

**TOTAL QUALITY MANAGEMENT: STATE SUCCESS
STORIES AS A MODEL FOR THE FEDERAL
GOVERNMENT**

HEARING

BEFORE THE
OVERSIGHT OF GOVERNMENT MANAGEMENT,
RESTRUCTURING AND THE DISTRICT OF COLUMBIA
SUBCOMMITTEE

OF THE
COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

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JULY 29, 1999
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**TOTAL QUALITY MANAGEMENT:
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THURSDAY, JULY 29, 1999

U.S. SENATE,
OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING,
AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:20 a.m., in room SD-342, Dirksen Senate Office Building, Hon. George V. Voinovich, Chairman of the Subcommittee, presiding.

Present: Senators Voinovich and Durbin.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Good morning. The hearing will please come to order.

As has been the tradition here, we ask our witnesses to be sworn in. If you will stand: Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth?

Mr. WALL. I do.

Ms. SHOTWELL-HADDIX. I do.

Senator VOINOVICH. Thank you very much.

I thought that for the record, because of the stacked vote this morning and that we are not going to be able to have people here from GAO and the Office of Management and Budget, although we are going to have them in at another time, that I would try to put this hearing into perspective for them and the other Members of the Subcommittee in the hope that they might have an opportunity to review the record.

Today the Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia holds its first in a series of management oversight hearings. But before I describe today's meeting, I would like to take this opportunity to describe why I am going to be holding these hearings and what we hope to accomplish.

Common sense tells us that good management is the key to productive workers and, in our case, successful government. I am interested in improving the work environment and culture not of political appointees who come and go every few years with the change in administrations, but of the career civil servants and middle managers who I believe do most of the heavy lifting and receive

little acclaim for their hard work. I call these dedicated men and women "the A Team."

Through my work as Chairman of the Subcommittee, I am going to do all I can to help create an environment where those dedicated public servants can maximize the talents God has given them so that their jobs will become more meaningful and they will be better able to respond to the needs of their customers, the citizens of the United States of America.

So in the coming months, during the fall and into the second session of Congress, we will be examining Total Quality Management and its implication at the Federal level: The benefits of labor-management partnerships; career training for Federal employees to maintain their skills and productivity; and the effectiveness of incentive programs that encourage employees to be innovative, take risks, and reward them for a job well done; and, last, how the Results Act and its emphasis on performance is affecting the day-to-day activities of Federal employees.

Regarding that last point, I am particularly concerned that the formulation of strategic and performance goals may be wasted, paper-pushing exercises if it fails to include the perspectives of line employees and middle managers who really know the programs and know how to make government work better. In other words, the Results Act sets goals, and the question is: Are they achieving those goals? And I do not believe, unless your people are involved, your A Team, in terms of consensus management, and quality management, that you are never going to achieve those goals.

During and after these hearings, we will determine if there are additional legislative or administrative changes that can enhance the work environment of Federal employees by empowering employees and re-engineering work processes. I think that probably sounds familiar to Teresa and Steve.

Having described the Subcommittee agenda, I would now turn to this morning's hearing, which we titled "Total Quality Management: State Success Stories as a Model for the Federal Government." I think that title does well in describing our approach to this hearing.

To begin with, as a former governor and firm believer in federalism, I know there is a great deal that the Federal Government can learn from States, and today the Subcommittee will be focusing on what the Federal Government can learn in the area of management, specifically Total Quality Management, or TQM. Representatives from the State of Ohio will share with us their experiences in adopting and implementing a TQM program which in Ohio we call Quality Services through Partnership, or QStP, and the essential role that is played in the reinvention of State Government.

We will also discuss how TQM is different from the Government Performance and Results Act and how the two complement each other. In the future, we will hear from the General Accounting Office and the Office of Management and Budget in terms of their perspective on Total Quality Management and whether or not there are any Federal agencies involved in the process.

Now, TQM means different things to different people. I would not be surprised if each of the four witnesses before us maybe had a different definition of TQM. Here is how I define it: A system

that focuses on internal and external customers; establishes an environment which facilitates team building, employee contribution and responsibility, risk taking, and innovation; analyzes work processes and systems; and institutionalizes a goal of continuous improvement.

For TQM to be successful, several important elements must be present, including management-union partnerships—and I would hope that the witnesses today emphasize how important that is—effective employee training, modern personnel policies, and an established system to measure program outcomes.

The last point, of course, is a core characteristic of the Results Act. I find it odd that although there is currently a government-wide requirement for strategic planning and performance-based goals, there is no government quality management program to help achieve these goals. Even with the best strategic plans, poor management practices will hinder achievement of long-term goals. Conversely, even with effective management on a day-to-day basis, without long-term objectives little will be accomplished. And that is why I believe that we must have in place at the Federal level both a strategic framework, which is provided by the Results Act, and a Total Quality Management framework, which will enable the government to use the Results Act to its full potential.

I believe that if the Federal Government were to adopt a TQM program, it would do for the Federal Government what it has done for Ohio. Federal workers would feel empowered. They would experience greater employee satisfaction, and they would deliver a better product to the Nation's taxpayers.

The improvements to which a quality management program in conjunction with the Results Act could lead would go a long way in restoring some of the confidence, the faith, and the trust of the American people in Washington. I think that many of us know, for some reason, people who work for government are kind of held in low esteem. I have found from my experience that people in government are some of the hardest-working people that I have ever met, and with the proper environment they can surpass anybody that I have seen in the private sector.

So today we are very fortunate to have two individuals that have experienced a TQM program in the State of Ohio. They are Steve Wall, who is the Executive Director of the Office of Quality Services, and Teresa Shotwell-Haddix, who is the union quality coordinator for the Ohio Department of Transportation.

We thank you both for coming here this morning. Again, I apologize for the way things work around here.

Mr. Wall and Ms. Shotwell-Haddix will discuss Ohio's Quality Services through Partnership program, how it was implemented, where it has been successful, what mistakes were made, what was learned from them, and we would like them to emphasize why QStP has been so important to the reinvention of State Government.

Ms. Shotwell-Haddix, you might be interested to know that I have been distributing copies, as I mentioned to you earlier, of the *Transcript* newsletter from the Ohio Department of Transportation to a lot of people here in Washington because I really think that that newsletter is the best way for people to comprehend what

quality management is about. I sent it to the presidents of the two top Federal labor unions, and we are going to get it out to as many people as possible. Because when you start talking about quality management, unless you have some real examples of what it is about and how it works, I think it is difficult to really comprehend what it can mean. And that issue of *Transcript*, I can't tell you how excited I was when I read it because I realized that, wow, this is working and it is making a difference.

When you work on something a long time, it is nice to read something and say, it is making a difference, it is happening, because so often in government we get involved with these things, and at the end you wonder whether or not they are making any difference. And that is the difference also with being in the Senate. You are so far removed from things that you wonder if it ever really does make a difference. You are a little closer on the State level.

So we are glad to have you here today. Steve, we will start off with you, and I expect Senator Durbin will be coming in. He is waiting to make the third vote. When he is finished, he is going to come over, hopefully, and take over and then I will vote and then come back. And hopefully he will have an opportunity to get a sense of what TQM is about. So, Steve, we are glad to have you here and look forward to hearing from you.

**TESTIMONY OF STEVE WALL,¹ EXECUTIVE DIRECTOR, OHIO
OFFICE OF QUALITY SERVICES**

Mr. WALL. Thank you, Senator. We certainly appreciate the invitation. We have agreed that we will kick each other if we accidentally refer to you as Governor Voinovich instead of Senator Voinovich. That is a hard thing for us to do. But we certainly bring greetings from everyone who appreciates all the work you put into getting Quality Services through Partnership started in Ohio.

Our mission goes very much with what you were saying. Our mission is to bring out the best in State employees and to deliver the best to customers, and that really is the two things that you talked about. You also mentioned TQM and what is in a name. In a way, it is almost a shame that there has to be a name for it at all. We really want to talk about it as much as possible. Simply, what are the world-class best practices out there that allow you to serve your customers better?

And I think we learned something from the manufacturers in the private sector. One of the things they said that you have to kind of think about a second is that any system you have is perfectly designed to give you exactly what you are getting. It sounds so simple. But if what you are getting is long lines and complexity and busy signals and unhappy workers and inefficiencies, you really need to take a look at fixing the system, not fixing the blame. Too often I think that is what we have done, is taken a look at who is responsible rather than how can we make this work better.

A couple of the things that I think are important about QStP is that we rely heavily on measurement. It is not about guesswork. And I think sometimes in the public sector we almost make the ex-

¹The prepared statement of Mr. Wall and Ms. Shotwell-Haddix appears in the Appendix on page 15.

cuse that we cannot measure things because we don't make widgets.

The fact is there are many things we can measure. There are things that the customers want from us. We can measure how much time it takes to respond to customers' needs. We can measure the steps we have reduced, the errors we don't make any more, the rework that is not costing us all kinds of money, how much money we save, and our customer satisfaction.

One of the key things of this is to recognize, as you have said many times, that the people who know the work best are the people to do it. And if we are going to fix the system, we have to have those people involved in it. And that is where teamwork comes in, in that you have to fix the whole system and get all the people involved to do that.

One of the key things is our union-management partnership you referred to. We have had a lot of successes. To be brief, we have saved over \$100 million in your administration alone, and that number is climbing. We have trained 54,000 State employees; 91 percent of the current workforce has the basic tools they need and skills they need to improve things. We have a network of over 2,500 facilitators who are available to go to other departments to help their process improvement teams move forward.

It is kind of interesting to note that at this point we have over 3,000 formal process improvement teams and thousands of informal ones. And just from formal process improvement teams, we have been implementing them at the rate of three a day for 3 years now, and we have been implementing two and a half solutions a day for 3 years now. So it is pretty amazing how it has really grown and come together for us.

I think that Teri's position itself speaks a little bit about our unique union-management partnership. We have a statewide steering committee that is 50 percent union and 50 percent management, and they are part of the decision-making process. We also have regional committees that have the same make-up, and we work together. Teri is actually a union employee who has been hired by the Department of Transportation in their Office of Quality shop, so the union has made, I think, a remarkable commitment to move the quality program forward. So that is kind of an exciting possibility.

I want to give you in just a couple of minutes three quick issues, and I will do that very fast. I already went through most of the results, but I want to say that it isn't just the results that you see on paper. It is frequently how this means to people's lives, which is just amazing.

I think we have made some mistakes initially, and I want to talk about those real quick, and then end up with the people part of it.

When we began, we were all anxious to go, we were ready to move forward, we got going, and a half-year later we turned around and took a look at it and realized we hadn't involved the union properly. We really had thought that partnership meant let's get this going and tell them what we are going to do and ask them to help versus let's work with them to figure out how we make this work. And we had to stop and start over again with the union involvement to really move forward.

I think another thing we did was we probably got too excited about just getting everybody trained and didn't really think about the fact that we had to have people using that training once they got out of it. So we had all kinds of activity going on, but not very many results.

Finally, I think one of the mistakes we made was that we got top management support, and we got the union and rank-and-file support, but we kind of neglected the mid-level managers who you referred to as a very important part of the A Team.

I guess what is really exciting about this for me, though, isn't so much the money that we save, but it really is the effect on people's lives. It almost gets emotional at times when you go to one of our efforts like Team Up Ohio, where we had 5,000 people last year go through and see 250 teams and the changes they made. And here was this convention center full of excited State workers who couldn't wait to tell the story of how they had served the public better and how much better their jobs were.

Senator VOINOVICH. There were 5,000?

Mr. WALL. Yes, 5,000 people attended the last one.

I remember one lady who stood up and said that she has hated her job for 25 years, but on Thursdays from 3:00 to 4:30 when her team meets and she gets to think and serve the customers better and use these skills, she loves her job. And her question was: Why can't it be like that 40 hours a week? And I think that is a pretty good question, actually.

I think I will wrap it up with my favorite cartoon which comes from the *New Yorker* Magazine. There are two dogs walking down the road together, and one dog turns to the other and says, "It is always sit, stay, and heel. Never think, innovate, and be yourself." And I really think that kind of sums up for us what the benefits of QStP are.

Senator VOINOVICH. Thank you, Mr. Wall. Ms. Shotwell-Haddix.

**TERESA SHOTWELL-HADDIX, UNION QUALITY COORDINATOR,
OHIO DEPARTMENT OF TRANSPORTATION**

Ms. SHOTWELL-HADDIX. Well, I just want to stress how important it has been that the union has been an integral part of the initiative in Ohio. It is very enlightening to me as I go around the State and I see some of the things that are happening.

One of the most important reasons that I believe that we have been so successful is that we are actually asking people, how is it that you would improve this process.

I was telling Steve yesterday—I would like to, rather than keep going on about how we did this, I would like to give you a perfect example of what I am talking about. I have been with the Department of Transportation for about 15 years, and many years ago, prior to the institution of QStP, I worked in a county garage where we plowed snow in the wintertime. No one had ever talked to the people that plowed snow about what are the best ways to do this. And constantly you would get decisions, well, we are going to use this ratio of salt and we are going to use this kind of trucks, and nobody asked the employees who were out there sometimes 16 hours a time plowing snow what is the best way to do this.

I was telling Steve that we had a particularly bad storm one time, and we were going by the new directive we had just gotten a month before on how to plow snow. And we were losing the roads. So after the supervisors left at midnight and we were just left with our lead worker, we kind of improvised and did it the way we knew would work. And within 3 to 4 hours, our county, our roads were 10 times better than the neighboring counties. And when they came in the next day, they wanted to know why. They said, "Because we did it the way we knew it would work."

Now, that doesn't happen anymore. They ask the employees, they ask the highway workers: What is the best way to do this? What kind of equipment do you need? And these are the things that are actually causing us to provide so much better services because people are using words like customer. It used to be—well, we are doing it that way because my boss said that is the way he wants me to do it. Now when you ask somebody why are you doing it that way—because that is what our customer needs. That is the best way to serve the taxpayers. And to me, that is what it is all about.

