

GOVERNMENT TRANSFORMATION

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NON-PARTISAN AND
NON-IDEOLOGICAL

Respecting Complexity for Strategic Success

Spring 2004

Respecting Complexity

“For every complex problem there is a simple solution that is wrong.”

(G.B. Shaw 1856-1950, Irish critic and playwright)

Strategic Success

“It must be considered that there is nothing more difficult to carry out nor more doubtful of success nor more dangerous to handle than to initiate a new order of things...”



(Machiavelli 1446-1507, Italian statesman and philosopher)

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CENTER FOR PUBLIC-PRIVATE ENTERPRISE (CPPE) FORUM ON

GOVERNMENT TRANSFORMATION

Spring 2004 Edition

Abstract

Welcome to the latest issue of the *CPPE Forum on Government Transformation*! As always, I think the Center for Public-Private Enterprise has used its eclectic network and holistic focus to bring together a publication unique in many positive ways. It is willing to cover the waterfront to highlight selected transformation and modernization issues that challenge the federal government. This should be clear in this abstract. For example, the first article, **Federal Housing and Real Estate Privatization Take Root**, provides an exclusive look at the complex and slowly evolving transformation of the way the federal government is approaching its fixed assets. A lot of progress has been made over the past few years. A few of the most recent ones are highlighted here. Then, in **Daunting Public-Private Enterprise Challenges and the Role of "Architecture,"** the crucial importance of a strategic approach to identifying and addressing business transformation issues is underscored while showing the relationship between some of the "architectural" business challenges in the largest sense and the area of "enterprise architecture," which is undoubtedly gaining momentum in the 21st century federal government environment, although there is a long road to go. These twin perspectives of architecture - and a whole lot more - are included in a sweeping and exclusive look at the **Transformation of the Department of Defense**, especially in light of the Global War on Terror. Even as this publication goes to press, Secretary of Defense Donald Rumsfeld has been featured on March 19, 2004 in a special, lengthy television interview addressing the war, and a recent book called Rumsfeld's War provides many additional insights.

CPPE is on a perennial quest for information and knowledge in the many areas related to government transformation. Two of the most exciting, vibrant and complementary venues for such enlightenment are those of conferences and the Internet. **Conferences and Communities** will feature this topic and make recommendations related to staying on top of government transformation. Then an outstanding extract from a Department of Energy led effort, the Washington Research Network Evaluation, **Strong Momentum for Accountability of Public Programs**, is provided, the part that may be the most valuable — the perceived shortcomings of one current approach by the Office of Management and Budget to evaluate government agencies' performance. Then, an update of a July 03 CPPE matrix of **Major Changes to OMB Circular A-76 (Performance of Commercial Activities) Since 5/29/03** is offered for your reference, followed by an article shared by the Product Development and Management Association (PDMA), **Demystifying "Program Management"- Linking Business Strategy to Product Development**, is provided for a wider audience and followed by a description of PDMA's new certification program — an excellent benchmark for government knowledge and program managers. Along these lines, the newsletter concludes with another exclusive CPPE article, **Competency Management: The Future of Knowledge Management**, an article with some "bite." Hopefully, you will find that it stimulates your own holistic thinking about improving enterprise performance.

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Welcome to the Latest Edition!

CENTER FOR PUBLIC-PRIVATE ENTERPRISE (CPPE) FORUM ON

GOVERNMENT TRANSFORMATION

Respecting Complexity for Strategic Success

<http://cppe.org>

Spring 2004

Volume 7, Issue 1

Federal Housing and Real Estate Privatization Take Root

by Daniel P. Cosgrove, Defense Facilities Corporation

The season of privatization has descended on the federal government. Military family housing is being built and operated by private sector developers, while outdated military buildings are being rehabilitated with private funds. The Department of Veterans Affairs (VA) has awarded more than twenty privatization contracts, while the National Aeronautical and Space Administration (NASA) has been granted authority to experiment with non-excess property ground leasing at two locations. The General Service Administration (GSA), the federal government's property manager, is seeking "enhanced use leasing" authority from the Congress to speed the commercialization of unneeded government real property. The future of privatization is looking up.

Since 1996, the Department of Defense and the military services have used Congressionally-authorized programs to contract with private developers for military family housing. Between February 1996 and January 2004, contracts were awarded for more than

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Daunting Public-Private Enterprise Challenges and the Role of "Architecture"

by Steven Else, Executive Editor

Since the tragic events of September 11, 2001, the vague concepts of "public-private enterprise" and "enterprise architecture" have become clearer as imperatives for collaborative, secure, lean, agile and capable government, whether federal, state or local. In other words, "public-private enterprise" and "enterprise architecture" are morphing together to allow more holistic thinking, alternatives and solutions to better address the complex, urgent challenges of government transformation today and for sustained robustness in the decades to come.

Prior to September 11th, to take one federal government example, Secretary of Defense Donald Rumsfeld had launched a transformation initiative for his department (*see related article beginning on page 4*) that had intentions in the direction of business transformation but which was primarily focused on a fundamental re-thinking of force structure based on an information-based global society and warfighting model.

Net-centricity, an architectural paradigm of connectivity across the Department of Defense (and beyond), became central to the vision, even more so in the operational environment of the War on Terror. Net-centricity, however, mostly represents a kind of Utopian view of how great it would be if we thought holistically in the way government designed organizations, enterprise architectures, made major acquisitions, developed business and operational processes, etc.

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GOVERNMENT TRANSFORMATION

Transformation of the Department of Defense

By Steven Else

The US's war on terrorism provides many insights into the fluid nature of Secretary of Defense Donald Rumsfeld's Department of Defense (DoD) transformation initiative. At the same time, it serves to show the rigidity of his approach. How can this be so? The simple answer is that, in many respects (if only in the different perspectives of major stakeholders), DoD transformation is both too vague/fluid and too rigid/idiosyncratic. This article will illustrate these points and thereby underscore the difficulty of scoring the ultimate progress and success of his transformation initiative.

Prior to the tragic events of 9/11, Secretary Rumsfeld had outlined his transformation program. It consisted of six very general (and some could argue "overlapping," since they all rely implicitly on the effective use of technology, organizations and information) components:

1. Protect the U.S. homeland and our bases overseas.
2. Project and sustain U.S. military power.
3. Deny enemies sanctuary.
4. Protect information networks from attack.
5. Use American information superiority to seamlessly weld the U.S. armed forces together as a joint force.
6. Maintain unhindered access to space and to protect U.S. space assets.

After 9/11, Rumsfeld stood by these six focus areas in his 2003 annual report:

"The United States must transform its armed

forces in order to win the present war against terrorism and, at the same time, prepare for future wars notably different from those of the past century."

In the same report, he goes on to say that "Current and future enemies will seek to strike the United States and U.S. forces in novel and surprising ways," and that "Now is precisely the time to make changes ... The attacks on September 11 lent urgency to this endeavor."

How could anyone argue with such a list of fairly reasonable, high-level goals and the necessity for new thinking in light of the heightened threat of future, potentially devastating terror attacks against the U.S.? Then again, how do the goals translate into a methodology for prioritization and measurement of relative success? How do they relate to program decisions, acquisition reform and fundamentally "new thinking" in the DoD? How do they help explain what has been happening in the current war on terrorism?

Upon more careful analysis of the six components of his transformation program noted above, however, one notes a lack of new competencies, such as those related to foreign nation-building after attacks against targets related in some way to the war on terrorism (such as the effort in Iraq). This is surprising given that Rumsfeld himself noted that, concerning Iraq, "the postwar focus is on building a new Iraqi government and rejuvenating the nation's oil-based economy. U.S. diplomatic efforts continue amid a volatile climate in Iraq and neighboring countries. President Bush is seeking additional help from allies to restore order, with mixed results."

In highlighting one major element of the new

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strategy laid out in the 2001 QDR, Deputy Secretary of Defense Paul Wolfowitz stated:

“[W]e decided to move away from the two Major Theater War (MTW) force sizing construct, which called for maintaining forces capable of marching on and occupying the capitals of two adversaries and changing their regimes-at the same time. The new approach instead places greater emphasis on deterrence in four critical theaters, backed by the ability to swiftly defeat two aggressors at the same time, while preserving the option for one major offensive to occupy an aggressor's capital and replace the regime. By removing the requirement to maintain a second occupation force, we can free up resources for various lesser contingencies that might face us and also be able to invest for the future.”

