

# THE PUBLIC MANAGER

THE QUARTERLY FOR PRACTITIONERS

**NEW SERIES: INNOVATION**

## **Building Innovative Bureaucracies**

**Making Performance-Based  
Contracting Work**

**Fact Finding in State and  
Local Government**

**Pitfalls of Downsizing in Government  
Japan's Performance Evaluation Effort**

**Communities of Practice  
in Government**

# THE PUBLIC MANAGER

WINTER 2003-04 ■ VOLUME 32, NUMBER 4

## VIEWPOINTS

- Warren Master **2** *The Manager's Musings*  
Allan Kam **52** In Memoriam: Thomas W. Novotny

## NEW SERIES: INNOVATION

- Mike Davis **3** Building Innovative Bureaucracies: Change, Structure, and the Science of Ideas

## ARTICLES

- Joanne Gram **14** New Approaches to Human Resource Forecasting in the Public Sector  
Peter Newman & Louise McDonough **40** The Pacific Leadership Academy  
Tsuyoshi Yoshimuta **43** Policy Evaluation in the Government of Japan

## SERIES

- Pat Schambach & Elaine Duke **6** **Acquisition Management**  
Making Performance-Based Contracting (and Relationships) Work  
Alan W. Frankle & Alan Herzfeld **11** **State and Municipal Management**  
Fact-Finding in State and Local Government: Using a Municipal Finance Expert in Collective Bargaining  
William Snyder, Etienne Wenger **17** **Performance Management**  
& Xavier de Sousa Briggs Communities of Practice in Government: Leveraging Knowledge for Performance  
Miya Nazzaro **23** **Nonprofit Management**  
Synergy: An Unleashed Community Power  
Joeseeph A. Pegnato **26** **Human Resources Management**  
Federal Workforce Downsizing During the 1990s: A Human Capital Disaster  
Ray Blunt **35** **Culture of Bureaucracy**  
Leadership in the Crucible: The Paradox of Character and Power

## DEPARTMENTS

- John Trattner **32** **Image of Public Service**  
Saving Energy (and Much More) in Vermont  
Max Stier **48** Leading and Lighting the Way for the Federal Service  
The Uncivil Servant  
Grimaldi **50** And The Race Is On!!  
Glenn A. Buckles **55** **VIEWS YOU CAN USE** A. C. Hyde and Hyong Yi, Editors  
Aligning Processes with Time  
A. C. Hyde **58** Beyond Budgeting: A Concept in Two Parts  
Tyson Simon **59** What is Benefit Realization?  
FEDLAND  
John Crum **61** Should the Government be Viewed as One Employer or Many Employers?  
REVIEW  
Frank Scott **62** The Public Administration Theory Primer  
**63** Index to Volume 32

# THE PUBLIC MANAGER

## **Publisher**

Warren Master

## **Editor in Chief**

Warren Master

## **Associate Editors**

Albert C. Hyde, *The Brookings Institution*

Brad Leonard, *Consultant*

Karen M. Shaffer, *Consultant*

Myra Howze Shiplett, *National Academy of Public Administration*

John P. Thomas, *University of Virginia*

Chris Wye, *National Academy of Public Administration*

## **Feature Editors**

Patricia S. Atkins, *Regional Governance*

Mike Davis, *Innovation*

Robert F. Fagin, *Humor*

Jennifer Clinton, *Young Professionals' Arena*

John Kamensky, *Partnerships and Networks*

Susan Sanow, *Nonprofit Management Series*

Myra Howze Shiplett, *HRM Developing Issues Series*

Bob Welch, *Acquisition Management Series*

Harriet West, *The Evolving Workplace Series*

Donald G. Zauderer, *Culture of Bureaucracy*

## **EDITORIAL CORRESPONDENCE:**

Letters to the Editor, correspondence about series, and books for review:

Warren Master, 8120 SE Windjammer Way, Hobe Sound, FL 33455.