Senator VOINOVICH. Teresa, could you tell me about how it was organized in the Department of Transportation, the Quality Service through Partnership? Have you been with it from the beginning?

Ms. SHOTWELL-HADDIX. Yes, I have, and actually I am very proud of what ODOT did. Like the other agencies, we have a steering committee which is half management and half union. But ODOT took it one step further. They wanted to actually have somebody on board full-time that would—like a consultant, if you will, on the union's perspective on how the initiative was affecting the bargaining unit, and someone in the bargaining unit who could talk to the union people about management's initiative.

Senator VOINOVICH. I would like to recess because I have to leave and go vote. Hopefully by that time Senator Durbin will come back, and I would love to have him hear you talk about this so he can get a little flavor of it. OK?

Ms. SHOTWELL-HADDIX. Great.

Senator VOINOVICH. We will recess the hearing for 10 minutes. [Recess.]

Senator VOINOVICH. We will resume our hearing.

You were talking about union participation and getting QStP started. Do you want to refresh my memory on what you had to say?

Ms. SHOTWELL-HADDIX. We were talking about how in ODOT what we had done was they actually took it a step farther, and they created the position of union quality coordinator, which I was fortunate enough to be selected for that position, and my job duties are to consult with the union and with management and make sure that when management is discussing an issue that they have the union perspective, how this will affect the bargaining unit people.

And I go to the union and I talk about different things because I am included in most of the upper-level meetings, and I know what is going on, and it just gives the partnership a real true—it isn't just we are going to say we are partners just to say it and it sounds pretty. We truly are.

I go out in the districts, and I talk to people on teams. If there is a problem, say, in the Cleveland area or the Cincinnati area,

they send me down there, and I sit down with the union people and with the management people, and we make sure that we maintain that partnership and that we are always working together to make the best possible services that we can. And you cannot just give that talk. You have to actually do it because the people that—the front-line workers, they aren't silly. They know that you can say, oh, yes, come be my partner, come be my partner. But if you are rolling out your initiatives and you are changing the processes and then you are telling them—like Steve said earlier, you are telling them what you decided to do, they are not going to buy that and they are not going to participate in that very long.

People will support what they have ownership over, and I have to tell you that in the Department of Transportation the front-line workers actually feel like they have ownership over their jobs, they have ownership in the results. So if a process fails, they take it personally because you cannot blame it on your manager any more. You can't say, well, yes, it is stupid but that is because they decided how to do this. We used to call Central Office "the ivory tower." Those decisions were made up there, and if it fails, it fails. If it fails now, it is because we as front-line workers did not examine the process or collect the right kind of data. So it is very personal if it fails. So we want to do the best we possibly can, and I think it is wonderful.

Mr. WALL. Teri has been very effective in a lot of those roles, too. She really has the credibility of the union to talk about this stuff. I was going to say that she actually put together a Team Up DOT this fall. How many teams did you have?

Ms. SHOTWELL-HADDIX. We had 70 teams. It was the first time we have ever done this.

Mr. WALL. And the union basically organized Team Up DOT. It was quite a deal. It was theirs and it was wonderful.

Senator VOINOVICH. So you had a separate Team Up Department of Transportation where 70 groups came in to talk about what they were doing in quality and how quality has improved their operation?

Ms. SHOTWELL-HADDIX. Yes. It was wonderful.

Mr. WALL. Inside and outside the State Fair building. Outside the State Fair building were the people who had parked with pride their trucks that they had converted to do certain things and a cone trailer where they found a safer way to put cones on the highways to save time and money because the storage was there, and just on and on and on. It was really impressive.

Senator VOINOVICH. So what has happened is that you have institutionalized it in the department. For the record, you went through the training?

Ms. SHOTWELL-HADDIX. Oh, yes.

Senator VOINOVICH. And did you find it worthwhile?

Ms. SHOTWELL-HADDIX. Yes. I think the training was very important, not just because of the information that we received in the training, but because it was jointly conducted. It wasn't—a lot of times—and I have to be careful how I say this. We will have training as a government agency, as a State agency, and they will train the managers. This is all about this program, and then some time

later they will bring the bargaining unit people in and then they will give them training.

Well, when that happens, you typically get the suspicion, especially from the front-line worker, well, I wonder what it was that they gave them in that training that they are not going to tell us about and is there a hidden agenda here. And everyone got the training together. It was jointly conducted, and it made the whole process very open, and it lent itself to the people actually buying into it and trusting what they were being told because we are all doing this together. We are not doing it separately.

Senator VOINOVICH. Unfortunately, I am going to have to wrap this up in about 5 minutes. But a big-picture question is: Where do you put Quality Services through Partnership? I have met with the union presidents here and am looking at some way of moving forward with quality management on the Federal level. The issue is: Where do you put it? Part of our problem is the Office of Management and Budget basically says they don't think that is their responsibility.

Do you want to comment on that?

Mr. WALL. Sure. We had the same question in Ohio trying to decide where we were going to put it, because we certainly did not want to link it directly to the Governor's office because we wanted this to be a way of doing business that transcended administrations. We also didn't want to link it at the time with the Department of Administrative Services because we wanted to separate collective bargaining, which is a whole different issue for union and management, from what we did.

As I recall, the Xerox people, who kind of mentored us, said that what was critical was that it be in some kind of internal consultant's capacity where they had direct reporting to the CEO, which in our case was the Governor. And so we ended up with kind of a dotted line off the Office of Budget and Management for administrative purposes, but we made it a relatively autonomous organization that did report to the Governor.

But as you will recall, I was actually hired by both union and managers, and so we also saw ourselves as representing the partnership.

I am not really aware of what the Federal hierarchies are, but embedding it within a bureaucracy is also a concern for folks. The advice we followed was to use the internal consultant role, and I think that has worked very effectively for us. I am not sure how that applies in the Federal system.

Senator VOINOVICH. You have gone through a transition, and how has that worked out?

Mr. WALL. Yes. That actually was a real concern for us, obviously, and 2 years before the transition, as you know, we put together a transition plan on what we needed to do. We had three elements of it: Measuring, marketing, and then the group of people that were still going to be there needed to take ownership of it. And so we worked really hard to capture our results, to have a good results book, as I have in front of you, so people could see exactly what was going on, publicizing it over the Web, marketing it very carefully. And then we made sure that the private sector knew what we were doing and supported it, that the unions had owner-

ship of it and bought it, and we worked really hard to get the mid-level managers to get involved in the whole thing as well.

Fortunately, when Governor Taft took over, he heard very, very positive things from all those constituents, and he also saw the results, and interestingly enough, when it came time for him to do his education summit, he chose to have some of the QStP facilitators facilitate that and saw the value in it right away. And so I was sharing with you before, 2 weeks after his inauguration, he came to one of our quality forums and spent 2 hours there with us, saying QStP is here to stay and we want to move forward.

The unions were very responsible for that, but being able to have the time to actually show value I think is what made it move forward.

Senator VOINOVICH. The issue is, on the Federal level, where you put it.

Mr. WALL. Yes, I would like to give that some more thought and talk to you about that.

Senator VOINOVICH. Maybe in several days we can talk about that. One of the things that I think really is important here is that the unions do get excited about it. As I said, I have met with the presidents of both of the major unions, and they seem to understand it. And there is a frustration right now, as we had in State Government, that the A Team just isn't participating. It is interesting that there is little money for training. That is another thing that we are going to have hearings on. Maybe you could just comment about how important the money is that we put into the budget for training and skills improvement for your union members.

Ms. SHOTWELL-HADDIX. Well, I think it is critically important because, I mean, the training is kind of the foundation for everything. But I have to tell you, as far as training dollars go, even the union now—we have realized this is something that is worth investing time and money in. The union is now actually separate and apart from the money that we have that we can get from the State. They are offering training on quality and facilitating, and they are actually using part of our union money to do this kind of training because it is that important.

Senator VOINOVICH. My recollection was that in the last collective bargaining bill or the one before it, there was a lot of discussion about training and it was very important. I think, wasn't it, that you gave up some of your wage increase if the State would come in with—

Ms. SHOTWELL-HADDIX. Yes, we gave up—it goes up each year of the contract. It started out at a nickel an hour, the Workforce Development Fund. It is hugely successful. I just can't speak enough about it. As a matter of fact, just coming up in September, they are taking money from Workforce Development and we are having the second High Performance Workplace Conference. And we bring in managers and union leadership, and we talk about a lot of these issues, and we have people coming in from all over the country to give us their expert advice and share success stories. So the education has just been very, very key.

Senator VOINOVICH. Approximately how much money is available to each employee, do you know?

Ms. SHOTWELL-HADDIX. Oh, yes, I do, because I am very proud of that. We just had a change. It started out we were allowed \$1,000 a year for an employee to take training outside of what you can get on the State. Now every employee, every bargaining unit employee, is entitled to get \$2,500 a year to take any type of college courses. We are offered \$1,000 a year to take career enhancement, anything that relates—like if you are in an area where you have to maintain a certification—I don't know if I am explaining it right—and you need continuing education credits, you can take \$1,000 for that, and then it is \$1,500 a year for any kind of computer training, and then on top of that, they take money and do these massive things like the High Performance Workplace Conference, or you can get a grant in your agency. You can apply to Workforce Development. Say we are going to do something with the High Performance Workplace and we want to bring in someone to an agency to train a specific amount of people, as long as the training is jointly developed by the union and management, you can tap into Workforce Development and get grants for \$40,000 or \$50,000 at a time out of this fund.

Senator VOINOVICH. So there are three options, then. One is \$1,000 if you just want to enhance your skills for your job.

Ms. SHOTWELL-HADDIX. Right.

Senator VOINOVICH. And \$1,500 is for computer training so that you can get computer literate. And the last thing would be if you are taking college courses, they will go up to \$2,500 toward college credit courses.

Ms. SHOTWELL-HADDIX. Yes. So, conceivably, if you use all three, you would get \$4,800 a year, is what it maxes out. I think one of them might have gone up to \$1,300. And that is in addition to what I just said, the other things that they do jointly that they also take out of that same money.

Senator VOINOVICH. And that means a great deal, doesn't it?

Ms. SHOTWELL-HADDIX. It is a benefit that people are very excited about and it means a lot to the individuals.

Senator VOINOVICH. One other thing, and I will finish on this note. I would like the answer to this question. So often we hear people say, ah, you don't want to spend the money on training your people because you will train them and then they will leave you. I would like you to respond to that, if you would.

Ms. SHOTWELL-HADDIX. Well, I have to tell you that—there are two ways that we look at that. When you train people, you want the best possible workforce that you have. But the other thing is—and this isn't something that—how can I explain it? We have people—obviously, with downsizing, we are doing more with less. And we have actually made it possible through education whereas the jobs change and they evolve, the people have the education to where they can go up within the department as opposed to we no longer need this set of workers and so I am sorry, but we are going to have to lay you off. Because of the education available, we have already got people in the workforce that can move into these changing positions as opposed to bringing somebody else in and having to train them and letting this group of people go. So it actually is very—it is the opposite. It is increasing the job security and your sense of belonging to the department.

Senator VOINOVICH. I really thank you for your testimony today, and as I said, it is going to be a while before we get through with this. Perhaps down the road, maybe I could—

Mr. WALL. If we can help in any way, please call on us.

Senator VOINOVICH. I could get back with you, and I would like very much if we could maybe get Federal union representation to come to Ohio and spend a day or two with you guys to see how you feel about it, because I really think if we are going to get this done on the Federal level, it is going to take our Federal unions saying this is something that we really want and get them involved in the process. We have got 17 months left of this administration, and then we don't know what is coming. I doubt if anything will get done now, but hopefully if we do enough work and enough preparation, no matter who gets elected president the next time, maybe we would be in a position where we could lay something out for whoever it is and try and get them to buy into it. Because I know from being Governor that if the boss is not involved, it doesn't get done. And I think that one of the neatest things that I did as Governor was to get to know the union leaders in Ohio. I took my 3-day training with the union leaders. It is great when you are in the same room together and you get a chance to get to know each other and there is real commitment and openness.

I think that what you folks have done with quality in Ohio may be the greatest legacy that I have had anything to do with in State Government, because it has really ignited our workforce. You just testified to what is happening, and it is continuing. It is not one of these deals where you get management in to look at things, decide you have got to do eight things, and then it is over with. But this is continuing, teams are being built, programs are being improved, and the thing that is exciting is that it is coming from you guys. The unions are the ones that are coming forward and saying we have got an idea.

We had a golf course that the private sector had botched up, and the union came in and said we think we can do a better job than they did. Before you give it to another private outfit, give us a shot at it. They got it, and they have turned it around.

Mr. WALL. It made \$210,000 more for the State coffers than the private company paid for doing it as well. So it is reverse privatization that paid off.

Ms. SHOTWELL-HADDIX. I have to tell you I was really concerned when our administration changed in Ohio what was going to happen. And I was so grateful that things were so in place when we got the new Governor that it was very difficult for them not to continue with this.

But I have to tell you at this point, with the union employees, they are so empowered and feeling so—they own those jobs, and they are so proud of them. I think anybody that would come into the State of Ohio today and try to take that ownership back from those people would have one heck of a fight on their hands.

Senator VOINOVICH. Well, as one private sector person told me from Cincinnati who instituted quality about 10 years ago, he said that the genie is out of the box.

Ms. SHOTWELL-HADDIX. That is exactly right.

Mr. WALL. Can't put it back in.

Senator VOINOVICH. Well, listen, thank you so much for coming today, I want you to know that I appreciate your time, and we are going to do what we can to see if we can't get this on the Federal level. Thank you.

We will include in the record the statements of Mr. Mihm of GAO and Ms. Lee of the Office of Management and Budget.¹

[Whereupon, at 11:15 a.m., the Subcommittee was adjourned.]

¹The prepared statements of Mr. Mihm and Ms. Lee with responses to questions appears in the Appendix on pages 32 and 51 respectively.