A recent 2003 report from the Government Accounting Office (GAO) puts the transformation of the Department of Defense (DOD) at high risk. It states: “The DoD is transforming its business operations, and its current leadership places high priority and great attention on transformation. However, significant management problems continue to impact the economy, effectiveness, and efficiency of DOD's business processes. This places mission capabilities at risk by unnecessarily spending funds that could be directed to higher priorities such as modernization and readiness.”

Overall, it concludes:

“DOD needs a strategic approach to transition its business processes that includes the integrated nature of the department's management challenges and related solutions; importance of continuity in leadership to achieve process improvements; and agreement between the execu-

tive and legislative branches of government on planned actions, time frames, and desired results. Legislatively establishing a chief management officer may be one option to help achieve these goals.”

The report goes on to list other steps that the DoD should consider in managing its transformation initiative:

- Strengthen strategic planning and budgeting.
- Hire, support, and retain military and civilian personnel.
- Overcome support infrastructure inefficiencies.
- Confront and transform pervasive, decades-old financial management problems.
- Effectively manage information technology investments.
- Improve DOD's weapons acquisition process.
- Improve processes and controls to reduce contract risk.
- Improve quality of logistics support.

GAO's observations and recommendations are important and very telling regarding perceived shortcomings of a highly visible DoD transformation effort to date.

But even two years ago, one analyst laid out a fairly compelling critique of shortcomings in Rumsfeld's transformation initiative, as represented by the Quadrennial Defense Report (QDR), not the least of which was setting expectations too high. This (partisan) observer noted that “the report failed to map out a concrete plan for transforming America's Cold War military into a more agile and integrated force better suited to meet new threats - such as the one made terribly real on Sept. 11.”

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55,000 family units. In addition, the Navy, Air Force and Marine Corps have determined that contracts previously awarded for specific projects can be expanded on a sole-source basis.

At Elmendorf AFB, Alaska, the Air Force issued a notice that it intends to increase a competitive award for privatized family housing from 828 units to 2,022 by sole sourcing an additional 1,194 units. At Wright-Patterson Air Force Base in Ohio, the Air Force is adding 496 units to a prior award of 1,536 units.

The Marine Corps is seeking to increase an award of 4,629 units, split between Marine Corps Base Quantico, Virginia and Camp Pendleton, California, by adding an unidentified number of family units at Camp Pendleton, as well as Marine bases in; Yuma, Arizona, Kansas City Missouri, Twenty- nine Palms, California and Barstow, California. The Navy has been the using a sole-source contracting option to increase an award of 3,248 units in San Diego to as much as 12,500 units.

The combination of competitive solicitations and sole sourcing was expected to meet the DOD goal of contracting for replacement of all military family housing by the end of 2007, but recent estimates have extended the replacement schedule by several years. It is clear that privatization is an efficient way to give the troops new family housing decades sooner than other methods of procurement.

In its effort to privatize military family housing, DOD and the military services have employed numerous consultants and advisors to prepare the requests for proposals, analyze bids and operate port-

folios of housing investments. The total reported expense for these private sector advisors is approaching \$80,000,000.

The military is also using 10 US Code Sec. 2667, also known as "enhanced use leasing" (EUL) to redevelop underutilized or obsolete government real property. Several noteworthy projects have been started with this valuable authority. At Fort Carson, Colorado, the Army leased land to a private developer of car washes to plan, finance, build and operate a car wash on-base. The relationship benefits the Army and soldiers by offering reduced cost car washes to military families. The environment benefits through water recycling. The plan also generates lease payments from the developer to the base.

The Army recently awarded a contract to a private developer to lease four buildings at Walter Reed Army Medical Center (WRAMC) to renovate or replace more than 250,000 square feet of obsolete buildings, some of which is historic. The developer will take the shell of Building 40 at WRAMC to create a modern office structure from an empty and abandoned former headquarters of the Walter Reed Institute for Research. The building once held an animal research laboratory, office space, an auditorium and even a small nuclear reactor. Unfortunately, it has been empty for years and has deteriorated through neglect and lack of Army funds to maintain or redevelop it. The EUL project will pour more than \$65,000,000 of private funds into the four WRAMC structures. The Army will receive cash or in-kind lease payments equal to the fair market value of the property leased. Basically, the Army turned a liability into an asset, without a dime of Army money being invested.

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The Army is taking its EUL success “on the road” with several new projects. The WRAMC team has issued a notice that it intends to use the EUL authority to lease-out eight acres on base for new office and research space. The new project will provide support for the Armed Forces Institute of Pathology, as well as other government and commercial users. Fort Bliss, Texas has issued a notice that it intends to use EUL to convert the former William Beaumont General Hospital and thirty eight historic buildings, on ninety-two acres, into a private commercial complex. The site is located at the edge of the Ft. Bliss cantonment area and will be outside the base once security fencing is relocated. Fort Monmouth, New Jersey has also issued a notice that it wishes to proceed with a six and a half acre EUL, with three historic, but obsolete, pre-World War II concrete barracks buildings totaling more that 100,000SF. The base is looking for a developer to renovate the buildings and provide in-kind services as rental consideration.

The most innovative EUL project to date was announced on January 30, 2004, when Picatinny Arsenal issued solicitation number: W15QKN-04-0706, with responses due on February 9, 2004. The solicitation seeks a non-profit “Partnership Intermediary” to enter into an agreement to facilitate technology transfer from base assets. In addition to access to the Arsenal’s technology, the selected partner will receive a sole source EUL for base land, which will be commercialized to support the goals of the partnership. This unique program provides the flexibility needed for the government to endow a non-profit with government property without the cumbersome contracting restrictions that have slowed other technology transfer efforts. If successful, this approach could usher in a new wave of EULs.

The Department of Veterans Affairs (VA) created the EUL option for federal agencies more than a decade ago. Since then, VA has used its authority to create co-generation facilities, veterans benefit offices and homeless veterans housing. Recently, an EUL contract was awarded for the 92 acre former veterans hospital at Ft. Howard in Baltimore County, Maryland. The EUL winner will restore long-neglected historic homes, rebuild a 10,000 square feet medical clinic, and build private facilities and assisted living veterans housing. In late 2003, VA conducted an EUL procurement for its Lakeside Hospital Complex in downtown Chicago. While estimates of the value for the three and a half acre site varied widely, some experts predicted that VA would garner more than \$90 million for the seventy-five year lease. Currently, VA is conducting a comprehensive national review of its facility needs for the next decade, when finished the review is likely to lead to major restructuring of medical and healthcare/administrative facilities, and additional EULs.

Not all EULs have been successful: In 2003, the Army issued a request for proposals (RFP) for seven historic duplex houses at Fort Monroe, Virginia. The industry forum for the project was well attended, but no proposals were received. Developers who attended the forum expressed disappointment with the restrictions imposed on the project, such as limited on-site parking. The one-hundred-year-old frame buildings had little commercial value and could not be used for residential purposes. While the Ft. Monroe EUL did not work for the Army, the lessons learned will be invaluable as the program expands.

At the Federal level privatization is thriving, the future looks bright and long-neglected assets are being reused for the benefit of the taxpayer.

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DoD Transformation

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In another critical observation, the same analyst observed that the new QDR embraced “the rhetoric of military transformation, but on this point - as on questions of means generally - it is maddeningly vague.” The vagueness associated with Rumsfeld’s transformation initiative, as well as the issue of the means to pursue it, are strikingly important observations that few disagree with, even two years into his notion of transformation.

Noting additional shortcomings in the articulation of Rumsfeld’s transformation program, the same observer noted that “[t]here is nothing in the QDR that envisions a significant increase in the new war-fighting technologies everyone agrees are critical: those that promise dramatic increases in the ability to see and understand what is occurring on a battlefield; that communicate that knowledge quickly and surely to U.S. forces; and that are equipped to bring force to bear faster, with much greater precision, over greater distances.”

On this particular point, one could counter-argue that Rumsfeld’s strong emphasis on information and communication technologies, and Net-Centric Warfare, in particular, is pivotal to address these very issues.

Concerning the critique that there is nothing “that pushes the changes in military organization, training, and doctrine to create forces that can better use those technologies,” one has less evidence to counter the point. In fact, shortcomings seem to be particularly pronounced in these pivotal components of any major change initiative.

