

The Business of Government

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1 FROM THE EDITOR'S KEYBOARD

2 OUTSTANDING LEADERS

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Veterans Affairs

8 CHANGING ORGANIZATIONS

Transforming a Traditional Agency into a Business: The United States Mint

12 THE ENDOWMENT

Grant Award Winners

Transforming a Traditional Agency into a Business: The United States Mint

By Paul R. Lawrence and Mark A. Abramson

The call to make government more businesslike continues to be heard within both the halls of Congress and the executive branch. While it is becoming clearer what people want to see in a businesslike government – better financial management and accountability, more emphasis on results, and improved internal management – the road to transforming traditional government agencies into businesslike entities is much less clear. For those seeking insights into how to make the transition, the experience of the United States Mint under the leadership of Director Philip N. Diehl is illustrative.

Founded in 1792, the United States Mint is one of the oldest federal agencies. It is most well-known for producing 20 billion coins for circulation each year. Its responsibilities, however, go far beyond minting circulation coins. In addition, the Mint generated sales of nearly \$600 million in 1997 in collector and investment quality coins and coin-based products. It also operates the Fort Knox Bullion Depository, which protects \$100 billion in gold. Today, the Mint produces total revenues in excess of \$1 billion and has 2,100 employees spread across the United States. It is one of the few federal agencies that annually produces a profit, with profits being returned to the U.S. Treasury.

Since arriving at the Mint in 1994, Director Diehl has actively sought to make the Mint more businesslike. From his experience, five key steps emerge in transforming a traditional government agency into a businesslike enterprise:

- Know the numbers
- Get the right people
- Understand your businesses
- Change the rules
- Reform your management

Phil Diehl's Five Steps to Making a Government Agency More Businesslike

Know the numbers

Get the right people

Understand your businesses

Change the rules

Reform your management

Know the numbers

"My marching orders from management at the Department of Treasury were to get financial management at the Mint under control, and our first independent audit led to a disclaimer," recalls Diehl. "To be frank, financial management at the Mint was a mess. My goal was to get a clean audit in two years, which was a tall order at the time."

Under Diehl's leadership, the clean audit was produced in one year. The clean financial audit was Diehl's first step in improving financial management at the Mint. The next challenge for the Mint was to improve the amount of time it took to close its books. Diehl states, "It took 90 days when I arrived, which meant that we were into a second quarter by the time we knew the numbers from the previous quarter. Since then, we have worked hard to reduce our closing time to 10 days, which we will achieve later this year."

Dimes, after being checked for size, ready for counting and bagging.



Get the right people

A second key step to making government more businesslike is to make sure you have the right people with a real understanding of businesslike government in the right positions. In the case of the Mint, Diehl found 10 key presidential appointee positions, including the superintendents of the four Mint field facilities – Denver, Philadelphia, San Francisco, and West Point. “It became clear to me that we needed a different type of management team at the top of the agency than the Mint had in the past,” recounts Diehl. “In many ways, the Mint reflected the 19th century spoils systems. We needed professional managers in those positions, not political appointees. So I went to Congress and we were able to get four of those positions changed to civil service positions and we eliminated the other five. We recruited two private sector manufacturing plant managers and two experienced managers from within the Mint.”

Diehl also spent much time recruiting the deputy director of the Mint and the agency’s first chief financial officer. He found both within the Department of Treasury. “The Mint’s Deputy Director John Mitchell and CFO Jay Weinstein have done outstanding jobs,” notes Diehl. “For the CFO position, I felt there was real value in finding an individual from within the Inspector General community. We needed to repair our relationship with the Office of Inspector General in the Treasury Department.”

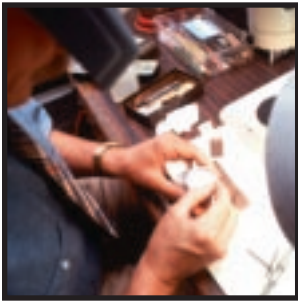
Understand your businesses

A third key step in transforming the agency was for Diehl and his top management team to develop a better understanding of their core businesses and to reorganize the Mint to better reflect those businesses. “After getting here, it took me a little while to understand what businesses we were really in. The prior organization wasn’t organized around our lines of business,” recalls Diehl.

So Diehl set out to reorganize the Mint to reflect the agency’s lines of business. In the Mint’s 1999 Strategic Plan, Diehl writes, “Perhaps most notable among our achievements, we have reorganized the Mint, turning a criss-cross and star-crossed structure of reporting relationships into an organization clarified by strategic business units (SBU). Each SBU – named Circulating, Numismatics, and Protection – is a profit center with its own chief directing their own budgets, resources, facilities, and staff. The SBU concept brings operational efficiency, facilitates our requirement from Congress to operate in a more businesslike way, gives us a framework to pursue new revenues, and best of all, excises Mint employees from a tangle of processes that constrict their careers and performance.”

Change the rules

A fourth key step in making government more businesslike is to change the rules. “As with the need to change the number of political appointees, I found that we needed Congress to



*Mint Sculptor/Engraver
Al Maletsky at his workbench
in the engraving shop at the
Philadelphia Mint.*

Phil Diehl's Advice on Making Change in Organizations

- Involve everybody in the organization. "I thought I would find the most support at the top and bottom of the organization, but I was wrong. You cannot underestimate the support that you can receive from your middle managers."
- Use your strategic planning process. "The strategic plan really helped us involve our unions and engage them in a constructive dialogue."
- Provide a clear, compelling agenda. "A clear, well-articulated agenda will give your organization a vision to move toward."
- Be patient and impatient. "You need to find the right balance between patience and impatience. I suppose it requires a Zen-like attitude. You need to communicate a sense of urgency and let people know you mean it. But change does take time and you have to be patient sometimes."

make other changes as well," explains Diehl. "If we were going to run ourselves like a business, we clearly needed to change the way we did business. We needed to have revolving fund authority to allow us to make capital investments. The old, traditional appropriations process simply wouldn't work in this new environment. Congress went along with that change."