A P P E N D I X

United States Senate

Subcommittee on Oversight of Government Management,
Restructuring, and the District of Columbia
of the
Committee on Governmental Affairs

Quality Services through Partnership
State of Ohio

Testimony of

Steve Wall
Executive Director,
Ohio Office of Quality Services

Teresa Shotwell-Haddix
Union Quality Coordinator
Ohio Department of Transportation

Quality Services through Partnership

WHAT IS QStP?

Quality Services through Partnership — also known as “QStP” — is a process for continuously improving the services provided by state government. It's based on the principles of partnership, customer focus, data-based decision making, employee empowerment and teamwork.

Our goal is to transform government into a high performance workplace that provides our customers with value for their tax dollars. QStP makes this possible by turning improvement into a daily undertaking that involves all employees.

HOW IS QStP BEING IMPLEMENTED?

The Ohio Office of Quality Services, working closely with the Governor's Office and the labor unions, guides and coordinates the overall implementation. A QStP State Steering Committee, made up of equal numbers of management and labor, provides additional direction.

In addition, each department has a Quality Steering Team, also made up of equal numbers of labor and management. These teams guide and support the implementation process at the department level.

WHO'S INVOLVED?

With QStP, management and the unions have come together in a unique partnership. They are working as partners to ensure that QStP is done right the first time. “Partnership” means that unions have equal representation on all QStP steering committees. It also means that union representatives are involved in selecting trainers, selecting team facilitators, identifying processes for improvement, and guiding the overall effort.

Beyond this, every employee in State government is involved. In fact, employee involvement is critically important, since the employees themselves are in the best position to identify and implement better ways of providing services.

WHAT ARE SOME OF THE RESULTS OF QStP?

Teams of employees who do the work and represent the entire system being improved, determine customer needs, analyze the current process, determine the root cause(s) for inefficiencies, systematically remove non-value added steps and make improvements, while measuring the results. Over 3000 formal teams and thousands of informal teams have been formed so far and their efforts are achieving impressive results, including:

- * A team reduced purchase-order processing time from 28 days to just five days. Incredibly, 15% of all requisitions are now processed in one day.
- * A team increased the effective life span of their fleet of 129 dump trucks by four years by analyzing and eliminating the many causes of wear and tear. Considering replacement costs of \$55,000 per truck, the potential savings are enormous.
- * A team improved the process for handling telephone calls from their customers. Data from the telephone company showed that “on hold” time dropped 80%, abandoned calls dropped 60% and the old rate of 50,000 busy signals per month was reduced to zero.
- * A team reduced the error rate of a system to bill the Federal Government for millions of dollars owed ODOT by 68%, dramatically reducing reimbursement delays, and saving \$300,000 in lost interest per year.

In addition to making government services simpler, faster, better and less costly for the customers that we serve, an important result of QStP is the incredible impact it has on people's lives. Pride, enthusiasm and self worth have all increased throughout Ohio's state agencies. Employees report that being equipped with new skills and being empowered to make changes in their own work not only improves the quality of services, but also improves the quality of work lives.

The Union's Role in QStP

Through the development of Ohio's Quality initiative, emphasis has been given to the importance of a partnership role for the union—at strategic levels as well as in the implementation of processes. Additionally, the union has negotiated specific contract language (Article 21) about QStP and its impact on both collective bargaining and member rights. Under the union's contract with the state, it has been agreed that:

- Quality outcomes or improvements resulting from QStP cannot be used as a basis or rationale for the lay off of employees.
- If jobs are changed or eliminated as a result of QStP, affected employees will not lose pay or be laid off while management seeks other suitable employment.
- QStP subjects and collective bargaining matters are kept separate, in both contract language and in workplace practice.

Both management and union officials in Ohio acknowledge the difficulties of changing a workplace culture. Both also recognize that it is in the nature of things for labor and management to disagree. Collective bargaining between the state and union has been contentious and difficult both before and after QStP, and labor relations practitioners on both sides remain busy with grievances. But the parties also recognize that it is possible to be tough as nails at the bargaining table, while also working jointly to produce quality—even though it isn't always easy. Additionally, the joint working relationship that is emerging in the implementation of the quality initiative helps identify common interests and provides opportunities where we can marshal our efforts.

While skeptics and problems remain, OCSEA/AFSCME Local 11 leaders remain optimistic about the prospects for QStP to dramatically improve the quality of services provided by the state, and to lead to better labor-management relationships as well.

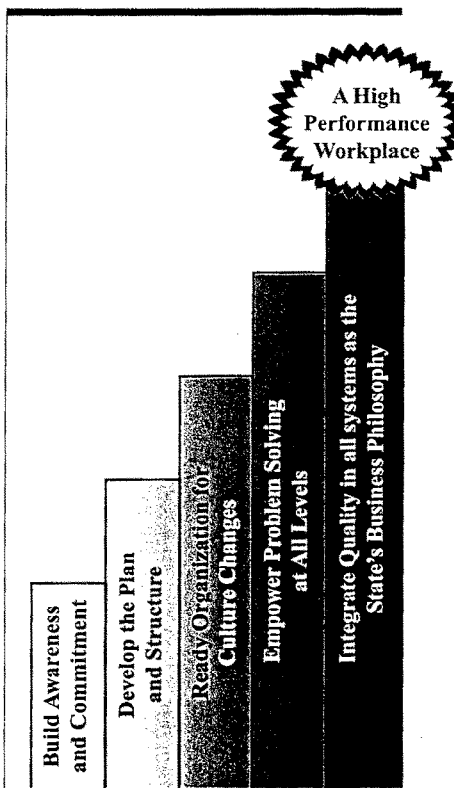
"In this era of public discontent with government, it is the line worker who winds up paying the ultimate price for poor quality services, often through the loss of employment as a result of privatization. Employees want to do good work—and they deserve to have a good work environment. Quality is simply too important to be left to management alone."

**OCSEA Second Quality Conference
Keynote Address**

Quality Services through Partnership

"In the four years since its inception, Ohio's Quality Services through Partnership program has won accolades as the most extensive and well-crafted state-wide effort to boost quality through improvement teams."

January 3, 1997
Cleveland Plain Dealer



QStP Strategic Planning Framework
Developed in 1993 by the State QStP Steering Committee.

How are we doing?

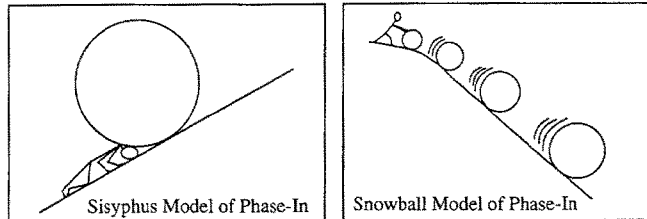
Progress can be effectively measured only if you have a clear destination and a road map for getting there. Our road map is the five-step Strategic Planning Framework developed in 1992 by the State QStP Steering Committee. This map is offered to individual departments to adapt as the basis for developing annual, agency-specific tactical plans.

The principles, processes and tools that make up QStP are simply a means for transforming state government – a vehicle that we can use as we move toward our destination. And what a powerful means! QStP encompasses world-class practices such as working in partnership with employee unions, training everyone in quality-improvement methods and tools, sponsoring process improvement teams that use proven best practices to improve service, and supporting departments to make culture changes that develop employees and encourage innovation. None of this comes easy, to be sure, but organizations that can tap the power of these concepts move surely and steadily to high-performance status.

The “steps” of QStP portray in words and pictures the distinct phases it takes over many years to transform an organization. The framework conveys that these efforts are not additional work or goals, but should become the regular way we do all our work to reach all our goals. And it shows that while some of the steps may be worked on simultaneously, wise organizations start with Step 1 and move through all successive steps so they can build a solid foundation for long-term success. In sharp contrast are the “just do it” organizations that jump to step 4 – without implementing Step 1 (Build Awareness and Commitment) or Step 2 (Develop the Plan and Structure). Empowerment without vision is chaos, and these well-intentioned organizations encounter frustration and setbacks.

The basic strategy for implementing QStP is to focus resources on those champions most ready and able to make these best practices work, and then to leverage the early results so that more and more people participate. This involves focusing resources to build pockets of excellence that gain momentum, rather than trying to push the entire organization up the hill at the same pace.

A simple illustration from *A New American TQM: Four Practical Revolutions in Management*, describes this strategy better than written words ever could.



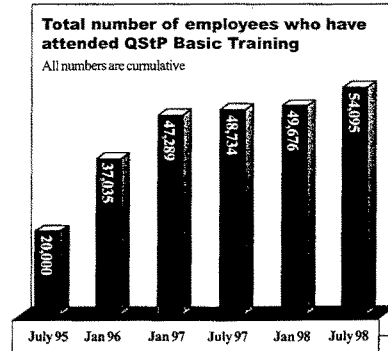
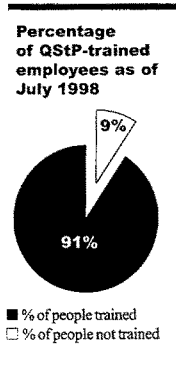
Training for Everyone

Better results can be achieved only by doing things in different and better ways. Yet “better” doesn’t just happen. The first step is to acquire new knowledge and skills. And that’s just what happened with Quality Services through Partnership.

Beginning with materials and technical support from the Xerox Corporation, a pilot quality effort was launched in 1993. The first step was to provide managers and union leaders with three days of training on quality concepts and tools. In 1994, an internal cross-agency team came together to overhaul the course, giving the materials greater public-sector emphasis. The resulting three-day QStP Basic Training has remained the mainstay for introducing employees, managers, union leaders, and union staff to the principles and tools of quality.

Agencies went on to grow their networks of trainers as they rolled out the course in every area of state government. Sessions were led by union-management pairs, and in many of these, state employees had their first in-depth conversations on topics like customer expectations and process improvement. They also got their first chance to try out many tools commonly used by quality teams.

At last count, QStP Basic Training has been attended by 54,095 state employees. Among people currently employed by state government, 91% have been through the course. Our challenge is to ensure that all employees, including new hires, receive the training so that they too have the knowledge and tools to improve how work gets done.



Teams Serving Customers

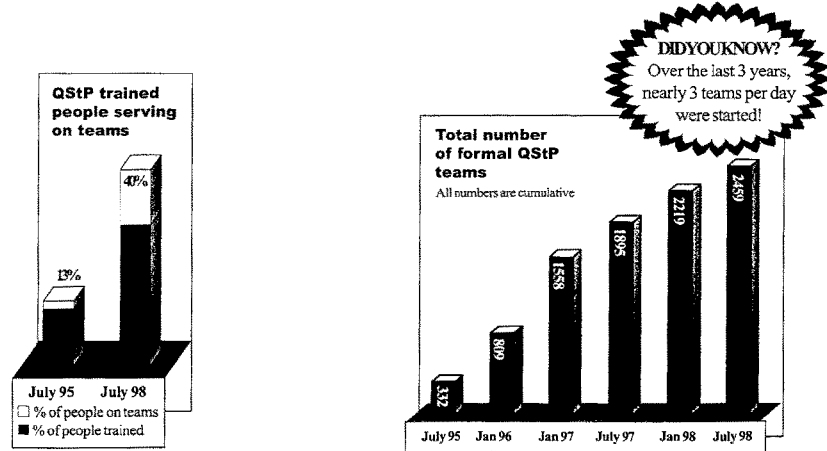
It's not enough simply to acquire new knowledge and skills. People need opportunities to use in the work setting what they've learned in class. This is how learning turns into improvement.

But this wasn't happening in the early days of QStP. In fact, in 1995, only 13% of employees who had completed QStP Basic Training had a chance to serve on an improvement team. And a year later, the number had climbed just a few notches to 17.5%.

This led to development of the *Guide for Creating a Process Improvement Team*, which gives step-by-step guidance on team formation. The guide includes the aptly named "Ready, Set, Go" process that quickly generates ideas for team projects. Agencies also started using the Team Launch Workshop to get their teams off to a fast and effective start.

The number of teams has been climbing ever since. The latest tally shows that 2,459 QStP teams have been formed since the start of our QStP initiative. This compares to 332 teams in 1995 – a 641% growth rate in just three years! Best of all, it means that more people have been using their quality knowledge and skills. The figures for 1998 show that 40% of all QStP-trained employees have served or are serving in teams.

Of course, therein lies a challenge – and a tremendous opportunity. Sixty percent of state employees who've gone through Basic QStP Training are still awaiting the chance to be part of an improvement team. Imagine the potential of involving all of them in meaningful projects that have a direct impact on customers.



Facilitating Solutions

“It made a real difference...”

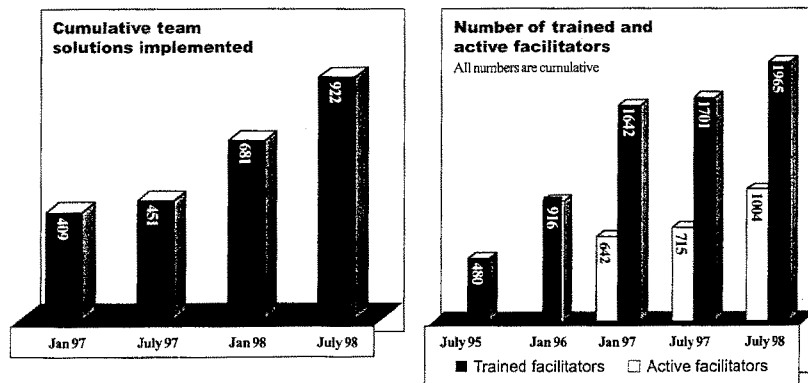
Facilitators are vital to team success. They bring the quality process and tools to the team, help people stay on track, and guide everyone to consensus-based decisions. Not only teams, but any group benefits from the assistance of a facilitator. Here are testimonials from people who've benefited:

“There is no way we could have accomplished our team project without a facilitator.”