As much as one would like to say that there has been considerable progress in articulating exactly how transformation will manifest itself in new programs, the following critique of the 2001 QDR is still persuasive:

“Above all, what the QDR lacks is a convincing road map for reshaping U.S. defenses to meet unconventional, ‘asymmetric’ threats such as terrorism and the spread of weapons of mass destruction - the very war we are fighting today. It offers no specifics on how the military will be revamped, how much it will cost, or what programs should be canceled or cut to pay for the changes.”

The critic went on to note that the QDR “fails to acknowledge the tough tradeoffs between transformation - which entails investing in the new technologies of information dominance as well as big organizational changes to ensure that military services operate jointly - and simply modernizing the current force structure ... The 2001 QDR mostly punts the big questions about military transformation. More than just a broken campaign promise, it represents a missed opportunity to reshape our military to wage a new kind of war against new threats and enemies.”

In discussing the QDR, Deputy of Defense Paul Wolfowitz also underscored how the new strategy it outlined allows the US “to confront a world marked by surprise and substantial uncertainty, we agreed that we needed to shift our planning from the ‘threat-based’ model that has guided our thinking in the past to a ‘capabilities-based’ model for the future. We don’t know who may threaten us or when or where. But, we do have some sense of what they may threaten us with and how. And we also have a sense of what capabilities can provide us important new advantages. ... [T]his capabilities-based approach places great emphasis on defining where we want to go with the transformation of our forces.”

The movement from a “threats-based” strategy (at a programmatic level) to a “capabilities-based” one poses a number of daunting chal-

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lenges. First of all, regarding the baseline strategy called “threats-based” for 2 Major Region Conflicts (MRCs): has that really been a purely “threat-based” one for the past decade? If so, where were the possible 2 possible MRCs at the heart of investment alignment? Assuming the armed services built their investment programs primarily on MRC-related foundations and consideration, how were the forces used for various none-MRC conflicts and operations customized, if at all, during that time frame?

So, what will it take for the new “capabilities-based” investment strategy to make a difference, especially in the War against Terror? Does just mandating that the DoD will focus on delivering capabilities versus responding to pre-identified, assumed threats mean that the DoD will, in and of itself, be able to make smarter investments and deliver more capability? If one assumes uncertain threats in a financially constrained environment, will that lead to a better strategy and a more effective DoD? Will the urgency of the war against terror end up dictating near-term investments at the expense of medium to longer term ones?

Such questions are posed to illustrate that this new framing assumption for the new investment strategy of the Department of Defense does not, in and of itself, provide a clear direction for a number of difficult decisions its bureaucracy must make on at least a yearly basis for its annual budget.

Along the same lines, just because enhanced jointness is desired by the new capabilities-based approach does not mean, at the end of the day, that the decision-making and the resulting investments will be better than today. Certain Joint Staff officers assigned key roles in the rolling out of the new acquisition processes for major programs have actually declared that they

have their own doubts.

About three years ago, one four-star general at the head of a unified combat command, cautioned that those officials involved in managing the requirements-based acquisition strategy needed to take account of the minimal time that the Joint Staff and Joint Combat Commands actually had to devote to thinking about crisp, actionable requirements – they were too busy confronting “real-world” demands. The requirements they generated were, therefore, often of a rather generic nature. What has happened in the past three years to lead one to believe that the Joint Staff and Combat Commanders will be able to spend even more time sorting through “capabilities” or “effects” sought across their commands?

The reason this last observation is so important is that the Services have much larger staffs devoted to acquisition issues than does the Joint Staff. As much as one would like to emphasize a new approach to program decision making, there have not been any significant changes made in the staffing of the acquisition communities or the culture of the Service leadership to lead one to expect any significant changes in how or what programs are pursued.

Overall Assessment of Secretary Rumsfeld’s Transformation Challenge

Any explicit effort to transform fundamentally an organization of the size, history, culture and central importance to the U.S. as the Department of Defense within a few years is a daunting task and one fraught with issues of expectations and credibility. Even a top-down driven program led by the Secretary of Defense himself will be hard to actualize. Even assuming his initiative were accompanied by a clearly articulated and effectively communicated vision and strategic plan, the challenge

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would still be overwhelming. The fact that the vision has not been clear, that no comprehensive strategic plan exists, and that the rather vague vision of transformation has not been effectively or consistently communicated further complicates the task.

Nonetheless, many aspects of Donald Rumsfeld's transformation efforts, although the initiative is easily characterized as being overall vague and philosophical, are being operationalized in fundamentally revolutionary ways by the services. The revolution is linked to the convergence of essentially new paradigms in terms of the nature of the international security environment and to new, institutionalized forms of inter-agency and cross-service cooperation and collaboration. The imperative of new mindsets to lead the effort at different levels in the Department of Defense, as well as to manage and implement the evolving infrastructure and concepts, has been made clear by many sources besides Rumsfeld himself, but has been more difficult to formulate in a consistent way across the services.

To declare that one is going to "transform" the Department of Defense, even prior to becoming Secretary of Defense, would indicate that one was certain of the need for dramatic change. Donald Rumsfeld was that certain. He was also certain that fundamental new ways of thinking would be ultimately required in such a changing organization, if it were to make major strides toward "transformation" and ultimately develop the momentum required to sustain the new thinking and programs that would develop from it.

There was probably also no doubt in Rumsfeld's mind that he needed to work through institutional and legislative channels to have any chance at establishing initial momen-

tum and then building an enduring foundation for the kinds of mindset and organizational changes that would be required en route for the near and longer term.

One thing he has been surprised by is how difficult it has been to get Congressional support for his transformation initiatives, whether in transforming the civilian personnel system or changing mindsets about what kinds of weapons platforms should be acquired.

What he was less certain about was what transformation would ultimately look like, when one would be able to say that DoD had in fact been transformed, or even how much progress it was making along the way.

What he was understandably less than fully prepared for was the overriding centrality of a war on terrorism that would, in some respects, provide momentum for his transformation initiative, while, in other respects, partially undermine his credibility as a visionary who knew what was best for the DoD and overall national security.

For example, the "Pentagon has begun to look seriously at creating military forces that would be dedicated to peacekeeping and reconstruction after future conflicts ... The idea is to forge deployable brigades or whole divisions out of units of engineers, military police, civil affairs officers and other specialists critical to postwar operations. The move marks a reversal for the Bush administration, which came into office strongly resistant to peacekeeping missions and intent on trying to get Europeans and other allies to shoulder more of that burden."

There has been a lot in the news regarding the unexpectedly high burden placed on the National Guard and Reserve troops, which currently "make up about 20 percent of the current force of 130,000. According to AP, after the

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Conferences and Communities

Networks, Information, Knowledge & Inspiration

The Center for Public-Private Enterprise, established in 1998, has since then always envisioned, as its central approach and mission to leverage networking, information/knowledge sharing and inspiration for holistic and successful government transformation. Workshops, seminars and conferences have been the primary venue for the networking and research, but these have been complemented by Internet communities and resources.

Going beyond merely attending “conferences,” CPPE has sought to engage as often as possible with companies and associations in one way or another involved with them. For example, principals in CPPE are deeply engaged with the Gartner Group’s conference and research activities, as Gartner is an outstanding leader in both. CPPE recommends that serious IT leaders participate in at least one Gartner ITxpo a year — this events are a smorgasbord for the voracious in terms of knowledge and cruise-like foodfests. Their largest US ITxpo lasts for a full week in October and takes place in Orlando.

Similarly, CPPE tracks what DCI, often partnered with the Meta Group, are producing in the way of enterprise architecture and project management events because DCI has been a leader in events of this sort for many, many years. Linked to the project management theme, of course, is the Project Management Institute, an organization with which CPPE has become increasingly involved over the past year, including participating at its last event in Baltimore in 2003. This was a highly informative event with leading practitioners in industry and project management gathered in one multi-track event.

Also on a national canvas, PDMA (the Product Development and Management Association), does a large annual conference (produced by an

outstanding events and management firm, Global Executive, the PDMA team being led by Ms. Leonora Valvo) and many smaller, regional ones (with IIR—a conference production company that also produces the annual Braintrust Conference on Knowledge Management). PDMA’s annual membership conference is impressive because of its clear focus on supporting the quality and agility of decision making for innovation, with knowledge management and project management being integral components.

On the government front, the E-Gov Institute’s annual Government Solutions conference is a major conference with a lot to offer for everyone. The Gartner Group has also increased its activity in the government space and will have its first annual government conference in Washington, DC in May 2004. Finally, AFEI (the Association for Enterprise Integration) is an organization whose time has come, as enterprise architecture for government is beginning to hit its stride. Even though a relatively small organization, their events are impressive, with one CPPE is looking forward to participating in April 7-8, 2004 on Net-Centricity in the Washington DC area .

