and the *Government Performance Results Act* (GPRA) call for managers to focus on programmatic results as opposed to procedural guidelines. This evolving role of management has implications for how they will be held accountable for their results, and for those that monitor accountability, such as the inspector general community.

Newcomer presents information on how the inspectors general (IG) offices is responding to these new initiatives, and to recommendations directed to the inspectors general community. The *National Performance Review* recommended that inspectors general offices "broaden the focus of the inspectors general from strict compliance auditing to evaluating management control systems." The NPR advised the inspectors general to survey customers and line managers to establish performance criteria to assess how well they do in improving the performance of their agencies.

In response to the NPR, the two councils that inspectors general are organized through, the Presidents Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency, issued a statement on reinvention principles. The councils recommended that inspectors general take a more consultative approach between themselves and their host department or agency. To collect information on how the inspectors general offices have responded to these initiatives, Newcomer developed and administered a survey of all federal offices of inspector generals.

Getting the Inspectors General Perspective - A Survey

The survey was conducted in May and June of 1996 and collected data on staffing, resources, nature of work being undertaken, and how the inspectors general envision their roles. Over 50 inspector generals offices responded to the survey. The results were compared to a similar survey completed in 1992 to analyze the evolving nature of inspectors general offices.

Newcomer collected survey data mostly from inspectors general, but in some cases, from deputy inspectors general. The survey was com-

pleted via in-person interviews. Newcomer sought answers to questions such as:

(1) How are inspectors general performing in this new results-oriented environment? (2) How have the resources of the inspectors general changed since 1992? (3) What do inspectors general feel are the most important challenges they face? (4) What proportion of the audits undertaken by the inspectors general offices is traditional financial audits versus more extensive performance audits?

Findings

Newcomer found that inspectors general offices are:

- **Accomplishing More with Less.** The workload of inspectors general offices are not being reduced and in some cases, are picking up more responsibilities connected with the CFO Act and GPRA. However, budgets and staff have decreased since 1992. Inspectors general are responding to fewer resources by outsourcing an increased number of financial audits to government contractors.
- **Working More Closely with their Agency's Line Management.** For example, one third of inspectors general reported that they are working with agency management on task forces or in a consultant role to improve their agencies. Every inspectors general responding to the survey reported undertaking some type of proactive effort with their agency's management.
- **Focusing More on Performance Audits as opposed to Traditional Audits.** Inspectors general indicated that they are increasing their measurement of program results.
- **Following Up on Their Recommendations.** Almost all inspectors general offices reported that they have formal methods to use to follow up on whether or not their recommendations are implemented.
- **Surveying Their Customers.** Some inspectors general indicated that they were surveying their federal manager "customers" to demonstrate sensitivity. Newcomer points out that the mission of the inspectors general, identifying inefficiencies and other problems, does not always result in happy federal manager "customers" of the inspectors general.

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Stimulating Ideas

New from the National Partnership for Reinventing Government

One of the more interesting concepts set forth by the National Performance Review was the idea of "one-stop government." Toward the goal of improving customer service and making government more user-friendly, the National Performance Review advocated using the Internet to create "virtual government." Vice President Al Gore continues to be the Administration's chief advocate for the concept. In a recent speech, the vice president stated, "In the long run, we have to build agencies…that work more on horizontal than vertical lines. Partnerships and fluid organizations are the key, because networks—not hierarchies—define government in the 21st Century." Two new web sites have recently "opened," which illustrate the vice president's vision of "one-stop government."

New Web Sites

Recreation.GOV — Recreational Opportunities on Federal Lands

www.recreation.gov

This new web site was built through a partnership among the Army Corps of Engineers, the Bureau of Land Management, the Bureau of Reclamation, the Fish and Wildlife Service, the Forest Service, and the National Park Service. The site was designed to be a one-stop resource for information about recreation on federal lands. It is geared to helping families plan vacations, as well as enabling the weekend hiker to find new recreational sites.

The site is easy to use. All the customer needs to do is to select the state or states which one would like to visit and then select the desired recreational activity (such as biking, boating, climbing, fishing, hiking, horseback riding, hunting, etc.). Presto, a list of recreational sites is provided. Another click and the customer can reach the web site describing his or her desired location. At the location's web site, the U.S. Geological Survey provides maps of the area and the National Weather Service provides a weather forecast.

To test out the site, I asked for hiking in the states of Virginia, Maryland, and the District of Columbia. The search turned up 32 areas in Virginia, 13 in Maryland, and three in the District of Columbia (C&O National Historical Park, Potomac Heritage National Scenic Trail, and Rock Creek Park). Another click and information was available on each site. All that's missing is a link to a mail order firm to order hiking boots.

U.S. STATE & LOCAL GATEWAY

www.statelocal.gov

This site is aimed at providing "one-stop" shopping for state and local government employees. The site features federal information organized by topic, not agency. The web site was developed by employees from 17 agencies and their partners from seven associations representing state and local government workers. The site is hosted by the Department of Housing and Urban Development. The interagency initiative was chaired by Beverly Godwin Yates of the National Partnership for Reinventing Government (formerly the National Performance Review) and the Intergovernmental Enterprise Panel of the Government Information Technology Services Board.