“The facilitator kept us on target even when it appeared we did not know where to go It made a real difference to the group to have someone without an agenda or preconceived notion of how things should be done.”

“The facilitator helped the team to get off to a good start and kept all the meetings on track. We were able to focus more on the work at hand.”

“Facilitated meetings run so much smoother than non-facilitated meetings.”



Implementing Solutions

As the number of teams began to grow, state employees were getting more opportunities to put quality tools to work. Yet teamwork and the improvement process proved easier said than done. For some, the concepts of consensus-building and customer focus represented entirely new approaches. In other cases, people had technical questions dealing with the step-by-step path to improvement. This slowed teams as they worked to develop new and improved processes.

The situation called for an additional set of skills. Thus was created Tools & Techniques for Team Facilitation, a training program that gives people the skills they need to guide groups through every phase of the improvement process. Nearly 2,000 state employees have gone on to attend this three-day course, and half of them

report that they routinely use their facilitation know-how – by working with formal process-improvement teams or lending expertise to informal groups and one-time meetings. Additional learning opportunities are provided through the Quality Academy, which offers a growing line-up of courses designed to keep state employees on the cutting edge.

Another challenge had to do with implementation. In the first six months of 1997, 357 new teams

were formed – yet only 42 teams implemented their solutions. This 8-to-1 ratio reflected a lot of activity without an equal measure of results, and it led to employee frustration and discouragement. The response? The team-chartering process was

promoted as a powerful way of spelling out a team's mission and the extent of its empowerment. And a great emphasis was placed on recording and reporting QStP success. The Governor himself got directly involved, urging all agencies to be represented in the *RESULTS Book*, a digest of team success stories.

These efforts are having a big impact. During the six-month period ending July 1998, an average of one team implemented its

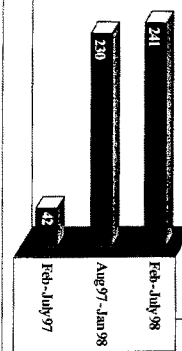
improvement ideas for each new team that was created. In other words, implementation is keeping pace with new-team formation.

Incredibly, more team solutions were implemented in fiscal year 1997-1998 than in all previous years combined!

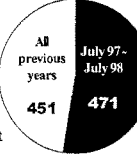
DID YOU KNOW?

From January 1997 through July 1998, 2.5 team solutions were implemented every day!

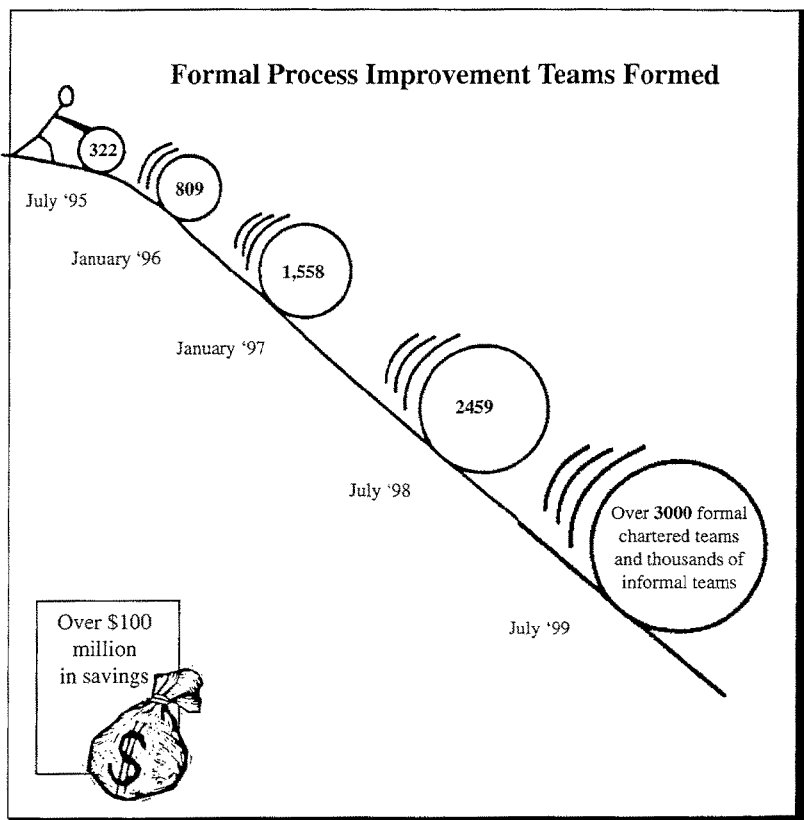
Team solutions implemented



Team solutions implemented



Results



Results

In the early days of QSTP, it was easy to track progress. We focused on process measures, counting the number of people who attended training and the number of teams being formed.

But as teams began to implement their process improvements, measurement became a tougher proposition. How exactly do you gauge the benefit of changing this process or simplifying that form? How do you know whether that new equipment is making life easier for customers? To address questions like these, four new courses were added to the Quality Academy, all of them designed to equip state employees with cutting-edge measurement skills. And with each update of the *RESULTS Book*, team members were prompted to think in terms of "errors reduced," "process time decreased," "dollars saved," and "customer satisfaction increased."

Meanwhile, our progress has presented new measurement challenges. How do you measure innovation? How do you tell whether the culture is changing? How do you effectively hear from external customers? This new set of questions prompted the formation of a cross-agency team whose mission is to "help establish measurement as an integral part of the quality culture in state government." Much of their work is embodied in this report, which provides a blend of quantitative and qualitative information.

All sorts of results have been reported – from processes simplified to dollars saved to more timely responses to improved quality of life for patients and their families. Below are a few examples:



Outperforming the Private Sector

An ODNR team at Hueston Woods took over the operation of the golf course from a concessionaire, setting up new operating procedures, communication pathways, and a system for implementing project improvements. They improved the physical facilities, increased customer satisfaction, increased the total rounds of golf played, and increased total revenue by more than \$210,000 annually.

Keeping Ohio Beautiful



An ODOT team developed a process that alerts highway construction contractors to existing landscape – trees, shrubs, seedlings, and flowers – that had been planted in their work areas. Now they're required to specify how they will protect, repair, or replace all damaged areas. Contractors post surety bonds against damage or neglect of this landscaping, helping to sustain the work done by government agencies and citizen groups to beautify Ohio roadways.



Simplifying the Hiring Process

The HRD-CATS team from DAS reengineered the hiring process used by all state agencies. Their work brought positive change to every phase: taking applications, testing, certification, and providing state agencies with qualified applicant lists. The new process has resulted in a 40% decrease in paperwork and a 70% decrease in processing time. Customer complaints are down 70%, and the new approach has saved \$72,000 in the first year alone.

Results

National Award Winner Saves Millions & Reduces Paperwork

Injured workers had to figure out which of eight forms to complete, leading to frequent filing delays. BWC's FROI team revised the process and turned all those forms into a single sheet. They also changed the initial application process, reducing customer complaints by 49%, saving \$480,000 annually in internal costs, and saving an estimated \$24.6 million for employers in reduced lost-time claims. The team was one of three finalists in *USA Today's* Quality Cup, which honors team excellence nationwide.

Teams are even saving lives.

In January 1996, a state trooper was shot and killed when stopping a suspected drunk driver who had been involved in a domestic shooting. At the time, the main statewide law enforcement computer system did not allow for easy access of general officer safety information. A QSTP team changed all that, creating a new field of up-to-the-minute information to tell troopers what to look out for when on the road. Now, when a highway Patrol officer pulls over a vehicle, potentially life-saving information is a single computer keystroke away.



Increasing Security

The PROTECTION Team at the Pickaway Correctional Institution addressed the problem of high inmate traffic between the work camp and the main compound. This reduced escape risks and other security breaches and saved 300 hours of staff time per month.

Teams are boosting productivity.

At DRC's Division of Parole and Community Services, it was taking 5 days to produce a key monthly report on caseloads. A team came together and developed a way to generate a better report in 20% of the time. It now takes just 1 day to assemble the report, and the new approach has completely eliminated data errors.

Working with Suppliers to Reduce Costs and Improve Safety

ODOT's Snow Plow Improvement Team (S.P.I.T.) identified safety problems with their bottom-trip snowplows, tested several improvements, and worked with the manufacturer to develop a design innovation that has increased safety for drivers and the public. The new design will save \$33,000 in one district alone.

Supporting Families

BART's Place, the country's first support center for children whose parents are hospitalized in state mental-health facilities, provides family visits and an opportunity for the family to learn about the patient's illness. In the more than 235 visits over the last three years, families gained a better understanding of the realities of the patient's illness and could then deal better with them. Patients comment that they appreciate being considered a parent and not just a patient.



"If it wasn't for BART's Place, I wouldn't be able to see my children. My children and I enjoy it. There are all kinds of things to do there. The people who run BART's Place are kind. I'm sure other parents would agree. Thankyou."

38-year-old
female
psychiatric patient

Cultural Changes

Cultural change is a long-term undertaking, and in the day-to-day bustle of getting work done, it can seem like a far-off vision. Yet this vision – of a place that brings out the best in employees and delivers the best to its customers – is slowly but surely being achieved. The state government that we see today is substantially different from the state government of just ten years ago.

Ten years ago, who would've imagined the unions routinely getting together with management to figure out the best ways to serve customers and create a high-performance workplace? True to its name, Quality Services through Partnership is showing that we do our best work when we come together. Customers don't care whether we're union or management – or where we're positioned on the table of organization. They simply want the best services at the best price, delivered by people who care.

We can even hear cultural change in the words we use. "Customer" has become a prominent part of our organizational vocabulary. While we used to obsess over rules and procedures, we now focus on customer needs and expectations. We're replacing bureaucracy with a better way.

Teams and teamwork are becoming second nature. Now, it seems only natural to pull people together – whether it's for a formal process-improvement team or an informal half-day session to deal with an immediate problem or opportunity. What's more, teams are expanding their efforts to address core business issues and processes. Even whole agencies are opting for collaboration over competition. More than ever, state government is thinking and acting like one system. It's showing up in the record number of interagency initiatives.

Agencies are getting more employees involved in the strategic-planning process. This means that front-line employees and union leaders are gaining a real voice – not only in the current work of an agency, but also in what that agency will be like in the future. And the tools, techniques, and other best practices originally used by QStP teams are starting to work their way into the rest of what we do in state government. Whether we're analyzing problems or generating ideas or building implementation plans, these approaches add up to a fundamentally better way to do business.

Ten years ago, who would have imagined all this? It's exciting to think about what's in store for the *next* ten years.

Celebrating Success

Team Excellence in the Public Sector Showcase

You can learn a lot about an organization's culture by looking at the things people celebrate. In Ohio state government, two big events come to mind. They're both a cause and effect of the cultural change that's under way.

One of these is the annual Team Excellence in the Public Sector Showcase. TEPS, as it's known, spotlights teams that have used the improvement process to develop better methods and processes. The event consists of eight team presentations, with a panel of judges to provide constructive feedback. Equally important is the process leading up to the big day. Teams from all across state government develop case studies to tell their process-improvement stories, and it is from this pool that the eight are selected. By putting their accounts on paper, teams crystallize their learnings and make their experiences readily available to other state employees.

Team Up Ohio

The second major event is Team Up Ohio, held annually at the Columbus Convention Center. Here, teams set up booths to tell in display how their improvement projects unfolded. The day is full of education and celebration as employees and citizens from all over the state go from booth to booth learning about quality improvement from those who are making it happen. Team Up participation has nearly tripled in three years – up to 150 teams in 1998. Attendance has soared to about 5,000.

In addition to these events, many agencies make recognition an integral part of how they do business. State government now has a Team of the Month Award, and a growing number of agencies have their own Team Up events. More than ever, employees are being acknowledged for walking the talk of teamwork and continuous improvement.

Public Private Partnerships

The OMA has been one of state government's most important private-sector partners. Since the beginning of our quality journey, they have provided inspiration and practical guidance. For instance, criteria developed by the OMA are used by state government to evaluate teams participating in the Team Excellence in the Public Sector Showcase. And the top two teams make presentations with the best private-sector teams at OMA's annual Leadership Forum.

"Team Excellence in the Public Sector is the OMA's single most rewarding partnership. Ohio state government leads the nation in the transformative use of quality principles in teamwork. By embracing quality, Ohio public employees are on the path to realizing a vision we all share: creating a great government for a great future for a great people."

**Eric Burkland, President
The Ohio Manufacturers' Association**

The Bottom Line

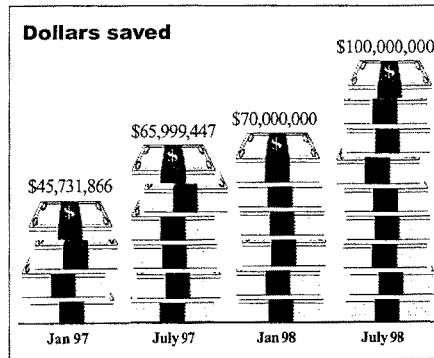
Training is a means to an end. Teams are a means to an end. New principles, processes and tools are all means to an end. So what's the end?!

One overarching goal is to create a workforce that is fully engaged and empowered. And on this count, we're showing great progress. Employee unions are full partners in improving services, and people are getting the tools and opportunities they need to make a difference. State employees exhibit the enthusiasm and commitment that mark a high-quality, high-performance workplace.

And they're making a difference in a big way. Customers from all across Ohio are letting state government know that they appreciate the new way of doing business. Whether the improvements mean a shorter wait in line or a quicker answer to a question, change is having a direct and dramatically positive impact on citizens.

There's even a financial impact. Quality-related initiatives – including formal process-improvement teams, informal teams, and other efforts involving quality tools – have saved state government more than \$96 million in the past five years.

Employees, customers, cost-savings – in every way, we're changing the way we do business. Through public/private partnerships we are helping to make Ohio a great place to live, work and raise a family. And in the process, we've become recognized as the national leader in implementing the principles and practices of quality. Our challenge is to *continue* the journey and make even *more* progress as the future unfolds.