In terms of virtual communities, CPPE is a strong advocate of kwork.org (The Association of Knowledgework — AOK), both for the great resources on their Web site and the AOK discussion group which has many of the world’s leading knowledge management thinkers engaged in wide-ranging and usually enlightening, cutting edge conversations about all aspects of knowledge. Through AOK, CPPE has been able to maintain relationships with thought leaders met at conferences and meet new, truly superior thinkers, communicators and friends.

(See page 31 for more on these and other events)

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DoD Transformation

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rotation ends in April [2004], nearly 40 percent of the 105,000 troops in the new force will be National Guard and Reserve forces.”

Comprehensive expectations regarding industry’s role in DoD’s transformation have not been laid out, although the Defense Policy Board that Rumsfeld formed as part of his transformation effort, illustrates that he is looking toward industry for a lot of advice. In addition, “[i]ndustry also will have a hand in developing [new] simulations and trainers that address joint needs and meet other current and future requirements. For instance, the military wants future training systems to be smaller and more easily deployable for all troops, including the reserve component.”

According to Andrew Hoehn, deputy assistant defense secretary for strategy:

“Transformation is more than just new capabilities. Inherent in transformation is a physical change of the global military posture ... The military has been involved in military transformation for a number of years, but defense personnel are still grappling with the implications of this ‘megatopic.’”

Hoehn also said that “transformation is characterized by operations conducted with knowledge, speed, precision, lethality and surprise ... [A]s we look at how the world is changing, how our relationships are changing, how we come to understand those challenges, we also come to understand how that transformation is still quite incomplete ... To reap the real benefits of transformation ... we also need to reassess the types, locations, numbers and capabilities of our military forces worldwide.”

In emphasizing that today's posture is a legacy of the Cold War in terms of where troops are

positioned, Hoehn was also quoted as saying that the global military posture “is not yet a full reflection of the challenges that we confront in today's world.”

In addition, to be “better prepared to fight together against an unpredictable enemy,” the U.S. military has “launched a sweeping transformation of training across the services.”

The new training effort “is being guided by a plan the Pentagon released in June [2003]. Since then, the services and U.S. Joint Forces Command have developed a dynamic training system that blurs the lines between the services and addresses current threats.”

Rumsfeld believed that a top-down revolution was needed to succeed in transformation, and he took important steps in terms of articulating a road map for transformation early on in his tenure. But, as noted earlier, three years into his second term as SecDef, some confusion still remains in important quarters.

Some of the developments to approaching gaps in the articulation of transformation thinking/strategy have just been noted above. But even with such clarifications and expansions, confusion remains in many high-level offices in the Pentagon, the National Defense University (NDU), and the Naval War College, among other unexpected places, regarding the transformation journey, including surrounding such issues as goals, roles, processes, milestones, etc., to enable it.

Also in late 2003, senior officials and faculty at the National Defense University were concerned about whether they should establish a Department of Transformation, or at least a core course in this area, but were unsure what exactly “transformation” meant. NDU did, nonetheless, begin an executive level program in 2003 with courses related to the new strategic

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environment and transformation in a business and historical sense. In addition, cooperation between DoD's Office of Force Transformation and the faculties of senior service schools began to get some traction in early 2004 in terms of exploring possible curricula related to DoD transformation.

Overall, Rumsfeld's published idea of transformation was of a general nature, for the most part, and the penetration of his concept has been relatively modest to date. His steps toward the institutionalization of transformation (e.g., setting up his transformation office and establishing net-centricity as a key target environment) have received considerable attention, but confusion persists in the minds of many in the joint staff, services and government regarding how to best meet pressing war demands and transformation at the same time.

Along the same lines, Rumsfeld's legislative efforts, such as reflected in the formulation of new authority to establish a more flexible civilian personnel system, are important, but their importance in terms of new thinking in the near term in the Department is unclear. For example, even if the bill to overhaul the civilian personnel system were passed, its chances of success may be hurt since the process used to define the bill were not inclusive and DoD's execution abilities in such major business transformations are suspect at best.

To be sure, Rumsfeld's emphasis on a joint, capabilities-based and spiral approach to the acquisition of new weapon systems has led to new programs beginning to be planned on these principles, but senior officials are still unclear regarding how these programs should be done and

how to transition from the old system, given that many programs are grandfathered under the requirements-based, service-generated, "big bang" type approach.

DoD's recent success at basically exempting information technology (IT) systems from the competitive sourcing process (competitions between the public workforce and the private sector) is a major one, it still does not shine much light on the best way to transform IT, especially with a joint, enterprise-wide perspective. In these areas, though, the increasingly insistent federal emphasis on enterprise architecture models is raising the bar of thinking concerning the whole area of enterprise architecture and the various components critical to all federal ones.

All in all, it has appeared that a top-down driven, major change initiative, driven visibly and vocally by the head of the organization, can make significant progress in encouraging transformational thinking, if room is left for innovation concerning how to achieve it among the various DoD entities. However, an initiative as visible as agency-wide transformation will continue to face major obstacles if success is not clearly defined and no parameters for judging progress are set in place and communicated clearly throughout the organization so everyone can see his or her role in achieving associated objectives.

It is also important to note that the vagueness associated with Rumsfeld's initiative overshadows work already underway in the DoD that seemed to fit his overall model. One major defense agency continued "transformational" initiatives begun prior to Rumsfeld's arrival, assuming its efforts fit under the transformation tent. Another major defense agency was mired in interoperability gaps in the whole area of collaboration, while working towards the infrastructure that would be the basis of a net-centric warfare vision that also preceded Rumsfeld. It should also be noted that

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DoD Transformation

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the former Army Chief of Staff, General Eric Shinseki, had already, as the theme of his time as Chief, tapped “transformation” of the Army for the 21st century as his goal .

In other words, even with a top-level champion, a “buzzword,” sweeping new strategy and important organizational and legislative steps and successes, what Rumsfeld meant by “transformation” was not crystal clear at the start and has not necessarily become clearer over the past couple of years during the War on Terrorism. This was the case both because many related transformational elements seemed to be underway already before he began his transformation and because others were introduced without buy-in from the services.

In conclusion, complex undertakings in the general area of transformation are clearly underway, but there are certainly no easy answers, just as there are no definitive milestones. There is little doubt that DoD transformation is essential. Perhaps more strategic visioning, planning, collaboration and management will make its journey one into which all can better see their roles and be incentivized to contribute to clear progress.

Rumsfeld’s insistence on maintaining a long-term commitment to long-term transformation, even with the pressing needs of a War on Terror, is to be commended. If all in his transformation efforts and the War on Terror have not gone smoothly, it is not for the lack of experience or determination on his part. He has surely played the role of a major catalyst for new thinking and programs in DoD, even if what he has achieved (or may achieve) is just the tip of the iceberg of what will eventually, over time, become a transformed DoD.

Architectures

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The reality is that any notion of large enterprise business transformation is mostly a distant dream. This is true even though war has accelerated some thinking about tactical connectivity and the crucial role, in a context of increased vulnerability to asymmetric threats and a time of ever-increasing need and cost of “high-tech,” of cross-enterprise collaboration. This applies to inter-service cooperation in the context of the DoD and inter-agency cooperation in that of Homeland Security.

For the most part, business transformation in government is embryonic at best. This applies to thinking of government in business terms (such as making major investment decisions based on business cases that factor in life cycle costs, infrastructure, processes, risk management, opportunity costs, etc.) as well as in execution (developing actionable strategic plans for transformation).

Consider the actual commonality of business architectures in the sense of decisions about real property in government, such as housing privatization and enhanced use leasing (see the related article which also began on page 3), or regarding utility privatization. Were there only an architecture for looking at business processes in a holistic way — competitive sourcing (a disruptive, tactical and non-architected approach to encouraging more efficient government through public-private competitions) remaining the methodology of choice at the expense of true strategic thinking and transformation.

Now consider “enterprise architectures,” so heavily emphasized now in government as a way to seek efficiencies and interoperability within and across agencies, where possible. Unfortunately, despite their wider, more global definition, they are, at best, for now, largely tactical, information technology (IT) approaches. But they have so much promise...whether for IT or truly “big picture,” actionable “enterprise” transformation. In fact, couldn’t “public-private enterprise” and “government enterprise architectures” almost become almost synonymous?