In launching the site, Morley Winograd, senior policy advisor to the vice president and director, National Partnership for Reinventing Government, stated, "with the Gateway, state and local employees can now quickly obtain information they need. Users no longer need to spend hours learning to decipher the federal bureaucracy and conduct separate searches within each individual agency…Not too long ago, instead of a gateway, the federal government had a fenceline. Fencelines, actually. Not only did state and local government have a hard time getting information, federal agencies didn't even communicate with each other. They patrolled their fencelines, keeping intruders out."

Like Recreation.GOV, the U.S. State & Local Gateway is easy to use. The gateway is divided into 11 categories of federal information that is most in demand by state and local users (including disasters/emergencies, education, environment/energy, communities/commerce, health, housing, families/children, public safety). Within each area, users can obtain information on funding opportunities, best practices, training, laws, regulations, and a list of contacts. The site also contains state and local government links, current issues, links to federal agencies, and a reference room.

One-Stop Government

Mark A. Abramson

If you are employed by a state or local health agency and seeking information on grants in the health area, several clicks of the mouse will produce a list of 16 federal grant programs in the health arena (including grants in areas such as Aging, AIDS, maternal and children health, mental health services, minority health, and rural health). For the state or local professional working on the Year 2000 problem for their locality, the Gateway provides links to nine key information resources. In addition to serving as an excellent resource for state and local public servants, the U.S. State & Local Gateway also promises to be a valuable resource for federal employees seeking to find out more information about other government agencies.

Other One-Stop Web Sites

www.business.gov

This site was created to provide business with one-stop access to federal government information, services and transactions. The goal of the site is to make the relationship between business and government more productive. The site gives answers to common questions that business people ask of government, contains expert tools and step-by-step guides for doing businesses with government, and provides current new items of interests to the general business community. The site also contains search capability to help business find on-line resources and regulations for topics of interest.

Small-business owners can find information on exporting products to other nations with a click of the mouse, which will take them to the question and answer page of the U.S. International Trade Administration. The page describes how a small business can begin to export products and use the resources of the government's trade information centers. Small-business owners seeking to do business with the federal government will find links to 14 sites providing specialized information on becoming a government contractor. The site also provides a link to the Small Business Administration's advice page on starting a small business.

bp.fed.gov/main.html

The Blue Pages project was created to reinvent the way that federal government services are listed in over 6,000 telephone directories distributed nationwide. Led by the General Services Administration, with the support of the National Partnership for Reinventing Government, federal departments and agencies and telephone directory publishers have been working in partnership to implement the project.

The project replaces organizational listings with color-coded service-oriented listings. Instead of finding the passport office under the Department of State (if you knew to look there), the Blue Pages project lists passports under "P." The new project also emphasizes toll-free numbers and telephone services for persons with special needs. The new directories also include fax numbers for federal agencies. The Blue Pages web site also enables customers to find the cities that now have updated Blue Pages directories and to use the new directories on-line.

One-Stop Government (continued from page 15)

Commonly Requested

Federal Services

www.whitehouse.gov/WH/Services

A popular component of the White House web site has become the section on "Commonly Requested Federal Services." Instead of having to look up specific federal agencies to obtain information, this service categorizes federal activities into 10 topics (benefits and assistance, education, health, science and technology, travel and tourism, consumer protection, employment and taxes, government property, publications and mail, and housing). The site also contains links to the U.S. Business Advisor and U.S. State & Local Government Gateway previously discussed.

A host of valuable sites are listed and described under the category of "benefits and assistance." Links are provided to the Social Security Administration where citizens can request earning and retirement benefits estimate, download an application for a social security card, and compute their own social security benefit estimate. Individuals can also download forms from the U.S. Department of Veteran Affairs or learn whether the Pension Benefit Guaranty is holding their pension. Information is also available on Medicare, Medicaid, and getting help from the Federal Emergency Management Agency after a disaster.

The future is likely to bring an increased number of "one-stop" federal web sites. Keep your eye posted for more examples of the virtual government envisioned by Vice President Gore.

New from the U.S. Merit Systems Protection Board

"The Changing Federal Workplace: Employee Perspectives"

(Available from the Government Printing Office, ISBN 0-16-049480-X)

In their fifth survey since 1983, the U.S. Merit Systems Protection Board surveyed 9,710 federal employees to obtain their views on a number of workplace issues. The 1996 survey focused on the impact of budget cuts, downsizing, and reinvention efforts since their 1992 survey.

The survey found, not surprisingly, that different agencies had implemented reinvention efforts differently. Only 37% of survey respondents said that their organization had made National Performance Review (NPR) goals an agency priority. What was surprising was the difference that making reinvention a priority had on respondents:

l   When asked whether productivity had improved over the past two years, 59 percent of employees who worked in organizations where NPR goals had been a priority said that productivity had improved, compared to only 32 percent of those in organizations where NPR goals had not been emphasized.

l   Only 38 percent of the respondents working in organizations that had not made NPR goals a priority said that they had been given greater flexibility in doing their jobs. Some 60 percent of the respondents in organizations that had stressed NPR goals thought that they had been given greater flexibility.

l   Employees who said that their organization had stressed NPR goals were also much more likely to be satisfied with their jobs.

Almost four out of five employees (79 percent) in organizations that had made NPR goals a priority said they were satisfied with their jobs. Only about half (52 percent) of the people who said they worked in organizations that had not emphasized NPR goals said they were happy with their jobs.