THE BOTTOM LINE

- Better service to customers** ✓
- Greater employee involvement** ✓
- Less costly government** ✓

National Praise for QStP

"Ohio is one of the best examples of labor-management partnership in government . . ."

March 9, 1997
The Washington Post

"At a time when demands on governments have increased faster than tax dollars, Ohio has found a way to provide better services, save millions of dollars and make government employees feel good about themselves and their work."

January 3, 1997
Cleveland Plain Dealer

"Ohio is without question the preeminent state for showing what cooperative labor-management relations can achieve. Your results exceed that of any state in the nation. QStP is the finest example of where and how to make the best investments -- and how to work cooperatively with management, the workforce, elected officials and other stakeholders."

Jonathan Brock
Executive Director of the U.S. Secretary of Labor's Task Force on Excellence in State & Local Government Through Labor-Management Cooperation

"Ohio has shown that state government services can be made simpler, faster, and more cost effective. Ohio has produced dramatic and very real results -- saving millions of dollars, reducing processing time, untangling red tape, boosting customer satisfaction, and creating a more fulfilling work environment. The QStP program is a model for the nation."

Doug Champion
Director
Management Services
National Governors' Association

Ohio's quality initiative has out paced the efforts of other states because it offers a model for union - management partnerships. They have been able to devote a collective effort toward improving government services instead of simply fighting about often outdated procedures and rules. This would not have been possible without a genuine partnership effort on the part of leaders on both sides of the table.

Jerry McEntee
International Union President
AFSCME



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Testimony

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MANAGEMENT REFORM

**Using the Results Act and
Quality Management to
Improve Federal
Performance**

Statement of
J. Christopher Mihm, Associate Director
Federal Management and Workforce Issues
General Government Division



Statement

Management Reform: Using the Results Act and Quality Management to Improve Federal Performance

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the essential role that quality and process improvement initiatives such as Total Quality Management (TQM) must play in any serious effort to improve the effectiveness and performance of the federal government. A look across the federal government over the last decade clearly shows that there has been widespread interest and effort on the part of Congress, the leadership in the executive branch, and within the agencies in making dramatic improvements in public management. TQM, with its customer focus and concern with product and service quality, is one improvement approach that has been widely used in the public as well as in the private sector.

My major point today is that if federal agencies are to make the major improvements in their mission-related results envisioned by the Government Performance and Results Act (Results Act), they must have management and process improvement initiatives—including those that employ the principles of quality management—in place to achieve those results. Fortunately, TQM and the Results Act share a common and mutually reinforcing focus on achieving program results and customer satisfaction, measuring performance, and using performance data to identify and select improvement opportunities.

As agreed, my statement today will elaborate on these points by covering three topics. I will first discuss the complex and challenging environment facing governments at all levels that is encouraging a recommitment to many of the values of TQM and related efforts—efficiency, service quality, customer satisfaction, and results. Second, I will highlight selected aspects of the federal government's response to this environment. Third, I will discuss several areas where a results orientation and quality management share common approaches to improving organizational performance and suggest areas needing additional attention for both approaches to be successful. My comments today are based on our ongoing and past work looking at management improvement efforts across the federal government and at high-performing organizations.

The Focus on Government Performance

Government decisionmakers and managers in the major democracies around the world confront a strikingly similar set of challenges to efficient and effective public management in the 21st century. Driven by citizen demands for more economical, efficient, and effective government; the pressures of economic globalization; advances in information technology; a consistent set of demographic realities; and other factors, many of these governments have undertaken major public management reform

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initiatives. While these initiatives have been crafted in response to different immediate needs, political environments, and historical cultures, the reform efforts are taking a generally consistent direction.

Performance-based management, the unifying theme of these reform initiatives, seeks to shift the focus of government performance and accountability away from a preoccupation with activities to a greater focus on the results of those activities. Empowering line managers with the operational authority to achieve results—a fundamental tenet of TQM and related quality management initiatives—when combined with appropriate accountability mechanisms, is seen as vital to improving performance and is thus also acknowledged to be a key principle of performance-based management.

The public management reforms that governments around the world are implementing have profound implications for (1) what government does (in terms of the products and services it delivers and partnerships that are formed with the private sector and other governments), (2) how it is organized, and (3) how accountability is defined. Government decisionmakers and managers are adopting new ways of thinking, considering different ways of achieving goals, and using new information to guide decisions. A common lesson of the current range of management reform efforts is that change does not come quickly or easily. Old ways of doing business must be critically reexamined and new approaches have to be developed and institutionalized. This includes, for many organizations, creating the basic management capacities needed to become more performance based.

In that regard, our work and that of others over the last two decades has found that many federal agencies need to build or strengthen the management capacities that form the foundations of high-performing organizations. These capacities include (1) a clear mission and vision for the organization and a sense of direction that is clearly and consistently communicated by top leadership; (2) a strategic planning process that yields results-oriented program goals and performance measures that flow from and reinforce the organization's mission; (3) organizational alignment to achieve goals; (4) sound financial and information management systems; (5) the strategic use of technology to achieve mission-related goals; and (6) the effective management of human capital—the organization's employees—including ensuring that the right employees are on board and provided with the training, tools, incentives, structures, and accountability needed to achieve results. Management approaches that strive to achieve continuous improvement of quality through

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organizationwide efforts based on facts and data, such as TQM, can be a key attribute of high-performing organizations.

The Federal Response to Demands for Improved Performance

As the federal response to demands for a higher-performing government, Congress, over the last decade, has put in place a statutory framework to promote, create, and sustain high-performing federal organizations. In enacting this framework, Congress sought to shift the focus of government decisionmaking and accountability from the activities that agencies undertake to a focus on the results of those activities. Congress' framework includes the Chief Financial Officers (CFO) Act of 1990 and related financial management legislation; information technology reform legislation, such as the Clinger-Cohen Act of 1996 and the Paperwork Reduction Act of 1995; and the Results Act. The key requirements of these Acts are as follows:

- The CFO Act, as amended by the Government Management Reform Act of 1994 and the Federal Financial Management Improvement Act of 1996, is the most comprehensive financial management reform legislation of the last 40 years. The CFO Act sets expectations for agencies to develop and deploy modern financial management systems to routinely produce accurate, reliable, and timely program cost information and to develop results-oriented reports on the government's financial condition.
- The information technology reform legislation is based on the best practices used by leading public and private organizations to more effectively manage information resources. These best practices help to ensure that information technology dollars are directed toward prudent investments that achieve cost savings, increase productivity, and improve the timeliness and quality of service delivery. Under these laws, agencies are to better link their technology plans and the management and use of information resources more directly to their programs' missions and goals. This involves, among other things, redesigning inefficient work processes and using performance measures to assess technology's contribution to achieving results. This is important because our work with leading organizations has shown that information technology projects aimed at improving performance that do not involve process improvement may fail to yield any significant, long-term benefits.
- The Results Act was enacted in part to improve federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. The Results Act is

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intended to improve the efficiency and effectiveness of federal programs by establishing a system to set goals for program performance and to measure results. The Results Act requires executive agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports. The Act also requires the President to include with his annual budget submission a federal government performance plan. In each of the first two plans, covering fiscal years 1999 and 2000, the President's plan has shown an array of management objectives and initiatives dealing, for example, with responsiveness to the public, service delivery, and program performance and management.

During the same time frame that Congress was establishing a statutory framework, other, often complementary, federal management improvement efforts have also been under way. The most noteworthy of these efforts, the National Performance Review, now known as the National Partnership for Reinventing Government (NPR), was launched by the administration in March 1993. NPR shares many of quality management's principles, such as a focus on customers. NPR's initial focus was to make the government "work better and cost less," and its first phase made recommendations to reinvent government systems and individual agencies' programs and organizations. As part of the NPR and under the direction of a presidential Executive Order, over 200 federal agencies established customer service standards. A second NPR phase, undertaken in late 1994, was designed to identify additional programs that could be reinvented, terminated, or privatized, as well as to reinvent the federal regulatory process. NPR has continued to evolve, and it is currently working with 32 "high impact" agencies that have a high degree of interaction with the public and business and it has recently focused on working to improve services that government delivers in partnership with local, state, and other federal agencies and the private sector.

A related executive branch initiative, the President's Quality Award Program, is the most important statement of quality management principles within the federal government. Since 1988, the program has given awards to federal government organizations for (1) improving their overall performance and capabilities and (2) demonstrating a sustained trend in providing high-quality products and services that result in the effective use of taxpayer dollars. The Office of Personnel Management (OPM) manages the program and its award criteria, with several modifications, are closely aligned with the Malcolm Baldrige National Quality Award Criteria.

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The award criteria are updated annually to reflect the best approaches within the public and private sectors to systematically improve organizational performance. OPM's assessment criteria for the year 2000, issued this April, underscored the essential connection between achieving mission-related results and quality and process management.¹ The criteria are designed to define a quality system, the key elements of a quality improvement effort, and the relative importance and interrelationships of these efforts. The assessment categories include leadership, strategic planning, customer focus, information and analysis, human resources, process management, and business results. According to the Director of OPM, organizations that have used the criteria claim two important outcomes:

- "First, they can apply a disciplined approach for assessing and measuring performance on several important business factors: customers, products, services, financial, operational, and human resources.
- Second, managers are better able to target key performance gaps, set improvement priorities, and introduce better and innovative ways to work with customers, partners, suppliers, and the workforce."

Performance-Based Management and TQM Share Common Approaches

I mentioned at the outset of my statement the important interconnection between efforts to improve agencies' mission-related results and efforts (through TQM and related initiatives) to improve the efficiency and effectiveness of the programs and processes that make those results possible. The approaches that are shared between performance-based management efforts and TQM underscore the essential nature of this interconnection. These shared approaches are grounded in the understanding that implementing and sustaining major change initiatives requires a cultural transformation for many agencies. In enacting the Results Act, Congress understood, and the experience of TQM initiatives show, that organizational change and real performance improvement do not come quickly or easily. Today, I will highlight five areas where a focus on mission-related results and TQM share common approaches to the direction the needed cultural transformations should take and how those transformations can be accomplished.

¹ The President's Quality Award Program: 2000 Information and Application, U.S. Office of Personnel Management, April 1999.

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Strong Leadership is
Essential to Improving
Performance

Successful implementation of the Results Act and of quality management principles requires the demonstrated and clear commitment of agency top leadership. Strong, visible, and sustained commitment to change requires setting a clear and consistent vision of where the organization is going. Political appointees and top-career officials must work together to communicate this vision throughout the organization, teach people what their roles are in accomplishing this vision, and hold them accountable for fulfilling those roles.

In looking at the experiences of leading organizations that were successfully pursuing management reform initiatives, we found that four top leadership practices were central to making the changes needed.²

- First, successful leaders devolve decisionmaking authority in exchange for accountability for results. Leading organizations create a set of mission-related processes and systems within which to operate, but they give their managers extensive authority to pursue organizational goals while using those processes and systems. Consistent with quality management principles, these organizations invest the time and effort to understand their processes, how those processes contribute to or hamper mission accomplishment, and how those processes can be improved.
- Second, successful leaders use a range of tools to encourage a results orientation. For example, employee incentive and accountability mechanisms are aligned with the goals of the organization. In addition, leaders use informal mechanisms, such as staff meetings and personal contacts, to reinforce to managers and staff their commitment to achieving the agency's goals and to keeping those goals in mind as they pursue day-to-day activities.
- Third, successful leaders take steps to build the necessary expertise and skills. These leaders view training as an investment in human capital, rather than as an expense. And, as human capital and quality management experts have pointed out, organizational learning must be continuous in order to meet changing customer needs, keep skills up to date, and develop new personnel and organizational competencies.
- Finally, leaders in successful organizations integrate the implementation of separate organizational improvement efforts. As I have suggested,

² Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

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the management reforms now under way spring from various sources. Some of these reforms may be self-initiated, such as TQM; others mandated by legislation; and still others may result from administration initiatives, such as NPR. Our work has shown that the top leadership of each federal agency needs to meld these various reforms into a coherent, unified effort. Traditionally, the danger to any management reform is that it can become a hollow, paper-driven exercise. Leaders who integrate performance-based management into the culture and day-to-day activities of their organizations will help avoid that danger.

**Clear Goals and
Performance Measures
Should Drive Daily
Operations**

A central principle of both TQM and performance-based management is that a clear understanding of what is to be accomplished and how progress will be gauged drives daily operations. Organizations that implement the key principles of both reforms recognize the importance of using results-oriented goals and quantifiable measures to address program performance. Both TQM and performance-based management also recognize that desired results can have several dimensions, for example, customer satisfaction, program costs, social outcomes, and operational transparency. Our work shows that federal agencies still have a ways to go in establishing the necessary balanced sets of goals and performance measures. Our summary assessment of the fiscal year 2000 annual performance plans that executive branch agencies provided to Congress earlier this year will be released shortly.⁴ That report will detail our finding that agencies need to develop performance goals and measures that better depict the complexity of the results federal agencies seek to achieve. On the other hand, all of the performance plans we reviewed contain at least some goals and measures that address program results.

**Building the Organization's
Human Capital is Key to
Achieving Results**

High-performing organizations appreciate that effectively managing and developing an organization's human capital is essential to achieving results. Organizational success is possible only when the right employees are on board and are provided the training, tools, structures, incentives, and accountability to work effectively. High-performing organizations gather and use employee-related data such as employee skills and satisfaction. Such data are tied to measures of organization or unit performance, including results, customer satisfaction, and productivity.

Federal agencies still have significant room for improvement in making this vital link between their human capital planning and their mission-

⁴ The work was done at the request of Senator Fred Thompson, Chairman of the Senate Governmental Affairs Committee; Representative Dick Arney, Majority Leader of the House of Representatives; and Representative Dan Burton, Chairman of the House Government Reform Committee.