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Strong Momentum for Accountability of Public Programs

Selections of a Summary Report of the Washington Evaluation Network (WREN) , 2/22/04

Support for performance-based management in the federal government has gained momentum over the past decade.

Congress showed its interest with passage of the Government Performance and Results Act of 1993 (GPRA).

The Executive Branch demonstrated its interest through the President's Management Agenda Initiatives of 2002 (PMA) and the implementation through the Office of Management and Budget (OMB) of a new tool for program assessment called the "Program Assessment Rating Tool (PART), consisting of 25-30 questions about performance and results, supporting by evidence.

More recently, OMB's Circular A-11 "Direction to submit Performance Budgets" beginning in Fiscal Year 2005, has furthered the implementation of PART, and Congress is now considering new legislation requiring regular performance reviews of federal programs.

Federal government departments and agencies have responded with intensified efforts both to better manage for results and to meet the reporting requirements of Congress and the Administration. The process continues towards establishing a government-wide system that works smoothly and effectively for all concerned to meet shared goals. This report provides an account of one effort in that process.

WREN's Workshop Focused on "PART"

On December 4-5, 2003, The Washington Research Evaluation Network (WREN)—part of an international network focused on evaluation of publicly funded R&D—conducted a workshop aimed at helping Federal

R&D agencies improve their ability to meet OMB's PART reporting requirement. More than 200 participants attended, representing over 27 Federal agencies and seven foreign nations, centers dedicated to improving government performance, academic institutions, and private businesses.

Participants shared a keen interest in evaluation and how to do it better. The workshop advanced that cause on several fronts and at multiple levels. The workshop's five plenary sessions provided a forum for identifying progress agencies have made in responding to PART and agency perspectives as to remaining challenges and issues that are perceived as impediments to greater effectiveness.

The workshop's six interactive breakout sessions presented methods, techniques, and practices useful for improving R&D PART responses. Additionally, a luncheon panel brought to the workshop the counterpart experiences of R&D program administrators and evaluators from abroad. Information on WREN, the workshop, and future events can be found at WREN's website: <http://www.science.doe.gov/sc-5/wren/>

[Note: For the purposes of this article, only a selection of the full WREN report has been provided, and the following legend will be used: Process Issue (PI); Structure Issue (SI)]

Description of Challenges

1. **(PI)** OMB lacks a clear definition of "program"
2. **(PI)** OMB's roll-up of multiple agency programs into a single program for PART assessment results in meaning-

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Accountability

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less results

3. **(PI)** Examiners' often lack knowledge of evaluation, leading to failure to use data/evidence provided as intended
4. **(PI)** Examiners' are inconsistent in applying PART
5. **(PI)** Multiple requirements for centralized reporting are confusing, i.e., for GPRA, PART, and other requirements
6. **(PI)** The use of PART as a political tool devalues its use as a fair assessment tool
7. **(PI)** The link is unclear between a program's PART score and its budget success in face of budgetary requirements
8. **(SI)** Requiring binary (yes/no) choices is too restrictive
9. **(SI)** Using a rating system based on 100 points implies a level of accuracy that is unwarranted
10. **(PI)** Low scores lead the public to believe programs are mismanaged when the mark-down may actually reflect something beyond management's control
11. **(PI)** Scores have uncertain meaning
12. **(PI)** Program administrators may lack funding to develop the data/evidence required for PART
13. **(SI)** PART's emphasis on annual measures may not fit programs (like forestry or basic science research) whose yield does not map to an annual cycle
14. **(PI)** Better models are needed for evaluating research programs and providing data/evidence under PART
15. **(SI)** PART questions on spending efficiency are by nature difficult for basic research programs
16. **(PI)** Application of PART is expected to be sporadic and not meaningfully coordinated with program improvements
17. **(PI)** PART is implemented w/o regard to agency internal reorganization issues
18. **(PI)** Norms are lacking for comparisons of programs of differing size and type
19. **(PI)** Performance indicators are used without consideration of context; and OMB examiners and agency staff often hold conflicting views regarding appropriate performance indicators
20. **(SI)** PART assumes a direct, linear relationship between research and outcomes which is not necessarily accurate, and, in any case, is difficult to show
21. **(PI)** Both OMB and agencies lack analysis support
22. **(PI)** OMB appeals process is unclear
23. **(PI)** All the evidential burden is on the agency; none on the examiners
24. **(PI)** Congress appears to have little or no interest in PART

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Major Changes to OMB Circular A-76 (Performance of Commercial Activities) Since 5/29/03

By Robert Agresta, SES (Retired), Senior Fellow, The Center for Public-Private Enterprise (CPPE)

Provision	Old A-76 Rules	New A-76 Rules	Impact
1. Policy	Asserts the Eisenhower-era policy that "...the government should not compete with its citizens"	Deletes	<u>Competition</u> becomes the Administration's driver for transforming all commercial activities
2. Centralization of Agency Management and Oversight	Not Required	Must establish a Program Office responsible for daily implementation and enforcement of the Circular	Department/agency must appoint a Competitive Sourcing Officer (CSO) at senior level with responsibility for achieving OMB-negotiated study goals ("Getting-to-green")
3. FAIR Act Inventories	-All commercial activities (C/A) must be listed annually (by 6/30/xx to OMB) -Inherently governmental designations not required to be justified in writing -Assignment of Reason Codes not subject to challenge	-Inherently governmental (I/G) activities must be listed, announced publicly, and are subject to challenge -CSO must justify all I/G and "commercial exempt" (Reason Code "A") designations in writing -Requires a summary of all C/A and I/G jobs that crosswalks to authorized agency FTE levels -Reason Code assignment subject to challenge	-Greater transparency and accountability to the public for agency decisions on the classification of activities and jobs. -New OMB rules stress that I/G activities must require exercise of " <u>substantial</u> discretion" -OMB says its intent is not to make I/G designations more difficult, but that will likely be the effect
4. Entrepreneurial Activities ("fee-for-service")	Activities such as franchise funds, revolving funds, and working capital funds that operate through "inter-service support agreements (ISSA's) are subject to A-76 rules if ISSA is signed after October 1, 1997	Eliminated	Agencies are now free to purchase services from franchise, revolving, and working capital fund agencies without ever having to run a competition

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Provision	Old Rules	New Rules	Impact
5. Transition and "Bridging" Provisions	Silent	<p>-Direct conversions and streamlined comparisons that are in process under the "old" rules must shift to the new streamlined or full study procedures</p> <p>-Unless an RFP has been issued, in-process full studies must shift to new "standard competition" or to a new streamlined competition for activities of 65 FTE or fewer</p> <p>-If an RFP has been issued before 5/29, old rules apply <u>unless</u> an agency wants to convert to new rules</p>	By 6/29/04, agencies must have transitioned to the new procedures for all in-process studies and publicly announced the changes; any studies announced after 5/29 must proceed under the new rules
6. Planning Requirements	Minimal — "No-splitting" provision: "In no case, shall any commercial activity be modified, reorganized, divided, or in any way changed for the purpose of circumventing ... this Supplement."	<p>-Before announcement, agency must define scope, grouping of FTE, workload data, baseline costs, and appoint key officials (Agency Tender Official, Human Resource Advisor, Source Selection Authority, Performance Work Statement Team Leader)</p> <p>-"No-splitting" provision eliminated</p>	<p>-Requires more systematic "front end" consideration and documentation of planned studies</p> <p>-OMB encouraging agencies to use this new feature to increase likelihood that new timeline requirements are met (see 8 and 9 below)</p> <p>-Could lead to circumvention of FTE limits (see 7. Below).</p>
7. "Standard Competitions" (full studies)	<u>Two-phased competitions</u> : First, private-private; then, private "winner" competes against MEO (least cost wins)	<u>One phase competition</u> : All offerors (private, agency, and public fee-for-service) compete simultaneously at all stages of process. Must be publicly announced at start and completion (performance decision)	"Levels the playing field" – everyone is treated similarly under Federal Acquisition Regulations (FAR), e.g., any Requests for Proposals (RFPs) will go to everyone at once and all will have to respond by the date and under the conditions specified in the solicitation