Unsolicited manuscripts: Warren Master, 8120 SE Windjammer Way, Hobe Sound, FL 33455.

## **BUSINESS CORRESPONDENCE:**

Address all correspondence regarding subscriptions, availability and prices of back issues and bulk sales, advertising rates and information, and reprint permissions to: The Bureaucrat, Inc., 8120 SE Windjammer Way, Hobe Sound, FL 33455, E-mail: [wciwmaster@aol.com](mailto:wciwmaster@aol.com). Web site: [www.thepublicmanager.org](http://www.thepublicmanager.org)

## **SUBSCRIPTIONS:**

Regular institutional rate \$65.00 for one year, \$110.00 for two years, and \$149.00 for three years; individuals one-year rate \$35.00, two-year rate \$59.00, three-year rate \$78.00. **Individual orders must be paid by the subscriber's personal check.** Add \$17.00 per year for subscriptions outside the United States. Single copy \$16.00. Special rates for bulk subscriptions or multiyear subscriptions available upon request. EIN 52-0976456.

**Change of Address:** Subscribers must give six weeks advance notice of change of address. Please send old label along with the new address to insure proper identification. **FEIAA members must direct address changes to FEIAA, PO Box 1001, Great Falls, VA 22066.**

**Claims for undelivered copies** must be made no later than three months following month of publication (January, April, July, and October). The Bureaucrat, Inc. will supply missing copies when losses have been sustained in transit and where reserve stock will permit.



*The Public Manager* is published quarterly in the spring (April), summer (July), fall (October), and winter (January) by The Bureaucrat, Inc. No portion of the contents may be reproduced in any form without the written permission of the publisher. ISSN 1061-7639.

*The Public Manager* is abstracted in Human Resources Abstracts, Sage Urban Studies Abstracts. Urban Affairs Abstracts, Sage Public Administration Abstracts, ABC POL SCI, Social Sciences Citation Index, United States Political Science Documents, International Political Science Abstracts, and Verlagsguppe Zeller.

## **TALK TO US!**

Responsible reactions to material appearing in *The Public Manager* will be published either as guest editorials or letters to the editor. Your name will be withheld upon request but we ask that you identify yourself to us.

Members of the  
Federal Executive Institute Alumni Association  
receive *The Public Manager* as a benefit of membership

Published by The Bureaucrat, Inc.  
(a nonprofit corporation)