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related goals and strategies. Most of the performance plans we reviewed do not sufficiently address how the agencies will use their human capital to achieve results. This suggests that one of the central attributes of high-performing organizations—the systematic integration of mission and program planning with human capital planning—is not being effectively addressed across the federal government.

Programs and Processes Must be Linked to Results and Customer Satisfaction

High-performing organizations understand and articulate how their day-to-day operations and processes contribute to mission-related results and improved customer satisfaction. Such understandings of how processes and strategies relate to achieving results are important to pinpoint opportunities to improve performance and reduce costs. Simply stated, an organization cannot improve performance and customer satisfaction if it does not know what it does that causes current levels of performance and customer satisfaction.

Our review of the fiscal year 2000 performance plans suggests that much work remains in this area. Although most of the agencies' annual performance plans relate strategies and programs to performance goals, few plans indicate specifically how the strategies will contribute to accomplishing the expected level of performance. Further, agencies in some cases provide no strategies at all. For example, Health and Human Services' (HHS) Administration for Children and Families (ACF) has a goal to provide children permanency and stability in their living situation and related performance measures, such as increasing the percentage of children who are adopted within 2 years of foster care placement. However, ACF does not identify the strategies it will rely on to achieve this goal.

Decisions Should be Based on Sound Data

Both TQM and Congress' statutory framework for performance-based management seek to create decisionmaking processes that are based on accurate, reliable, and timely data. Unfortunately, significant progress is needed across virtually all agencies in this regard. Most of the fiscal year 2000 annual performance plans we reviewed provide only limited confidence that performance information will be credible and they lack information on the actual procedures that agencies will use to verify and validate their performance information. For example, regarding the validity of data that will be used to measure progress in offering outreach services to homeless and mentally ill persons, HHS' Substance Abuse and Mental Health Services Administration (SAMHSA) states "since the sources of data are the local agencies that provide the services, the quality of the data is very good." SAMHSA appears to be assuming that these data are valid, but the plan does not indicate whether SAMHSA will verify the

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quality of these data or that it has conducted prior studies that provide this confidence.

In summary, Mr. Chairman, high-performing organizations consistently strive to ensure that their organizational missions and goals drive day-to-day activities. Experience has repeatedly shown that fundamental performance improvements occur when organizations transform their cultures so that achieving results becomes the driving concern of daily operations. Program and process improvement techniques, including TQM, thus have important roles to play in agencies' cultural transformations and thereby in helping them achieve their goals and deliver the products and services at the cost and with the quality that the American people are rightly demanding.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions you or other Members of the Subcommittee may have.

Contacts and Acknowledgement

For further contacts regarding this testimony, please contact J. Christopher Mihm at (202) 512-8676. Individuals making key contributions to this testimony included Justin Brown, Elizabeth Bowles, Susan Ragland, and Bill Reinsberg.

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B-2S3613

September 10, 1999

The Honorable George V. Voinovich, Chairman
Subcommittee on Oversight of Government Management,
Restructuring, and the District of Columbia
Committee on Governmental Affairs
United States Senate

Subject: Managing for Results: Answers to Hearing Questions on Quality Management

Dear Mr. Chairman:

This letter responds to your request for information following your July 29th hearing on quality management. The enclosure contains our responses to questions we received from your Subcommittee dated August 23, 1999.

Our responses are based primarily on our previously issued work on management reform, and we therefore did not obtain agency comments on a draft of this letter. We are sending copies of this letter to Senator Richard J. Durbin, Ranking Minority Member, Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs. We will make copies available to others upon request. If you have any questions concerning this letter, please contact me at (202) 512-8676.

Sincerely yours,

A handwritten signature in black ink that reads 'J. Christopher Mihm'. The signature is written in a cursive style with a large, stylized 'J' and 'M'.

J. Christopher Mihm
Associate Director, Federal Management
and Workforce Issues

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1. Should a vigorous quality management program be implemented governmentwide in addition to the strategic planning framework mandated by the Results Act?

We have not done work to specifically identify whether a governmentwide quality management program, separate from the statutory and management initiatives already under way, is needed. However, our work concerning high-performing organizations provides useful insight. First, as noted in our statement for the hearing, leaders in successful organizations integrate the implementation of separate organizational improvement efforts.¹ Regardless of whether these reforms are self-initiated, such as Total Quality Management (TQM), or mandated by legislation, such as the Results Act, agency top leadership needs to meld these various reforms into a coherent, unified effort.

Second, high-performing organizations understand and can articulate how their day-to-day performance contributes to results and improved customer satisfaction—a key tenet of quality management. Consequently, any effort to improve governmentwide performance also needs to pay attention to the day-to-day processes and strategies that agencies employ to achieve mission-related results. Effective implementation of the Results Act requires such attention. Our work that looks at agencies' fiscal year 2000 performance plans has shown that agencies need to improve how their human capital and management resources and strategies are linked to achieving mission-related results.² Understanding and then articulating how these resources and strategies can best be mobilized to produce results is crucial if agencies are to improve their performance.

The fiscal year 1999 program performance reports, due to Congress by March 31, 2000, under the Results Act, will provide valuable evidence concerning the degree to which agencies have considered and understand how their processes and strategies lead to results. Each agency, in its report, is to compare the agency's actual performance against the goals established in its annual performance plan. In cases where a goal has not been met, the agency is to explain why and discuss the plans and schedules for achieving the established performance goals. Agencies that lack a clear understanding of the relationships among the agency's

¹ *Management Reform: Using the Results Act and Quality Management to Improve Federal Performance* (GAO/T-GGD-99-151, July 29, 1999).

² *Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans* (GAO/GGD/AIMD-99-215, July 20, 1999).

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resources, processes, products and services, and results will not likely be in a position to successfully meet this requirement.

2. Does the Office of Management and Budget (OMB) have the necessary resources and institutional knowledge to implement a quality management initiative?

While we have not examined this issue directly, we would note that in 1990 OMB's governmentwide TQM leadership functions and its staffing devoted to TQM were moved into the Federal Quality Institute (FQI), which at the time was part of the Office of Personnel Management (OPM). As a result, there are serious questions about whether OMB would have the institutional knowledge and resources needed to implement a quality management initiative.

The degree to which OMB provides management initiatives with the necessary resources and commitment has been a perennial question, and we have found that the effectiveness of OMB's leadership with regard to management issues has been uneven. OMB's challenge is to carry out its central management leadership responsibilities in a manner that leverages the opportunities of the budget process, while at the same time ensuring that management issues receive appropriate attention in an environment driven by budget and policy decisions.

3. I consider the National Partnership for Reinventing Government (NPR) the Clinton Administration's quality management initiative. Its stated goals are making government work better and cost less, with an emphasis on customer service. However, NPR lacks institutional leadership that transcends one person or one administration. Given that, would it make more sense to locate an initiative like NPR in an agency like OMB?

As your question suggests, management initiatives must have sustained support from the political and career leadership to be successful. As long as top leadership support exists, a variety of organizational arrangements can be used to implement management reforms. Absent top leadership support, a management initiative is unlikely to be sustained and successful, regardless of where responsibility for leading the initiative is housed. In response to our 1996 report on NPR's Reinvention Labs, administration officials noted that OMB's historical role, its budget responsibilities, and its statutory management responsibilities often compete with exercising a role as a "change agent" seeking to foster

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innovation.³ Historically, OMB has been reluctant to become heavily involved in some management initiatives because of the small size of its staff and its view that federal agencies themselves are responsible and accountable for making management improvements.

In this context, we have found that effective collaboration with the agencies—through such approaches as task forces and interagency councils—has emerged as an important central leadership strategy in developing policies that are sensitive to implementation concerns and the need to secure consensus and consistent follow-through within the executive branch. OMB's work with interagency councils has been successful in fostering communication across the executive branch, building commitment to reform efforts, tapping talents that exist within agencies, keeping management issues in the forefront, and initiating important improvement projects.

4. Can you identify any other quality management programs that were initiated by previous administrations? What became of them?

Prior to NPR, previous administrations undertook a series of related quality management efforts. In February 1986, President Reagan issued an Executive Order that formally established a governmentwide effort to improve the productivity, quality, and timeliness of government products and services. This effort was continued with OMB Circular A-132, which until 1989 mandated a governmentwide TQM effort and provided guidelines for the development and implementation of a productivity and quality improvement process in the executive branch. An OMB official recalled that agencies viewed the reporting requirements of this initiative as too burdensome, and consequently emphasis on this particular TQM program waned.

The Federal Quality Institute was also established in 1988 to serve as a source of information, training, and consulting services for agencies engaged in TQM. As noted earlier, in 1990 OMB's governmentwide leadership functions and resources devoted to TQM implementation were consolidated into FQI. In 1995, Congress eliminated FQI's funding, and its responsibilities were shifted within OPM. The Federal Quality Consulting Group, FQI's successor, is a federal franchise activity within the Treasury Department that offers federal agencies consulting and facilitation services.

³ *Management Reform: Status of Agency Reinvention Lab Efforts* (GAO/GGD-96-69, Mar. 20, 1996).

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Additionally, the President's Quality Award Program (PQA), begun in 1988, has given awards to federal government organizations for (1) improving their overall performance and capabilities and (2) demonstrating a sustained trend in providing high-quality products and services that results in the effective use of taxpayer dollars. OPM manages the program, and its award criteria are closely aligned with the Malcom Baldrige National Quality Award criteria used to recognize private sector organizations. The PQA award criteria have evolved to become more results-oriented and now include a distinct category for producing results in areas such as customer focus and human resources. This adaptation reflects quality management's overall evolution from a focus primarily on quality and employee issues to a broader, results-oriented focus. Since 1988, the PQA program has recognized federal organizations 85 times, including most recently 9 organizations last July.

5. How can the information in agency strategic plans, annual performance plans, and performance reports be used to identify and facilitate improvements in quality processes?

The information in agency strategic plans, annual performance plans, and performance reports can be an important tool to identify and facilitate improvements in quality processes. The connection between what agencies do on a daily basis and the results that those activities are intended to achieve are key elements of all three Results Act products. The information in these documents can be crucial in identifying performance gaps, targeting improvement opportunities, and tracking progress.

6. How can agencies successfully integrate total quality management and the Results Act to address some of the more long-standing management problems?

No serious effort to fundamentally improve the performance of federal agencies can succeed without addressing long-standing management challenges and program risks. The Results Act and quality management, with their shared focus on using sound performance data to make decisions, can provide an integrated approach to improving both the overall results agencies seek to achieve and the processes that contribute to those results. Measurable goals for resolving mission-critical management problems are important to ensuring that the agencies have the institutional capacity to achieve their more results-oriented programmatic goals. Our assessment of the fiscal year 2000 annual

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performance plans showed that agencies are not consistently addressing management challenges and program risks in their plans.

Agencies that did address the challenges and risks in their plans used a variety of approaches, including setting goals and performance measures that were linked to the management challenges and program risks. These agencies also discussed the strategies and processes that are to be used to address the program risks. Using the annual performance plans to identify strategies and processes for addressing management challenges and program risks is a clear illustration of how quality management's focus on processes can be used to complement the Results Act in addressing program risks. For example, the Department of Transportation's (DOT) lack of controls over its financial activities impairs its ability to manage programs and exposes the department to potential waste, fraud, mismanagement, and abuse. DOT's performance plan identifies financial accounting as a management challenge and addresses key weaknesses that need to be resolved before DOT can obtain an unqualified audit opinion. Importantly, DOT's corporate management strategies include efforts to receive an unqualified audit opinion, enhance the efficiency of the accounting operation, and implement a pilot of the improved financial systems environment.

7. How can Congress best use the information in agencies' strategic plans, performance plans, and performance reports to identify the degree to which agencies have quality management and related initiatives in place?

In our recent report summarizing our reviews of agencies' fiscal year 2000 annual performance plans, we noted that we have long advocated that congressional committees of jurisdiction hold augmented oversight hearings on each of the major agencies.⁴ Information on missions, goals, strategies, resources, and results could provide a consistent starting point for each of these hearings. Such hearings also would further underscore for agencies the importance that Congress places on creating high-performing executive organizations. Performance planning under the Results Act should allow for more informed decisions about such issues as

- whether the agency is pursuing the right goals and making progress toward achieving them;
- whether the federal government is effectively coordinating its responses to pressing national needs;

⁴ GAO/IGD/AIMD-99-215, July 20, 1999.

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- whether the federal government is achieving an expected level of performance for the budgetary and other resource commitments that have been made;
- the degree to which the agency has the best mix of programs, initiatives, and other strategies to achieve results;
- the progress the agency is making in addressing mission-critical management challenges and program risks;
- the efforts under way to ensure that the agency's human capital strategies are linked to strategic and programmatic planning and accountability mechanisms; and
- the status of the agency's efforts to use information technology to achieve results.

8. One of the keys to the success of Ohio's Quality Services through Partnership initiative was employee involvement. How does the Results Act provide for employee involvement?

The Results Act does not have a specific requirement for employee involvement, other than to identify the development of strategic and annual performance plans and performance reports as inherently governmental functions that must only be done by federal employees. Nevertheless, the involvement of managers and employees throughout the organization is important because if agencies are to implement and sustain major management reforms, a cultural transformation must occur at agencies that requires them to more effectively manage, develop, and involve their most important asset—their human capital. This cultural transformation requires employees to understand the importance of, and the connection between, their individual performance and achieving overall agency goals. Employees who are unsure about the direction their agency is taking will not be able to effectively focus on achieving those goals.

When we surveyed federal managers at the GS-13 level and above in late 1996 and early 1997, over half of the managers said that they had no involvement in many of the activities related to their agency's implementation of the Results Act. However, members of the Senior Executive Service (SES) reported higher levels of involvement in key Results Act-related activities. For example, 72 percent of the SES managers reported that they had been involved in establishing long-term strategic goals for their agency. On the other hand, only 35 percent of non-SES managers reported being involved in establishing strategic goals. At the request of the Subcommittee, we are conducting the survey again to see whether the level of involvement has increased over the last 3 years.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

STATEMENT OF DEIDRE A. LEE
ACTING DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, RESTRUCTURING AND THE DISTRICT OF COLUMBIA
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS

July 29, 1999

Good morning, Chairman Voinovich, Senator Durbin, and Members of the Subcommittee. I am pleased to be here today to discuss quality management concepts in the Federal Government.