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Provision	Old Rules	New Rules	Impact
8. "Streamlined Competitions"	For activities of 65 FTE or fewer; in-house team's costs based on current organization (no MEO)	For activities of 65 FTE or fewer, agency now permitted and "encouraged" to build MEO to compete; can use expedited acquisition tools such as GSA Multiple Award Schedules. Also, start of competition and performance decision must be publicly announced	-Greater flexibility and speed of completion will likely increase the use of this method vs. full "standard competitions" -(Pending legislation would require that DOD do an MEO if activity has over 10 FTE) -Under the 2004 omnibus appropriations bill Transportation-Treasury agencies have to allow in-house teams to submit bids in all public-private competitions involving more than 10 jobs. Agencies covered under the other six spending measures rolled into the omnibus are not required to do so.
9. Length of Standard Competitions	-18 months (single study) -36 months (multiple study)	12 months from announcement to award; agency CSO can extend to 18 months at announcement stage; OMB has to approve anything longer	-Should increase the number of firms that decide to compete. -May move agencies toward streamlined studies to reduce costs because overwhelming number of listed commercial activities are 65 FTE or fewer -Defense appropriations bill (2004) authorizes up to 30 months for standard competitions for DOD agencies
10. Length of Streamlined Competitions	None specified	90 calendar days if no MEO or if a solicitation is not issued; can add up to 45 days <u>before announcement</u> (total=135) if MEO is being developed <u>or</u> a solicitation issued; OMB has to approve anything longer	See 8. above

GOVERNMENT TRANSFORMATION

Provision	Old Rules	New Rules	Impact
11. Direct Conversions to Contract Performance	Permitted for activities of 10 FTE or fewer	Eliminated	Reduces agency flexibility. <u>Must</u> run a competition (standard or streamlined) for all selected activities
12. Acquisition Strategy for Standard Competitions	Least cost offer wins the public-private phase	(1) Sealed bid (least cost, no negotiation); (2) lowest price technically acceptable, (3) phased evaluation, and (4) "best value" (CTTO) methods are all permitted. For "best value," cost must carry at least 50% weight. Agency must perform price analysis and cost realism on all offers. Use of "best value" limited to information technology, new requirements, segregable expansions, or other "...CSO approved activities <u>before announcement.</u> "	-Agencies will have to decide at the announcement stage which acquisition strategy to use for all future standard competitions. -OMB must be notified if CSO authorizes "best value" method for "other activities."
13. "Firewalls"	None specified	-"Performance work statement (PWS) team members, <u>including advisers and consultants</u> , shall not be members of the MEO team." -"MEO team members, <u>including advisers and consultants</u> , shall not be members of the PWS team." -For streamlined competitions, cost estimates by the agency and private firms must be prepared/certified by different individuals (e.g., market survey might be performed by contracting officer)	-Agencies will need to assure a clear separation. -High risk of post-award protest -Directly affected personnel, MEO team members, and anyone else with knowledge of the agency tender <u>cannot</u> be part of the source selection process

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Provi- sion	Old Rules	New Rules	Impact
14. Conversion Differential for Streamlined Competitions	10% (or \$10 million, if less over the life of the contract) is added to price of private sector offers and public reimbursable costs	Eliminated for Streamlined Studies but retained for Standard Competitions	<p>-Could increase likelihood of private sector win; agencies will need to consider when deciding study method</p> <p>-The '04 omnibus appropriations bill requires agencies covered by Transportation-Treasury to "consider cost as one factor" in awarding work in streamlined competitions. These agencies are not, however, forced to grant in-house teams a 10 percent or \$10 million cost advantage.. Agencies covered by the other sections of the omnibus need not even consider a cost advantage in competitions involving 10 to 65 jobs.</p> <p>-Defense and Interior agencies are required to give MEO teams the preferential cost differential for all competitions involving more than 10 FTEs.</p>
15. Employee Transition Plan (ETP)	- No Requirement	<p>-Employee Transition Plan (ETP) must be prepared as part of the MEO as early in the process as possible.</p> <p>-The ETP is a written plan prepared by the HRA that spells out the specific personnel actions required to transition the current staff of the activity to the new organization</p>	<p>-The HRA must be deeply involved in transition strategy whether the award is made to the in-house team or a contractor.</p> <p>-In the case of a contractor award, the HRA must assume that all employees in the activity under study will be displaced. Reasonable estimates will have to be made regarding how many employees the contractor is likely to hire.</p>
16. Cost Calculations	<p>-Excluded new contracts in building the MEO staffing plan</p> <p>-Contractor costs of security clearances not addressed</p> <p>-Independent Review Officer (IRO) certifies MEO costs</p> <p>-10% conversion differential only added to private sector bids</p>	<p>-Allows the inclusion of MEO contract support through new or potential contracts</p> <p>-Clearance costs excluded</p> <p>-IRO eliminated; Agency Tender Official certifies</p> <p>-<u>Must</u> use COMPARE© software to calculate costs on the Standard /Streamlined Calculation Form (SCF)</p> <p>-10% conversion differential added to bids of <u>all</u> non-incumbents (including government agencies)</p>	<p>-MEO teams need to be aware as they proceed to build the MEO DOD plans to retain IRO function</p> <p>-(Other than these new features and the "firewall" provisions, the MEO process remains similar, but see 17-20 below)</p>

GOVERNMENT TRANSFORMATION

Provision	Old Rules	New Rules	Impact
17. Collaborating with Private Firms	Not specified	An agency shall not perform commercial work as a sub-contractor to a private sector firm	Meant to clarify limits of collaboration since new rules permit new or potential contracts in the MEO tender
18. Source Selection	Agency tender (MEO) <u>must</u> be included in the competition	Agency tender <u>may</u> be excluded from standard competitions (<u>except</u> in DOD) if source selection authority (contracting officer) identifies a "material deficiency" that the CSO determines can't be fixed with reasonable resources	-Places agency on same footing as private sector. -This change makes the quality of the MEO process and tender critical.
19. Post-Award Results/ Accountability	-Annual post-award performance review, but very "soft" -Agency tenders not released	-If in-house team wins, a <u>Letter of Obligation</u> (LOO) with performance standards is issued; annual review could result in termination of LOO and re-competition -Requires public release of agency tenders and fee-for-service bids after process complete -Quarterly report to OMB documenting progress of all studies -Maintain database of all ongoing studies, costs -Post "best practices" and "lessons learned" to SHARE A-76! (DOD site)	-MEO team should be aware when constructing the new organization --- "Is it realistic?" -Public release of tenders another factor for public sector offerors to consider in developing management plans -Much greater burden on agencies for information capture and dissemination and accountability to OMB

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Provision	Old Rules	New Rules	Impact
20. Follow-On Competitions	For agency MEO winner, none required	Agency must hold a re-competition at the end of the full performance period (3- 5 years) unless CSO grants waiver for an extension of three years	-Another feature that attempts to place public sector on same footing as private firms -Controversial – negative impact on recruitment?
21. Administrative Appeals	Agency appeals limited to costing or procedural errors	-Abolishes “old” procedure and replaces with new agency-level protest process under FAR 33.103. -Broadens protest grounds to include the RFP solicitation, cancellation of the RFP, exclusion of the agency tender, the performance decision. -No party can challenge or contest a streamlined competition. or termination of an LOO	-Broadens definition of a “directly interested party” to permit agency protest by a single representative appointed by a majority of directly affected employees. -Still can’t protest to GAO. GAO has traditionally interpreted Competition in Contracting Act to exclude MEO as “offeror.” -GAO considering whether to accept protest filed by a designated representative of a majority of affected employees. Decision due by end of April '04. -GAO also considering a change to this policy when a solicitation is issued under a streamlined competition.
22. A&E Jobs (Brooks Act)	Silent	OMB wants to be consulted on all studies involving architects and engineers before any decision is made to avoid new rules	Agency will need to resolve with OMB before deviating from A-76 for activities that include A&E jobs
23. “5C” Deviations from Rules - Prior OMB Approval	No specific deviation provision	-CSO must obtain prior written approval from OMB to deviate from the Circular (e.g., time limit extensions, costing variations, procedural or process deviations, etc.). -Section “5C also <u>“encourages</u> agencies to “...use this deviation procedure to explore innovative alternatives to standard or streamlined competitions, including public-private partnerships, public-public partnerships, and high performing organizations.”	-OMB will exercise much tighter control over agency conformance to the Circular than in the past -A major concession by OMB in response to a number of public comments on the 11/02 draft revision. -This opens the door for agencies to propose alternatives to the A-76 process including expanded use of “preferential procurement” direct conversions (e.g., Javits-Wagner, O’Day, Native American tribal-owned companies, etc.)

GOVERNMENT TRANSFORMATION

Demystifying "Program Management"- Linking Business Strategy to Product Development

By Russ Martinelli, Manager, Program Management Methods, Intel Corporation and
Jim Waddell, Senior Manager, Strategic Initiatives, Tektronix, Inc.