## **Board of Directors, The Bureaucrat, Inc.**

Elisabeth A. Handley, *Department of Health & Human Services*

Kirke Harper, *Graduate School, USDA*

Allan J. Kam, *Department of Transportation, retired*

Paul Lorentzen, *University of Southern California*

Ronald Manderscheid, *Public Health Service*

Warren Master, *Clifton Gunderson LLP*

John M. Palguta, *Partnership for Public Service*

Nancy Fagenson Potok, *National Opinion Research Council*

Craig B. Pettibone, *Office of Personnel Management*

Karen M. Shaffer, *Consultant*

Myra Howze Shiplett, *National Academy of Public Administration*

Andrew M. Wasilisin, *Office of Personnel Management*

Paul T. Weiss, *LMI, Government Consulting*

Christopher G. Wye, *National Academy of Public Administration*

## **Board of Editors, The Public Manager**

Mark A. Abramson, *IBM Endowment for the Business of Government*

Anita F. Alpern, *American University*

Stephen C. Benowitz, *Office of Personnel Management*

Charles F. Bingman, *George Washington University*

Ralph Bledsoe, *Johns Hopkins University*

Walter Broadnax, *Clark University*

Jonathan D. Breul, *IBM Business Consulting Services*

Frank P. Cipolla, *National Academy of Public Administration*

Joseph N. Coffee, *Department of the Treasury*

James E. Colvard, *Virginia Polytechnic Institute*

Matthew M. Crouch, *AMS*

Janice L. Flug, *American University*

Karen K. Gard, *Merit Systems Protection Board*

Peter J. Goldman, *Consultant*

Mark Goldstein, *DC Financial Control Board*

Sandra J. Hale, *Enterprise Managements International*

Mary R. Hamilton, *American Society for Public Administration*

Harold Handerson, *Arlington Historical Society Museum*

Harry P. Hatry, *Urban Institute*

Dee Henderson, *University of Utah*

Marc Holzer, *Rutgers University*

Melissa M. Howard, *Federal Emergency Management Agency*

Patricia W. Ingraham, *Maxwell School, Syracuse University*

Herbert Jasper, *McManis Associates, Inc.*

Joan Keston, *Department of Defense*

Stanley C. Langfeld, *General Services Administration*

Gail Lovelace, *General Services Administration*

Thomas D. Lynch (Editor Emeritus), *Louisiana State University*

Audrey Mathews, *California State University, San Bernardino*

Katherine C. Naff, *San Francisco State University*

Kathryn Newcomer, *George Washington University*

Chester Newland, *University of Southern California*

Elaine Orr, *Freelance Writer*

Gregg A. Pane, *Department of Veterans Affairs*

Jack Rabin, *Pennsylvania State University*

Virginia Robinson, *Consultant*

Philip A. Schneider, *Coastal Carolina University*

Eileen Siedman, *Author*

Karen Sorber, *Acquisition Solutions, Inc.*

Carl Stenberg, *University of Baltimore*

John G. Stone III, *Consultant*

Marylouise M. Uhlig, *Environmental Protection Agency*

Thomas Vocino, *Auburn University at Montgomery*

Charles Washington, *Florida Atlantic University*

Jacquelyn B. Werth, *County of San Diego*

Joseph S. Wholey, *University of Southern California*

Edward J. Willett, *Graduate School, USDA*

Ray Woolner, *Internal Revenue Service*

Hyong U Yi, *Washington, DC Government*



The Bureaucrat, Inc. is a member organization  
of the Public Employees Roundtable and  
the Coalition for Effective Change.

# Making Performance-Based Contracting (and Relationships) Work

*Learn how the federal government's Transportation Security Administration (TSA) has used non-traditional procurement methods to establish an information technology (IT) infrastructure with nothing less than the safety and freedom of the traveling public at stake.*

PAT SCHAMBACH ■ ELAINE DUKE

**T**he Transportation Security Administration's IT management services (ITMS) contract is a performance-based managed services contract. Think: seat management raised to the 10th order of magnitude. Unique at the time of award, ITMS is now a model for how small organizations with huge missions can operate. A small cadre of agency personnel oversees the delivery of products such as computer and telecommunications equipment in the form of services that include a full array of support. That support includes everything from capital planning and business operations to seat management, systems engineering and integration, applications integration, hosting, security, quality assurance, and program management.

It was important to us that this contract be truly performance-based because performance-based acquisition (PBA) answers the call to support the mission. True PBA focuses on mission results, not compliance. We need results from this contract; nothing less. It will not work for us to have a list of requirements with which a contractor must comply, only to find that the requirements do not meet the mission.

## Why Did We Not Take a Traditional Approach?

Working with the IT contracting officer, Megan Dake, we shunned the traditional approach to service contracting because we found that our usual approach often had failed us. For one thing, we both have had prior experience spending months and sometimes years developing a detailed specification or "performance work statement." We called them "performance" work statements, and that is just what

they were: statements telling the contractor how to perform. In doing so, we were trying to solve our own problems instead of letting the contractors do what we were paying them to do. Further, by binding the contractors to our work statements, we were tying them to our solutions, which were not always the best ones.