"I also found that our commemorative coin program needed major change," recalls Diehl. "It had gotten out of control and was on its way to becoming a pork barrel program. After having ignored this program for many decades, Congress began approving too many commemorative coins in recent years. We were simply producing too many coins, which lowered their value as collectibles. We worked hard with Congress to change the ways in which commemorative coins were approved and to lower the number that they approved each year."

As a result of negotiations with the Congress, the Commemorative Coin Reform Act of 1996 was passed. The law reduced commemorative mintages by 90 percent and ensured greater financial accountability by the organizations receiving funds from these programs.

Reform your management

A fifth key step is to engage in substantial reform of the organization's internal management. "If we were going to be a business, we also had to change our internal processes," recounts Diehl. "We asked Congress to exempt us from the Federal Acquisition Rules (FAR) procurement regulations. This has had a major impact. We have reduced our procurement cycle time for major capital acquisitions from eight months under FAR to an average of less than seven weeks under the waiver."

In addition to reforming the procurement process, Diehl also moved to change the way the agency was managed on many other fronts. It developed a strategic planning process; substantially increased its investment in information and communications technology; created a new working relationship with its union and became the first bureau in the Department of Treasury to sign a partnership agreement; substantially increased its investment in training employees; and became the first government agency to develop an enterprise resource planning (ERP) system integrating all financial, accounting, manufacturing, logistics, sales, and marketing information in a single system.

Looking ahead

What does the future look like for the United States Mint? According to Director Diehl, the next several years will be devoted to successfully implementing many of the changes begun in the previous four years. "We have a pretty full plate," states Diehl. "Our Strategic Business Units need to gain more experience in acting in a businesslike manner and we need to fully implement our ERP system. We have also

launched the biggest single coin program in our history. We will be striking quarters to honor each of the 50 states. It will take 10 years to issue all 50 quarters, each with a design to honor a state."

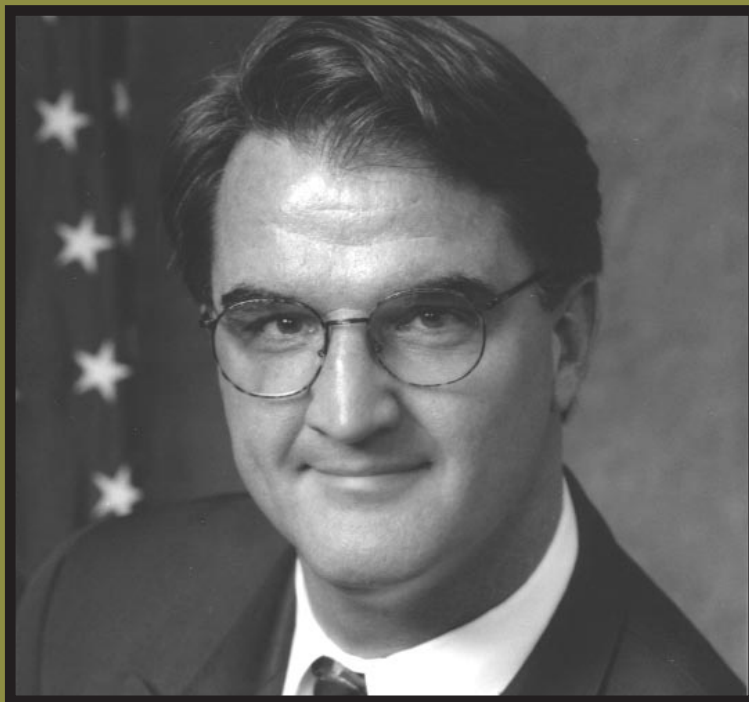
As for additional management reforms, Diehl argues that the agency still needs personnel flexibility. "We need to have the ability to recruit, reward, and evaluate people more flexibly than we do now," notes Diehl. "We need to be able to attract top talent who will not wait the six months it now takes us to compete an important position."

If the future of government is to become more businesslike, the United States Mint offers an interesting model for other agencies to follow. Other agencies could learn from its experience.

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Cent blanks on a conveyor before minting.



About Philip N. Diehl

"I brought an unusual background to this position," states Phil Diehl. "In many ways, it was an unconventional career move for Washington. My career has always involved the interface between business and government. I've been in both public service and the private sector. When I got to the Mint, it became obvious to me that this place is really a business. It is the size of a Fortune 500 manufacturing and international marketing enterprise."

Mr. Diehl was confirmed by the United States Senate as Director of the United States Mint on June 24, 1994. From 1993 to 1994, Mr. Diehl served as counselor to Treasury Secretary Lloyd Bentsen and chief of staff at the Department of Treasury. Before joining the Department of Treasury, he was staff director of the Senate Finance Committee and legislative director for Senator Bentsen. He also has served as vice president of regulatory affairs for International Telecharge Inc., a long-distance telephone company, and as director of telephone regulation for the Texas Public Utility Commission.

Mr. Diehl earned an M.A. in government from the University of Texas at Austin and a B.A. from Austin College.