Program management is not a new concept or latest management fad. In fact, it's been utilized for decades to develop products in the high technology, aerospace, and automotive industries. In these industries, program and project management are two components of an effective product development system, with program management responsible for the business surrounding the system and project management responsible for the planning and execution of the system output.

Even though program management (PgM) is a widely used and accepted approach to managing complex product development efforts, its definition, methods, and tools are not widely understood. This article is intended to demystify the program management business model by defining program management, describing its link to business strategy, clarifying the difference between program and project management, and describing how program management is implemented in two well known high technology product development companies, Intel Corporation and Tektronix, Inc.

Benefits of Program Management (PgM)

Both Intel and Tektronix utilize Program Management (PgM) to:

- Link business strategy to project output,
- Integrate the efforts of multiple project teams to deliver the "whole product" and achieve a common set of business goals, and
- Structure highly matrixed organizations into cross-functional program core teams in order to effectively align the work and deliverables of multiple project teams.

Program Versus Portfolio Management: The Basic Definitions

- Program management (PgM) is the coordinated management of interdependent projects over a finite period of time in order to achieve a common set of business goals.
- Project management (PM) entails planning and execution of a single element of the end product.

Why the need? Many organizations take a purely "project management" approach to developing products. As a result, they find themselves struggling with a number of problems when it comes to product management and development. For instance, they find that frequently there is a chasm between business objectives and project management activities. Therefore projects may be "on target" with respect to time, cost, and quality but fail to achieve the business re-

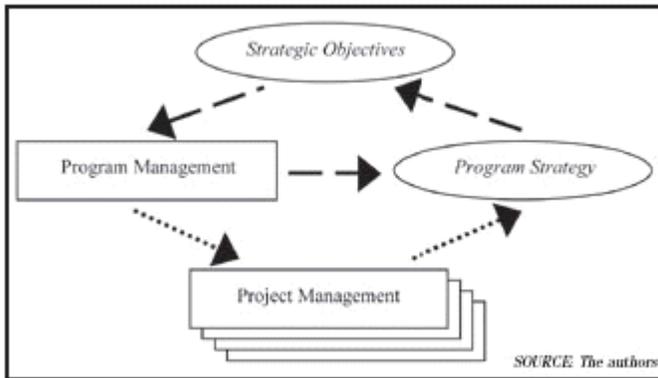
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Program Management

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Exhibit 1: Linking Program Management (Pgm) to Strategy



“Program management is a proven business model used by many organizations to achieve their business objectives.”

sults anticipated such as increased market share or increased worker productivity. Additionally, most efforts do not consist of a single project to achieve desired results, rather multiple projects with activities and deliverables that are tightly linked. The intricate

interdependencies and common business objectives are many times left unmanaged.

Finally, resources seldom report directly to the person managing the development effort. Instead, they usually report directly to functional managers and are "loaned" to the project manager in a matrix organization. Many project managers are not adept in the leadership skills required to influence a team that does not directly report to them. Nor do they have the breadth, depth, or experience to successfully manage across a wide array of functional disciplines required to bring a new product to market.

Our companies-Intel in Santa Clara, California, and Tektronix in Beaverton, Oregon-have implemented program management to overcome the difficulties inherent in using "project management" to do a job it wasn't designed for.

Both our companies have instituted a program management business model which takes into consideration and resolves the problems described above. This model achieves the primary benefits as shown in the box above ("Benefits of Program Management (PGM)").

Defining Program Management (PgM)

We define program management as *the coordinated management of interdependent projects over a finite period of time in order to achieve a common set of business goals*. It is a business model whereby companies provide the means by which new products are conceived, developed, and brought to market in order to generate a major share of the profit. The difference between portfolio management and program management is explained in the box above ("Program versus Portfolio Management: The Basic Definitions").

Program management has a number of very specific characteristics as explained in the box near the bottom of this article ("Characteristics of Program Management (PGM)").

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Program Management

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Exhibit 2: Other Distinctions Between Program Management (PgM) and Project Management (SOURCE: The authors)

Program Management	Project Management
Strategically focused	Tactically focused
Business and technical in nature	Technical in nature
Aligned to strategic objectives of business	Aligned to goals of the program
Assures the work effort remains feasible from a business standpoint	Assures the work effort generates desired deliverables on time, within budget and at required performance levels
Change managed from both a business and technical perspective	Change managed from a technical perspective
Risk spread across the projects and concerned with probability of business and technical success	Risk contained within a single project and concerned with probability of technical success
Cross-functional at all times	May be partially cross-functional
Broad range of management and business skills and experience required	Project management and technical skills required

Characteristics of Program Management (PgM)

- A program is strategic in nature. Program management ensures the program is closely aligned to and directly supports the achievement of a business' strategic objectives.
- Program management provides a focal point for ownership and accountability for successfully delivering the intended business results for the organization.
- A program has both business and technical focus. Program management ensures the program is successful in both aspects.
- Each interdependent project within the program has a set of objectives. Program management ensures that project objectives contribute to the achievement of the business goals of the program.
- A program normally incorporates both cross-functional and matrix forms of organization. Program management is the glue that holds the matrix together, ensuring that the functions perform as a cohesive team. Organizationally, program management provides the opportunity to manage effort across the traditional line structure, contributing to faster decision-making and improved productivity.
- A program is led by a program manager who is responsible for the characteristics above.

Program management serves as an enabler for achieving business strategies because it provides a systematic approach to organize, plan, implement, and complete complex product development endeavors within a company. It has helped both Intel and Tektronix effectively to manage very complex product development efforts by greatly improving cross-functional interaction and communication between project teams involved in the development, manufacturing, and marketing of their products. The power of the program management model is the ability to link similarly aligned projects to deliver the whole product in order to achieve the strategic objectives of a business. [Reprinted with permission of PDMA's Visions Online Magazine, Jan 2004. Vol. XXVIII, No. 1. Also, check out the Product Development & Management Association's (PDMA's) Annual Conference on the PDMA Web site: <http://www.pdma.org>].

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NPDP Certification is available for anyone who meets the program's educational and experience requirements and who demonstrates up-to-date product development knowledge by taking and passing a comprehensive examination.

Ongoing professional development is an important component of NPDP Certification. Once you have obtained your certification, which includes taking and passing an initial written examination, you maintain and expand your professional knowledge by participating in a series of professional development activities that support the periodic renewal, every three years, of your certification. (Renewal does not require retaking the examination.) The Product Development & Management Association (PDMA) sponsors NPDP Certification. PDMA is an international association of practitioners, academics, and service providers dedicated to improving the theory and practice of new product development and management.

NPDP certification enriches individuals and the organizations for which they work. This program advocates a structured preparation process that includes a wide range of product development information as an integrated body of knowledge. By using the certification program's structured preparation and examination process, professionals and their organizations can be confident that NPDP certification includes the most current thinking in new product development. According to a Vice-President at Abbott Laboratories:

"The Program Managers are the focal point for this cross-functional teamwork and their roles are very important to the ongoing success of our new product development efforts," said Ogunro. "Since the PDMA certification program focuses on strategy, customers and cross-functional teamwork, getting certified in this program increases the credibility of their roles. Recently, we revised our training program for R&D and Medical/Regulatory Affairs, which includes the option for PDMA certification for all Program Managers."

Ken Westray, NPDP, is President of Cloud Nine Product Solutions and a member of the PDMA Certification Committee, as well as the one who helped educate CPPE on the value of NPDP certification. Ken's NPDP certification workshops have been highly successful. For more information about the NPDP process, visit the PDMA

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Competency Management: The Future of Knowledge Management?

By Tom Beckman, CEO, Bektek Group

Competency Management may well be the future of Knowledge Management, and possibly the next breakthrough in innovative management practice. During the past decade, serious organizational challenges have only worsened. This article attempts to explain why results from “trendy” management approaches such as Knowledge Management, Communities of Practice, and E-Learning have often been so disappointing. Then some benefits from employing this new approach to Competency Management are discussed. Finally, some key aspects of this improved approach will be described.

I would like to use the definition of a “*competency*” as a human characteristic that underlies successful performance, and an area of knowledge or skill that is critical for producing key outputs. Competencies consist of several dimensions — among them are behaviors, motivations, and knowledge, and can be classified as personal, job- or role-related, or organizational. “*Core competencies*” are generally seen as characteristics centrally linked to individuals and effective or superior performance of a job or mission, and are usually perceived as generic in nature (e.g. motives, traits, self-concept, knowledge, and skill or ability).