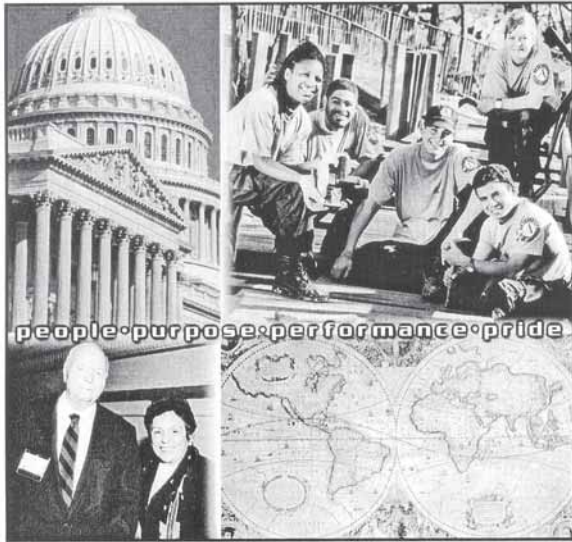
We then spent a great deal of effort forcing contractors to comply with our specifications, or modifying the contracts for every change that was needed along the way. Long ago, we may have had adequate numbers of staff to do that—traditional contract administrators and contracting officers' technical representatives. It was their job to enforce the terms of the contract, whether or not the terms of the contract still provided a good solution. We had typical contract administration processes in place, too. Our staffs dutifully checked reports and invoices, and occasionally resorted to cure notices and terminations. We were putting the emphasis in the wrong place—on contract compliance instead of results. Of course, when that happened we had a failure on our hands.

TSA needed something better. Our fledgling agency and over 400 airports were depending on us for their technology

---

**Pat Schambach and Elaine Duke** are the chief information officer (CIO) and chief procurement executive (CPE), respectively, at the US Department of Homeland Security's Transportation Security Administration (TSA). They are responsible for TSA's Information Technology Managed Services (ITMS) contract, awarded to Unisys as a pure performance-based contract in August 2002.





**People • Purpose  
Performance • Pride**  
**JOIN US**  
The American Society  
for Public Administration  
**[www.aspanet.org](http://www.aspanet.org)**

infrastructure. Nothing less than the safety and freedom of the traveling public was at stake. We needed an industry partner, not just a contractor. We needed a company as committed to achieving our mission as we are. One that, if we were lying awake at night worrying about transportation security problems, would be awake working on solutions to those problems.

## Statement of Objectives

For an infant agency with no technology infrastructure and practically no IT or acquisition staff, a managed services contract using a Statement of Objectives (SOO) approach offered the best hope. For a chief information officer (CIO) with few staff—and an acquisition office with one IT contracting officer and an acting director—it seemed the only way to proceed. We followed the process “Seven Steps to Performance-Based Acquisition” and used procurement streamlining techniques to get to contract award in as short a time as possible. The seven steps are: (1) establish the team; (2) decide what problem needs solving; (3) examine public and private sector solutions; (4) decide how to measure and manage performance; (5) develop a statement of objectives; (6) select the right contractor; and (7) manage performance.

Our first reaction to the five-page SOO was “where’s the beef?” Surely there were a couple hundred pages missing. But as Acquisition Solutions’ Chip Mather, the architect of our acquisition strategy, explained the approach, we began to wonder why the government had ever done business differently. So, we conducted market research. We provided

for due diligence. We negotiated. We asked vendors to propose a Quality Assurance Surveillance Plan (QASP) for monitoring performance. The upshot is that we—a CIO and his lone contracting officer—awarded the ITMS contract to Unisys in six weeks.

## How Is the Contract Being Managed?

Now that we are in the post-award phase of the cycle, our focus has shifted to how performance is managed. Unlike traditional processes in which the contract is awarded and then thrown over the transom to the “administration branch,” we realized that “the real work” of acquisition is in the management of the contract—really, the management of the contractor relationship—to ensure that the desired results are attained.

In other words, we know it is unrealistic to pour our best resources into awarding a contract, walk away from it, and expect an employee or two who may not even have been involved in the crafting of the contract to “pull it off,” but often that is what happens. Yet, contract management is where the agency’s effort should be intensified, not diminished.

