



t h e **B U S I N E S S** o f
GOVERNMENT

Changing Government

- 3** **Improving the Business of Government**
Office of Management and Budget

Best Practices

- 5** **Using Technology to Expand Home-Ownership**

Outstanding Leaders

- 6** **The Role of the Chief Executive Officer**
Philip A. Odeen, Executive Vice President and General Manager,
TRW Systems & Information Technology Group
James Lee Witt, Director, Federal Emergency Management Agency

Stimulating Ideas

- 10** **Book Review**
Coming to Grips with the Information Age
- 11** **Article Abstracts**
“Making Business Sense of the Internet”
Shikhar Ghosh, *Harvard Business Review*
- “The Changing Nature of Accountability: The Role
of the Inspector General in Federal Agencies”
Kathryn E. Newcomer, *Public Administration Review*
- 14** **New from the National Partnership for Reinventing Government**
One-Stop 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:

- 1 convenient to access, simple to receive and send information;
- 1 quick to meet the needs of its customers; and
- 1 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.

*Paul Lawrence is a partner at Price Waterhouse.
His e-mail: paul_lawrence@notes.pw.com.*



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 joining 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

(continued on page 4)

OMB A-76



(continued from page 3)

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:

- 1 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.
- 1 Second, any legislation should avoid judicial involvement in the inherently governmental management decision regarding whether or not to outsource.
- 1 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.
- 1 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.
- 1 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.
- 1 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.
- 1 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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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