At the outset, let me say that we strongly share the Subcommittee's interest in quality management principles and practices. I would like to begin by describing the Administration's management agenda which is what we are doing to improve how the Government meets the needs of the American people by improving the management and the performance of its programs.

The prospects for improving government management have been strengthened substantially by two initiatives. First, the Balanced Budget Agreement and the discipline it has provided to achieve the first balanced budget in 30 years have forced us to look at how, and how well, programs are operating. As the President has explained:

"We made a decision that was profoundly important, that the way Government works matters, that we could not maintain the confidence of the American people and we could not have ideas that delivered unless the Government was functioning in a sensible, modern, and prudent way."

In order to enable programs to continue to operate at current levels and to have a surplus that is available to fix Social Security and Medicare, it is necessary to exert tight fiscal discipline which requires even better management. It is interesting to note that the focus on improved management in the private sector has been spurred, to a large extent, by similar external pressures - in that case, competition both domestic and foreign.

Second, the implementation of the Government Performance and Results Act (GPRA) has given us a process for integrating and expanding the use of performance information into the decision-making process, particularly the resource allocation process in the preparation and execution of the Budget. One of my highest priorities as Acting Deputy Director for Management is to make the resource allocation process based more on performance and less on inputs. The GPRA, an initiative of this Committee, has given us the tools for connecting resources to results in resource allocation and management.

You asked, in particular, that I describe our progress in making results oriented government a reality. About one hundred departments and agencies – virtually the entire Executive Branch – are producing the plans and reports required by the Results Act. These agencies have already prepared their initial strategic plans, two sets of annual performance plans, and most are now starting work on a second set of strategic plans, the annual performance plans for FY 2001, and the first of the annual program performance reports. We all recognize that, as first products, many of the plans could be improved. And, they have. The annual plans for FY 2000 were markedly better, for the most part, than their FY 1999 predecessors. And we expect the FY 2001 plans to be better still.

And we have come far. Given the scale of what we have set out to do, we, as a Government, have accomplished more in the first two years of full-scale GPRA implementation than did other countries who, over the past decade, began similar performance management initiatives. The accepted norm is that it takes five to seven years to really put reforms such as GPRA in place. I believe the Federal Government is ahead of that pace, and that many of our plans are already equal, if not better, than the products of other countries who have been doing this a lot longer.

NPR: Changing the Government

Vice President Gore, working with the departments, agencies, inter-agency working groups, and worker representatives, and drawing on the expertise of the private sector, has led an unprecedented effort to make the Federal Government more efficient and effective while also reducing its size. Founded at the start of the Administration, the National Partnership for Reinventing Government (then the National Performance Review) has empowered Federal employees and managers and they have responded by improving services and cutting costs. NPR efforts have led to operational improvements in agencies that affect every day American life, such as better customer service at the Social Security Administration, and improvement in the delivery of services, including the provision of water, food, and shelter to disaster victims by the Federal Emergency Management Agency.

The Administration's commitment to total quality management is embedded in its reinventing government initiative, which focuses heavily on customer satisfaction, employee involvement, and measurable business results. While the words "TQM" are not heavily showcased by this Administration, our reinvention effort embodies the philosophy and many of the tools used. Our reinvention effort tailors TQM to fit the culture of the Federal Government and its agencies.

President Clinton and Vice President Gore based the structure of the original NPR on the tenets of TQM – ask your employees what the problems are and they'll tell you – by creating a team of Federal employees to review the operation of the Government in six months. Many of the employees on the review had been trained in the tools of TQM and these were reflected in the final report. The report "From Red Tape to Results" laid out a framework for action that included a series of actions related to quality management. These included the designation of chief operating officers in key Federal

agencies who lead their agency's performance and quality efforts. These chief operating officers meet monthly as the President's Management Council to coordinate their efforts across the Executive Branch.

The NPR continues to advocate the transformation of Federal agencies, sponsoring a number of initiatives that advocate quality management, including:

- Recognition through the Vice President's Hammer Awards. More than 1,500 awards have been made since the program's inception in 1994, recognizing teams of Federal employees that have put their customers first, cut red tape, and empowered their employees.
- More than 350 reinvention labs where employees are encouraged to pilot innovations that are then disseminated throughout their agencies for implementation.
- A waiver process that allows frontline employees to request waivers to agency rules to allow them to innovate and better serve their customers. This was recently cited by *Harvard Business Review* as a key tool for organizational change.
- An about-to-be released study of best practices in using a balanced set of measures to manage day-to-day operations. This guide will be targeted to those leaders and frontline managers in the agencies with the most interaction with the public and business.

Streamlining the Government

Two fundamental changes in the Federal workforce have combined to create a leaner, more efficient Government. First, the Administration has cut the overall size of the Government by 17 percent. Second, the Administration has given Federal employees the authority to propose and carry out significant improvements in agency programs. These changes have led to the elimination of many internal rules, establishment of customer service standards, creation of agency reinvention labs, and improved labor-management relations.

From 1993-1998, the Administration has cut the Federal civilian work force by 365,000 full-time equivalent employees (FTEs). Based on the number of Federal employees on the payroll, the work force is the smallest it has been since the Kennedy Administration. Working with Federal employees, the Administration has eliminated wasteful spending and cut numerous outdated Government programs. Today, we have a smaller, more efficient Government that provides the services the American people have come to count on: protecting the environment, improving our schools; and providing retirement benefits to seniors, to name only a few.

Tackling Government's biggest management challenges

To create a clear set of priorities for management efforts, the Administration has selected 24 of the Government's biggest management challenges as Priority Management Objectives. These were chosen as areas in need of real change, and receive ongoing attention from the Administration. PMOs are coordinated by OMB with assistance from the NPR and inter-agency working groups. This

assures that the objectives receive senior management attention. Periodic reporting and review of these objectives provide an opportunity for correction action as necessary throughout the year.

Improving embassy security and managing the Y2K computer problem are examples of these priorities. Clearly these are goals that need ongoing attention. These are areas in which the Administration has committed significant management resources and are high priorities at OMB. A complete list is attached.

Total Quality Management

Let me now turn specifically to total quality management. Quality management principles and practices are important tools that the Departments and agencies use to improve performance. This Administration has taken a number of specific quality-related actions that demonstrate its seriousness and commitment to action:

- President Clinton issued the first executive order on customer service setting a goal of "best in business." To date, agencies have crafted more than 4,000 customer service standards, trained thousands of employees in customer service, and been recognized for world class service in a number of its operations, such as Social Security's 1-800 phone service. This summer, the University of Michigan is conducting a survey of customer satisfaction for those agencies that deal with the public the most.
- Last year, this Administration conducted the first government-wide employee satisfaction survey. It is currently acting on the results of that survey and is planning a follow-up survey for later this year.
- The Office of Personnel Management (OPM) annually sponsors the President's Quality Award program. Next year, the entire Department of Transportation will pursue this award – the first time a department wide effort has been made.
- A number of agencies are gaining recognition for meeting the stringent ISO-9000 quality standards, including components in the Navy, FAA, NASA, and Coast Guard. This international standard is founded on TQM principles.
- The former OPM-sponsored Federal Quality Management Conference has now merged with the Partnership for Reinventing Government, the Government's reinvention revolution conference. The new conference, "Excellence in Government," is sponsored by OPM, NPR, and a host of other government, private, and nonprofit groups. This year's conference featured Senator Fred Thompson along with a number of world-class quality experts. Nearly 1,300 Federal employees learned best practices in use from each other and the private sector. Using the private sector frees Federal employees to focus on the public's business and has improved the quality of the program.

In addition, OPM, the Department of the Treasury, and the Department of Commerce each have the lead for administering an important Government-wide quality management program.

President's Quality Management Awards

The President's Quality Awards Program recognizes employees of the Federal Government and their organizations for delivering on President Clinton's and Vice President Gore's promise to make government work better and cost less. Created in 1988, and administered by OPM, the Program includes two awards: the *Presidential Award for Quality* and the *Award for Quality Improvement*. For more than ten years, organizations have used the awards criteria for self assessment while others have taken the "next step" and applied to the Program. Regardless of how organizations have used the criteria, they claim two important outcomes. First, they can apply a disciplined approach for assessing and measuring performance on several important business factors: customers, products and services, financial, operational, and human resources. Second, managers are better able to target key performance gaps, set improvement priorities and introduce better and innovative ways to work with customers, partners, suppliers, and the workforce.

On July 15, 1999, employees from nine, high-quality Federal operations from as far away as Yokota, Japan, and as close to the White House as Fort Meade, Maryland, were honored during the 1999 President's Quality Awards Program ceremony. The highest-level award presented during this year's ceremony was the Award for Quality Improvement. Winners were the 62d Airlift Wing, McCord Air Force Base, Washington; National Security Agency/Central Security Service, Fort Meade, Maryland; and, 374th Airlift Wing, Yokota Air Base, Japan. Six additional organizations received recognition in other award categories. I am submitting, for the record, a copy of the program from the 1999 President's Quality Award ceremony with information about all of this year's award winning organizations.

Federal Quality Consulting Group

The Federal Quality Consulting Group is a team of Senior Executive Service members that provide consulting services to Federal agencies. Operating as an entrepreneurial franchise fund activity in the Department of the Treasury, they were awarded the 1999 George Land World Class Innovator Award by *Fast Company* magazine and the Innovation Network, an association of business executives. In the past year the group has increased its client base 38 percent and its revenue by 15 percent. Their work has included:

- Helping NASA develop a strategic management handbook and prepare its headquarters for ISO 9000 registration;
- Assisting GSA in reengineering the government-wide travel and purchase card program;
- Administering an award program to help improve the quality of Veteran Health Administration hospitals;
- Improving the strategic planning process at the National Weather Service;
- Working with the Census Bureau to develop census-related performance measures; and
- Helping the State Department's information resources division define performance measures and improve customer service.

Baldrige Awards

The Malcolm Baldrige National Quality Award is administered by the National Institute of Standards and Technology (NIST) in the Department of Commerce. Congress established the Baldrige Award in 1987 not only to recognize U.S. organizations for their quality achievements but also to promote quality awareness and to provide information on successful strategies. Over time, the award's criteria have evolved to represent a general performance and business excellence model. While you won't find it at your local bookstore or on a "Top 10 Bestseller" list, the Baldrige Criteria for Performance Excellence is one of the nation's most popular business publications. Since 1988, more than a million and a half copies of the Baldrige Criteria for Performance Excellence have been distributed, and wide-scale reproduction by companies and electronic access add to that number significantly.

In February of this year, President Clinton and Commerce Secretary William M. Daley presented the 1998 Malcolm Baldrige National Quality Award to three manufacturers in recognition of their achievements in quality and business performance. The three companies are: Boeing Airlift and Tanker Programs, Long Beach, Calif.; Solar Turbines, San Diego, Calif.; and Texas Nameplate Co. Inc., Dallas, Texas. Winners of the 1999 award are expected to be announced in November by the President and Commerce Secretary Daley after the award's examiners and judges make their recommendations.

Conclusion

Thank you for the opportunity to share information with you on the Administration's management agenda and the use of quality management principles and practices as tools to improve performance. The President and the Departments and agencies are grappling with the complex issues raised by an era of fiscal discipline, downsizing, restructuring, and other management challenges as they attempt to produce a government that "works better and costs less." At OMB we have focused on the Results Act, Priority Management Objectives, and streamlining. We believe these are most worthwhile priorities. At the same time, use of quality management principles and practices is alive and widespread in the agencies.

I would be pleased to answer your questions.

PRIORITY MANAGEMENT OBJECTIVES*Strengthening Government-wide Management*

1. Manage the year 2000 (Y2K) computer problem.
2. Use results to improve program management.
3. Improve financial management information
4. Protect critical information infrastructure.
5. Strengthen statistical programs.
6. Implement acquisition reforms.
7. Implement electronic Government initiatives.

Improving Stewardship of Assets

8. Better manage financial portfolios.
9. Better manage real property.

Improving Program Operations and Integrity

10. Verify that the right person is getting the right benefit.
11. Use competition to improve operations.

Improving Program Management

12. Modernize student aid delivery.
13. Improve DOE contract management.
14. Strengthen the HCFA's management capacity.
15. Implement HUD reform.
16. Resolve disputes over Indian trust funds.
17. Implement FAA management reforms.
18. Implement IRS reforms.
19. Streamline SSA's disability claims system.
20. Revolutionize DOD business affairs.
21. Improve management of the decennial census.
22. Manage risks in building the International Space Station.
23. Improve security at diplomatic facilities around the world.
24. Reengineer the naturalization process and reduce the citizenship application backlog.

**Questions from Chairman George V. Voinovich
for Deidre A. Lee, Acting Deputy Director for Management (OMB)
on Total Quality Management**

1. **Does the Office of Management and Budget (OMB) have an official definition of total quality management (TQM)? If so, how does it compare with the definition I used during the hearing? I define TQM as a system that (1) focuses on internal and external customers; (2) established an environment which facilitates team building, employee contribution and responsibility, risk taking, and innovation; (3) analyzes work processes and systems; and (4) institutionalizes a goal of continuous improvement. Other important elements of TQM are management-union partnerships, employee training, reforming personnel policies, and establishing a system to measure program outcomes.**

Answer: As you indicate, TQM is a system that focuses on internal and external customers; establishes an environment which facilitates team building, employee contribution and responsibility, risk taking, and innovation; analyzes work processes and systems; and institutionalizes a goal of continuous improvement. And as your eighth question recognizes, the Administration's quality management is embedded in its reinventing government initiative, which focuses heavily on customer satisfaction, employee involvement, and measurable business results.