## What Are the Big Challenges?

With ITMS, there were a few performance challenges we underestimated. For example, we were so focused on the roll-out of the first IT deliverables (they were mandated by Congress, among other reasons) that we sacrificed some processes and internal relationships early on. We knew we needed to establish a good working relationship with our service provider, but we could have done a better job of building a collaborative relationship between our own staffs. We had really good people working in both the CIO’s office and the acquisition office; but we started off working in our stovepipes instead of building the team. When the going gets tough, it is too easy to draw battle lines if our staffs are not working as a team. And we really mean working as a team, not just calling the group of players a team. To truly be a team, they have to share objectives, respect each other’s role in the acquisition process, and be equally vested in success.

We also know now that we cannot assume that just because the executive levels of the agency and service provider seem to be communicating well, that all levels of our respective organizations are communicating just as well. Nor can we assume that our intentions are understood down through our own organizations. Even if original staff understood our strategy and behaved accordingly, new hires did not automatically get the message. Government staff joining the CIO unit were experts in their technical fields, used to providing their own solutions. It was difficult for them to let go and trust Unisys to provide the solutions. Some “got it” and some did not.

For their part, some Unisys folks were up to the challenge of leading the way, while others wanted the government to tell them what to do and how to do it. So, on the one hand, we were telling the contractor’s employees what

they thought they always wanted to hear. On the other hand, we had some government people technically directing contractor performance and some at Unisys liking it that way. But that is not how the contract was priced and not what we hired the contractor to do.

## **Oversight Organizations**

Oversight organizations posed challenges as well. True PBA focuses on results without the agency getting into the details of how the contractor gets there. Oversight bodies like agency Inspectors General, the US General Accounting Office, and Congressional committees, however, demand accountability. That is their role. So we need to find ways to demonstrate an appropriate level of accountability and show them successes in a performance-based environment. That means taking the focus away from “show me you received every PC you paid for,” and moving it to “show me the received contract performance results.”

### ***How Are We Addressing the Challenges?***

We are addressing these challenges in a number of ways. We are improving communications. The two of us and Greg Baroni, our executive counterpart at Unisys, now meet regularly to identify issues before they become problems. Notably, that is a three-way partnership that includes the contracts office and addresses both operational and business issues. The three of us now jointly hold all-hands meetings to ensure that the entire Team ITMS—that is, the technical and contracts staff from both TSA and the contractor who are assigned to the ITMS program—hear the same message from all of us at the same time.

We are measuring performance. This past May and June we took a step back with a series of facilitated workshops to jointly work through scope issues, proposal and pricing processes, and quality assurance measures to which we all could agree. We now have a program management incentive plan for the overall ITMS program and a QASP with measures and metrics for every contract that supports that program.

We are working as a team. Our senior program and contracts managers meet regularly to foresee and mitigate problems, as well. Of course, we are better staffed to do this now and that makes a difference.

We are continuously improving. We hold joint sessions to look at the business processes and develop more effective ways to accomplish our objectives. These sessions provide a check in ensuring we maintain the appropriate balance between efficiency, operational effectiveness, and accountability.

### ***What Would We Do Differently?***

Given the constraints we were under—congressional mandates to provide equipment and screeners for 439 airports at the same time we were standing up a new agency—there is not much we could have done differently the last

time around. But when this contract ends, we will know a lot more and will have institutionalized the good practices we are learning along the way. We still plan to define our objectives and rely on the private sector to provide solutions. True PBA just makes good sense, and we will be a lot better at it.

For example, we will be better at establishing measures and metrics. We understand better the benefits of a phased

**“Performance-based” is not just a phrase to plug in front of the words “Statement of Work” on a piece of paper.**

migration to full managed services. Our initial phase would be defined only by what we can measure, to be replaced by new measures and metrics for the transition and full performance periods. This is hard. It is harder to develop performance measures than to count computers on desktops.