However, I define “*core competencies*,” for the purposes of this article, as the synergistic combination of resource management and human resources(HR) practices, innovative information technology approaches, and business processes to deliver enterprise-wide, value-added outputs and outcomes. Defined in this fashion, core competencies encompass an organizational scope rather than an individual or work role level.

Competency Management (CM) describes how to identify, assess, select, develop, organize, manage, and improve key capabilities to achieve superior results and sustainable competitive advantage through:

- Improving performance
- Improving workforce utilization, development, and motivation
- Achieving the business vision and strategy
- Providing balanced and equitable appraisals, compensation, and career advancement

CM unifies the following complementary disciplines:

- Performance Management: focus on metrics, appraisal, rewards, and compensation
- Talent Management: focus on recruiting and retaining the best
- Intellectual Asset Management: focus mostly on classifying and assessing, rather than creating, improving, and applying the assets
- HR/Workforce Development: focus on training and opportunity
- Organizational Learning: focus on broad learning effects
- Knowledge Management: focus on explicit and social Knowledge
- Expertise Management: focus on identifying and exploiting knowledge of existing experts and practitioners
- Expert Systems: focus on capturing and representing tacit knowledge of domain experts in the form of advisory systems
- Data and Text Mining: focus on finding patterns and creating new knowledge and ex-

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expertise from data and text. To assume this vanguard role, Competency Management (CM) will have to rethink and expand its current thinking regarding core competencies, behavioral and cognitive views, and innovative IT. The version of CM described here integrates several complementary disciplines including business vision and strategy, strategic sourcing, talent management, performance management, knowledge management, expertise management, and other innovative practices in industry, management, and HR. A Competency Center with broadened powers and capabilities is described as well as some of the innovative IT concepts to enable it.

Environmental Trends and Organizational Shortcomings:

Several environmental trends will have quite serious negative consequences for continued organizational success. Many companies are in a quandary because some younger workers give little loyalty to them, as these workers career paradigms often make them more open to change companies (or even careers) more often. Also, the impending retirement of 30-40% of the workforce over the next few years could have disastrous consequences for many organizations. Those organizations that fail to capture the knowledge, experience, and expertise of potential retirees and lessons learned from projects; to properly compensate, develop, and utilize their existing workforces; and to attract talented new hires and retain existing professional performers – will be at great risk.

The increasingly complex workforce and performance challenges in many large organizations indicate

a fundamental, persistent, and perhaps even systemic dysfunction. Symptoms of this malaise are exhibited in many organizations in the form of excessive turnover rates; arrogant leadership; inept management and development of resources, practices, and results; weak or non-existent measurement systems; and flawed hiring, promotion, appraisal, and compensation practices.

High turnover rates are quite costly to organizations in a number of ways. The Gartner Group estimates that on average it costs the equivalent of one year's salary of a departing information technology (IT) person, for example, to replace him or her. In addition, those departing employees often leave with very valuable contextual knowledge about their roles, responsibilities and relationships. Gartner estimates that it takes an average of six months for a new IT hire to reach operational capability, even when discipline and industry knowledge are equivalent. The new employee must also build a web of relationships from scratch as well as be assimilated into the organization's culture and jargon. Clearly, at least from a financial perspective, it is in the organization's best interest to retain talented employees.

Often high turnover of employees results because many organizations do not truly understand who creates value, i.e., the source of their competitive advantage. Consequently, the enterprise often mistakenly rewards the wrong employees and managers for the wrong reasons. In the private sector, seemingly extravagant compensation is often granted to top management – often one hundred times the average professional's salary – without any guarantee of excellent or even competent performance in leading the company. In some companies with performance-based compensation, executives have even falsified

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sales and earnings metrics to assure their outrageous bonuses.

Dysfunctional enterprises are often caught in a spiral of dysfunction, especially if inept or arrogant leadership is allowed to grow deep roots. Also, such leadership often drives out good managers and replaces them with compliant drones who will follow directions without question, regardless of their value or validity. Managers then in turn foster groupthink or mindless compliance in their staffs and workforces. The organization can thereby lose the value of multiple perspectives and the consideration of viable alternatives in its decision-making process. There can also be a breakdown in ethics, fairness, motivation, and commitment in such an environment, which can lead to the departure of even additional talented professionals. Such dysfunctional organizations are clearly at peril of permitting personal politics and self-interest to override enterprise objectives, and appreciation of expertise, rational methods, and teamwork.

Many organizations have diminished the value of expertise, believing that charismatic but ineffective leadership, spin management, and social networks are what really matter. This view can manifest itself in weak or non-existent methods, practices, processes, and methodologies regarding intellectual capital and...CM. The enterprise is not able to properly manage its strategy, resources, processes, and results because its managers don't possess the foundational competencies to succeed. Shortfalls in CM can result in an inability to create and nurture key operational, developmental, and support capabilities. Also, Irresponsible leadership may rely on misleading or non-existent metrics to cover-up its shortcomings. The true creators of value – whether skilled

professional managers, domain experts or the high-performing, line employee – are all too often poorly rewarded and ultimately end up leaving these dysfunctional companies.

Another manifestation of disregard for expertise and knowledge can be found in flawed HR systems. Many HR systems fail to align performance management systems with the business vision and strategy. Such systems often fail to have adequate metrics, standards, and commitments. Even when correctly designed, appraisal and compensation practices might be easily gamed by managers who promote their friends and supporters, rather than reward the most meritorious employees. When leaders reward compliant followers and seek uncritical praise, rather than exemplary performers and realistic, expert advice, then their enterprises are headed towards great trouble. And when hiring, promotion, career progression, and workforce development programs are similarly skewed, then dysfunction could prosper and spread.

Too many organizations incorrectly assume that their most senior managers and executives deliver more value than their senior and expert practitioners. The reality is that in many organizations, the majority of professionals never have the opportunity to be tested in their management, decision-making, and leadership skills.

Exemplary professionals should be rewarded and studied to improve the performance of all peer workers.

This discussion has covered just a few of the most serious failures that competency management can improve. Stay tuned for more on this topic in the future!

CENTER FOR PUBLIC-PRIVATE ENTERPRISE (CPPE) FORUM ON
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CPPE Highlights

The Center for Public-Private Enterprise (CPPE), publisher of the CPPE Forum, is an innovative leader in research, education and outreach dedicated to the improvement and mutual success of the public-private enterprise relationship.

Mission

CPPE is a multidisciplinary, non-partisan, non-profit [501 (c)(3)] organization and Center of Excellence for government transformation based on increased and enhanced public-private enterprise. CPPE is devoted to merging top notch technological, business, management, economics and policy expertise from the public and private sectors — as well as academia and other non-profits — to contribute in the following areas of public-private enterprise:

- (1) Conduct scholarly, far-reaching and abundant research
- (2) Deliver wide-ranging products and services, including publications and seminars on strategizing for transformation
- (3) Advocate strategic and practical solutions that enhance public-private enterprise at the international, national, state and local levels.

Eclectic Conference Coverage in 2003

Tracking technology developments through Gartner Group research and attendance at their ITxpo Symposia has been indispensable for CPPE's confident sweep of the business and technology landscape. Whereas Gartner events are highly disciplined and orchestrated, they are absolutely first rate, and the

one-on-one interviews with their analysts, as well as vendors exhibiting there, always surpass expectations.

On a much more modest level in terms of scope, with a single plenary track for a government audience and no exhibitors, the Federal CTO Summit brought many senior speakers and participants together for an outstanding networking and informative event.

The E-Gov Institute has been a great partner for CPPE's ongoing coverage of government knowledge management and transformation over the past 3 years. Whereas, E-Gov events are almost exclusively in the Washington DC area and clearly focused on government, DCI offers a wide range of superb conferences nationwide for broad audiences, with Enterprise Architecture and Portfolio Management ones being some of the most enriching. In parallel to its conferences, DCI also sponsors numerous seminars and workshops of long-enduring popularity, such as the ones on Enterprise Architecture Planning by Dr. Steven Spewak.

The Association for Enterprise Integration (AFEI), put on one of the most well-rounded, informative conferences on enterprise integration CPPE has ever attended. AFEI conferences are not to be missed.

The Product Development and Management Association's (PDMA's) and Project Management Institute's (PMI's) 2003 events were outstanding annual conferences.

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