Thus, for example, this Administration has taken a number of specific quality-related actions that demonstrate its seriousness and commitment to action:

- President Clinton issued the first executive order on customer service setting a goal of "best in business." To date, agencies have crafted more than 4,000 customer service standards, trained thousands of employees in customer service, and been recognized for world class service in a number of its operations, such as Social Security's 1-800 phone service. This summer, the University of Michigan conducted a survey of customer satisfaction for those agencies that deal with the public the most; results will be published later this year.
- Last year, this Administration conducted the first government-wide employee satisfaction survey. It is currently acting on the results of that survey and is planning a follow-up survey for later this year.
- A number of agencies are gaining recognition for meeting the stringent ISO-9000 quality standards, including components in the Navy, FAA, NASA, and Coast Guard. This international standard is founded on TQM principles.
- In response to a 1993 NPR recommendation, most agencies and departments have established Quality Management Councils.
- The former OPM-sponsored Federal Quality Management Conference, is now sponsored by a consortium of private and nonprofit groups. This year's conference featured a number of world-class quality experts. Nearly 1,300 federal employees

learned best practices in use from each other and the private sector. Using the private sector frees federal employees to focus on the public's business and has improved the quality of the program.

2. **Why is the President's Quality Award Program administered by the Office of Personnel Management versus OMB? What is OMB's view of the role of quality management in the Federal Government?**

Answer: OMB's view of Total Quality Management (TQM) is that quality management principles and practices can be important tools that the Departments and agencies use to improve performance. As the President's central human resources management advisor, the Director of the Office of Personnel Management (OPM) has an essential role in promoting the use of quality management principles, because they are an integral component in the Federal government's overall HRM programs. Two examples of this role are: (1) administering the *President's Quality Management Awards program*; and (2) providing advice and assistance to agencies requesting it on establishing or improving quality management programs.

3. **Has OMB considered how a total quality management program could be implemented as a complement to the Results Act?**

Answer: The scope of the Results Act is very broad, and encompasses both the products and processes associated with Total Quality Management. OMB staff who participated in the drafting of the Results Act in 1992 had direct experience with Total Quality Management, and worked to embody various TQM principles within its statutory provisions. The agencies have subsequently applied TQM practices to their Results Act efforts. For example, agencies have established performance goals for customer satisfaction, and outlined steps they will take to help achieve these goals. Because we have integrated many of these principles into ongoing management reform work, we believe a separate TQM program would be duplicative.

4. **What guidance or support has OMB provided to agencies regarding their quality management programs?**

Answer: Quality management principles and practices are important tools that the Departments and agencies use to improve performance. The Administration's reinvention efforts tailor TQM to fit the culture of the Federal Government and its agencies. The NPR's report "*From Red Tape to Results*" laid out the framework for action that included a series of actions related to quality management. As agencies make reforms to internal management processes, either through quality management programs or other means, OMB has been supportive through its participation (as Chair) of the President's Management Council. Informally, OMB has provided support or assistance. In large initiatives, such as the recent IRS reforms, OMB provided financial resources in the President's Budget to assist in the implementation process. While clearly IRS was the leader in these changes, OMB was supportive of these efforts.

5. **Has there been any discussion during the budget review process about which agencies could most benefit from quality management programs?**

Answer: All Federal agencies should have management and process improvement initiatives, including those that employ the principles of quality management, in place to achieve their results. TQM, with its pervasive customer focus and concern with product and service quality, is one improvement approach that has been widely used by Federal agencies, particular those with programs that have a direct impact on the public. Staff in OMB's five Resource Management Offices continually work with the agencies they cover on program policy and budget development, and integrating into those responsibilities attention to how well the agency is managing statutory and Administration policy. During the budget review process, OMB identifies Priority Management Objectives. While we do not single out specific agencies that are in need of quality management improvements, this process does highlight specific areas that demand special attention. OMB tracks these objectives throughout the year to ensure that the highest priority management challenges are getting the attention that they deserve.

6. **If agencies are not using quality management principles to improve management and achieve results-oriented goals, what are they doing and how does it differ from quality management?**

Answer: Agencies are improving management and achieving results-oriented goals using a variety of tools, including quality management principles. Agencies have formed labor-management partnerships and many have created quality management or reinvention councils to focus on management improvements. All agencies are implementing the Results Act as a way of achieving results-oriented goals. Different agencies, based on their organizational cultures, rely to differing degrees on different tools, including business process reengineering and balanced scorecards, as ways of driving change. Many agencies are using the Clinton-Gore Administration's *Blair House Papers* as a blueprint for internal changes that have many of the same tenets as total quality management.

7. **If an agency within the Treasury Department, for example, develops a new management initiative that is successful, how does the rest of the Federal Government learn of it? Is it a responsibility, and should it be a responsibility, of OMB to disseminate such information and recommend "best practices?"**

Answer: OMB relies on a number of interagency groups to encourage dissemination of innovations across agencies, including the President's Management Council, the Chief Financial Officers Council, the Chief Information Officers Council, and the Procurement Executives Council. In addition, the winners of the Vice President's Hammer Awards and those

organizations designated as Reinvention Labs are electronically posted on the Internet to encourage others to ask their advice for how they can replicate similar successes. Further there are a series of informal benchmarking networks across the government that exchange information.

8. **I consider the National Partnership for Reinventing Government (NPR) the Clinton Administration's quality management initiative. Its stated goals are making government work better and cost less, with an emphasis on customer service. However, NPR lacks institutional leadership that transcends one person or one administration. Given that, would it make more sense to locate an initiative like NPR in an agency like OMB?**

Answer: The President should have the flexibility to organize the Executive Office in the manner he chooses and determine how to best fulfill his commitment to management innovation and quality initiatives. In 1993, the President asked the Vice President to lead the National Performance Review, and OMB has been a vital partner in institutionalizing the changes that NPR has promoted.

9. **Your prepared statement notes that the administration has eliminated 365,000 full-time equivalent positions since 1993.**

A. Please list these reductions by agency and grade level.

Answer: Attachment 1 shows FTE reductions by agency. The information in this attachment was also published in Table S-13 of the President's Budget. OMB does not require agencies to report their FTEs by grade level. However, the Office of Personnel Management (OPM) has information that can serve as a proxy. Attachment 2 shows changes by grade level from December 1992 through September 1998 for white collar, full-time permanent employees in executive branch agencies. Please note that OPM does not capture information by grade level for about 250,000 blue collar employees and that about 50,000 employees are not in a GS or GS-equivalent pay plan.

B. Please list any agencies that have increased their number of full-time equivalents since 1993.

Answer: Attachment 3 shows agencies that had FTE increases from 1993-98

- C. **According to the Office of Personnel Management, at least 260,000 full-time equivalent positions eliminated since 1993 were civilian slots in the Defense Department. Does OMB attribute these reductions to the BRAC process and reductions in the defense budget, or to NPR or other management reforms initiated by OMB -- or both? Please explain.**

Answer: Between January 1993 and March 1999, 260,000 civilian positions were eliminated from the Department of Defense. Please note that these are positions, and not FTEs. Approximately 44 percent of the Department's FTE reduction can be attributed to BRAC reductions. The remaining cuts result from a number of often overlapping management reforms, including reorganizations, process improvements, realignments, and contracting-out.

Attachment 1

FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH

(Civilian employment as measured by Full-Time Equivalents, in thousands)

	1983	1983	1994	1995	1996	1997	1998	Change, 1993-98
Base	Actual	Actual	Actual	Actual	Actual	Actual	Actual	FTE's Percent
Cabinet agencies:								
Agriculture	115.6	114.4	109.8	103.6	100.7	98.5	96.4	-19.2 -16.6%
Commerce	36.7	36.1	36.0	35.3	33.8	32.6	32.6	-1.0 -2.7%
Defense-military functions	831.3	831.8	868.3	821.7	778.9	745.8	707.2	-224.1 -24.1%
Education	5.0	4.9	4.8	4.7	4.5	4.5	4.5	-0.5 -10.3%
Energy	20.6	20.3	19.8	19.7	19.1	17.3	16.3	-4.4 -21.1%
Health and Human Services	63.0	66.1	62.9	59.3	57.2	57.6	57.9	-7.0 -10.8%
Social Security Administration	63.4	64.8	64.5	64.6	64.0	65.2	64.0	-1.4 -2.1%
Housing and Urban Development	13.6	13.3	13.1	12.1	11.4	11.0	9.8	-3.8 -27.7%
Interior	79.3	78.1	76.3	72.0	66.7	65.7	66.5	-12.8 -16.2%
Justice	99.4	95.4	95.3	97.9	103.8	111.0	117.3	17.9 18.0%
Labor	16.3	16.0	17.5	16.8	16.0	15.9	16.3	-2.1 -11.4%
State	35.0	34.2	33.5	31.8	30.2	29.2	26.4	-8.5 -24.4%
Transportation	70.3	69.1	66.4	63.2	62.4	62.5	63.4	-7.0 -9.9%
Treasury	166.1	161.1	157.3	157.5	151.1	145.5	142.1	-24.0 -14.4%
Veterans Affairs	232.4	234.2	233.1	228.5	221.9	211.5	207.1	-25.3 -10.9%
Other agencies, excluding Postal Service:								
Agency for International Development	4.4	4.1	3.9	3.6	3.4	2.8	2.7	-1.7 -39.4%
Cons of Engineers	29.2	28.4	27.9	27.7	27.1	26.0	24.8	-4.5 -15.3%
Environmental Protection Agency	18.6	17.9	17.6	17.5	17.2	17.0	17.7	-0.8 -4.5%
Equal Employment Opportunity Commission	2.9	2.8	2.8	2.8	2.7	2.6	2.5	-0.3 -10.9%
Federal Emergency Management Agency	2.7	4.0	4.9	4.6	4.7	5.1	4.6	1.9 69.2%
FDIC/RTC	21.6	21.9	20.0	15.7	11.6	8.7	7.9	-13.7 -63.4%
General Services Administration	20.6	20.2	19.5	17.0	15.7	14.5	14.1	-6.5 -31.6%
National Aeronautics and Space Administration	25.7	24.9	23.9	22.4	21.1	20.1	19.1	-6.6 -25.8%
National Archives and Records Administration	2.1	2.1	2.1	2.0	1.9	1.9	1.9	-0.3 -11.7%
National Labor Relations Board	1.3	1.2	1.2	1.2	1.3	1.2	1.2	-0.2 -12.1%
National Science Foundation	3.4	3.4	3.3	3.2	3.1	3.0	3.0	-0.5 -13.3%
Nuclear Regulatory Commission	6.2	5.9	5.3	4.2	3.4	2.8	2.8	-3.4 -55.3%
Office of Personnel Management	8.7	8.5	8.5	8.8	9.0	9.5	9.6	0.9 10.7%
Panama Canal Commission	1.3	1.2	1.2	1.2	1.1	1.1	1.1	-0.2 -16.1%
Peace Corps	1.9	1.8	1.7	1.6	1.5	1.4	1.3	-0.6 -30.5%
Railroad Retirement Board	2.7	2.7	2.7	2.7	2.8	2.8	2.8	0.0 1.1%
Scouties and Exchange Commission	4.0	5.6	6.3	5.7	4.7	4.5	4.4	0.4 8.9%
Small Business Administration	5.9	5.5	5.4	5.3	5.1	5.0	5.0	-0.9 -14.6%
Smithsonian Institution	19.1	17.3	16.6	16.6	16.0	14.9	14.4	-4.7 -24.7%
Tennessee Valley Authority	15.9	15.2	14.7	14.9	13.9	13.6	16.0	0.2 1.0%
All other small agencies								
Executive Branch Total	2,155.2	2,138.8	2,052.7	1,970.2	1,891.7	1,834.7	1,790.2	-365.0 -16.9%

Attachment 2**FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH**

(Changes by Grade Level, Dec. 1992 - Sept. 1998)

<u>Grade Level</u>	<u>December 1992</u>	<u>September 1998</u>	<u>Change</u>	<u>Percent Change</u>
GS-01	157	92	-65	-41%
GS-02	1,309	528	-781	-60%
GS-03	17,603	7,347	-10,256	-58%
GS-04	93,305	45,002	-48,303	-52%
GS-05	165,795	108,927	-56,868	-34%
GS-06	106,199	86,630	-19,569	-18%
GS-07	147,080	128,571	-18,509	-13%
GS-08	34,542	41,869	7,327	21%
GS-09	152,653	123,676	-28,977	-19%
GS-10	31,305	16,860	-14,445	-46%
GS-11	202,759	182,352	-20,407	-10%
GS-12	237,703	226,338	-11,365	-5%
GS-13	161,318	175,816	14,498	9%
GS-14	90,976	89,198	-1,778	-2%
GS-15	50,437	51,009	572	1%
Other/1	60,873	53,205	-7,668	-13%
	1,554,014	1,337,420	-216,594	-14%

/1 The other category includes employees who are not in GS or GS-equivalent pay schedules.

Source: OPM Central Personnel Data File.

Attachment 3**FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH**
(Agencies with FTE Increases, in thousands)

<u>Agency</u>	1993	1998	Change, 1993-98	
	<u>Base</u>	<u>Actual</u>	<u>FTE's</u>	<u>Percent</u>
Department of Justice	99.4	117.3	17.9	18.0%
Small Business Administration	4.0	4.4	0.4	8.9%
Federal Communications Commission	1.8	2.0	0.3	14.4%
Federal Emergency Management Agency	2.7	4.6	1.9	68.2%
Panama Canal Commission	8.7	9.6	0.9	10.7%
Securities and Exchange Commission	2.7	2.8	0.0	1.1%
Corporation for National and Community Service	0.5	0.5	0.0	6.2%
All other small agencies	1.3	1.5	0.2	17.0%
Total, all agencies with FTE increases	121.2	142.8	21.6	17.8%