## **Contract Performance Management Plan and Strategy**

We also might expand our QASP to include a contract performance management plan and strategy that incorporates these characteristics common to successful contract performance:

- Trust and open communication;
- Strong leadership on both sides;
- Ongoing, honest self-assessment;
- Ongoing interaction; and
- Creation and maintenance of mutual benefit or value throughout the relationship.

A good way to launch this contract performance management plan and strategy might be to have a facilitated workshop immediately after contract award to make sure all the parties involved understand the contract, understand the performance management strategy, and appreciate the importance of the partnership.

We also will seek a longer performance period than the three-year base plus two two-year option period of this ITMS round. Uncertainty means risk, and risk means increased costs. It takes time to reap the benefits of a managed services relationship in a true performance-based environment.

Every complex program has its challenges, particularly at start up. ITMS has been no exception, but the beauty of PBA is that no one is saying, “Show me where it says in the contract that I have to do this.” Instead, we have an industry partner just as motivated as we are to solve the problems

# EDITORIAL GUIDANCE

## **For The Public Manager**

### **Audience**

The audience consists of public management practitioners—particularly at the national, state, and local levels of government, both in the US and other countries—and academic professionals, students, and consultants interested in effective performance in the public sector.

### **Content/Focus**

Focus on the practical, rather than the theoretical; on your experience or observations about practice, rather than on a review of the “literature;” and discuss applications, solutions, and tools and techniques, as opposed to issues that simply raise questions or identify challenges and problems.

### **Unsolicited manuscripts**

Most material we print is solicited by the editors. Unsolicited manuscripts that meet our guidelines are welcomed. They are blind reviewed by two editorial board members. Delays in publication of accepted articles are sometimes unavoidable.

**For detailed editorial guidance, consult our Web site at [www.thepublicmanager.org](http://www.thepublicmanager.org)**

**Warren Master**

**Editor in Chief**

**8120 SE Windjammer Way**

**Hobe Sound, FL 33455**

**E-mail: [wciwmaster@aol.com](mailto:wciwmaster@aol.com)**

and meet the mission. We have had some successes; we will have more.

This is where dedication to the mission comes in. If you do not exist for some reason that people can get behind, then perhaps you should not exist. In our case, we have employees on both TSA and Unisys who make it clear that they are inspired by our mission and want to be part of its success.

Contractor performance management  
“done right” is not easy. It is easy to  
revert back to “traditional” methods  
of contract administration and  
adherence to specs.

### ***Any Final Words of Advice?***

Agencies considering taking a true performance-based approach to major acquisitions should recognize the challenges they will face. “Performance-based” is not just a phrase to plug in front of the words “Statement of Work” on a piece of paper. One of the keys to a successful contract is strong acquisition planning that examines thoroughly the agency’s operations and sets forth performance objectives that focus on meeting operational needs. Taking the time up front for planning objectives will pay off huge dividends throughout the contract performance period. Also, while there are relatively simple steps to get to contract award, it takes serious commitment to follow through on the performance-based strategy in the post-award phase of the cycle.

Recognize, too, that PBA places a greater level of responsibility on our government contracting and technical staffs and requires a different skill set than traditional contracting.

Industry might keep in mind that PBA demands much more of it, as well. PBA calls for much more management engagement than traditional contracting. We are looking for management plus technical expertise. One without the other will not do. This sorts out many firms that may be technically competent, perhaps even technically superior, to their competitors, but who do not have the executive and management commitment to their agency customer’s mission. Those unwilling or unable to make the commitment to achieving contract objectives rather than simply complying with contract terms have no place in the performance-based environment.

Contractor performance management “done right” is not easy. It is easy to revert back to “traditional” methods of contract administration and adherence to specs. But those who resist that temptation—who rise to the challenge of managing a performance-based, mission-critical acquisition—will reap the ultimate reward: Results. ■