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# At the Editor's Keyboard

Paul R. Lawrence



## Best Practices

"Improving the Business of Government" tells of the changes that took place at the Defense Automated Printing Service (DAPS). In 1994, Mike Cocchiola became the director of this worldwide organization that handles the printing, duplicating, and electronic conversion needs of the Department of Defense. Rather than enforcing rules that require all defense organizations to use DAPS, Cocchiola challenged his team to win customers by being better, quicker, and cheaper than the alternatives. We focus on what it meant for DAPS to become more "business-like."

## Outstanding Leaders

We interviewed two chief operating officers to understand the similarities and differences of their positions. Morton Downey is the deputy secretary and chief operating office to the U.S. Department of Transportation. Paul Daoust is executive vice president and chief operating officer of Watson Wyatt Worldwide.

Both men view themselves as the senior manager in their respective organizations responsible for ensuring that strategic goals are achieved. They both understand that people are the keys to reaching these goals. Not surprisingly, they devote a substantial portion of their time to communicating, coordinating, and fostering teamwork in their organizations.

## Stimulating Ideas

In this section, we will present book reviews, article abstracts, and book excerpts. We will try to keep you posted on the latest management ideas being discussed in books and journals. In this issue, our book review features *The One Best Way: Frederick Winslow Taylor and the Enigma of Efficiency* by Robert Kanigel and *The Tides of Reform: Making Government Work, 1945-1995* by Paul Light. In the article section, we feature abstracts from the *Harvard Business Review*, *Sloan Management Review*, and *Public Administration Review*. This section also contains an excerpt from *Straight from the CEO: The World's Top Business Leaders Reveal Ideas That Every Manager Can Use*.

## The Business of Government

Our readers are busy executives in the public and private sectors, who tell us they do not read as many books or journals as they would like. Because of the demands on their time, they need information quickly. *The Business of Government* is designed to meet our readers needs.

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**B**usiness and government are becoming more similar. Savvy consumers, trained by the very best companies in the private sector, are partly responsible for this trend. As the private sector raises standards for customer service, citizens are demanding and receiving better service from government.

Government has recognized the advantages of learning from private sector practices. In 1993, the National Performance Review, led by Vice President Al Gore, detailed how government could work better and cost less through the use, in part, of successful business techniques. More recently, Secretary of Defense William Cohen has preached the wisdom of a revamped military, achieved by bringing the "Revolution in Business Affairs" to his department.

Government has learned much about providing convenient service from the private sector. Consumers who can call 24-hours a day to order merchandise, now wonder why some government agencies only take calls from 9:00 a.m. to 5:00 p.m. Similarly, a citizen who has obtained information on-line or made a purchase over the Internet may now get frustrated waiting for a form to arrive in the mail or going to a government office to complete a transaction in person.

In addition, government has learned about the role employees play in providing attentive service. Consumers see this "special something" when they interact with employees of airlines, vacation resorts or high-end retail stores. Their employees act like owners when they deal with customers, empowered to identify and solve their problems. Experiences like these spoil customers and increase their desires for a customer-friendly government.

Government has responded by adopting many of the techniques used by the private sector. The result has been more effective government. For example, in May 1997 an independent study identified the Social Security Administration as the best telephone customer-service provider. Eight "world class" providers from the private sector and Social Security were rated on five categories of customer service. The Social Security Administration achieved the top ranking by being first in three of the categories.

As the public sector more closely mirrors activities in the private sector, there is an unserved need to directly compare and contrast the two. In particular, we want to see how the different sectors operate by putting them side-by-side and identifying the very best in each. In each issue of *The Business of Government*, we will focus on best practices, outstanding leaders, and stimulating ideas.



# Improving the Business of Government

Mark A. Abramson and Paul R. Lawrence

**W**e often hear the old refrain that “government should be more like business.” But what does the concept of “being like business” mean? To find out we went to see Michael J. Cocchiola, director of the Defense Automated Printing Service (DAPS). Since 1994, Cocchiola has been working hard to turn DAPS into a business-like organization.

The Defense Automated Printing Service is a \$400 million organization within the Department of Defense (DOD) that specializes in the rapidly growing field of automated document management services. DAPS, part of the Defense Logistics Agency within DOD, specializes in digital conversion, storage, output and distribution of digital and hard copy information. DAPS will distribute documents in any format or medium that customers require, ranging from on-line, CD-ROM, cassettes, or the printed page.

In 1992, the DOD consolidated its 350 printing and duplicating operations into the Defense Printing Service. In 1996, the name was changed to reflect DAPS' key role in the DOD transition from hard copy to electronic-based document management. It now operates in 288 locations across the world.

When asked what it means to “be like a business,” Cocchiola explained, “It means ‘thinking’ like a business. It means being customer focused and motivated to succeed. It means taking risks and using business-like indicators to judge how you are doing. It means using private sector off-the-shelf accounting software and knowing the exact costs of your services. It means creating a brand identification.”

While many organizations (in both sectors) are good at talking the language of business, concrete steps must follow language. In the Defense Automated Printing Service case, Cocchiola set out to both cut cost and staff at DAPS to make it competitive with the private sector. He created account executives and a marketing team to “sell” DAPS products and services. The key, according to Cocchiola, was creating a sense of competition within DAPS. “In the old days,” stated Cocchiola, “we used to hide behind regulations that forced people to use our services. We stopped enforcing the regulations and I made it clear to all DAPS staff that they would either have to bring in work or we would close down the operation. DAPS employees responded to the challenge. In addition to our ability to provide services all over the world (including places like Bosnia), the major rationale for our existence is that we can provide higher quality electronic documents at a lower cost than anybody else.”



Making DAPS cost-efficient and competitive with the private sector was not easy. DAPS reduced its staff from 3,700 to 1,800. It eliminated over 4,000 excess pieces of equipment and closed over 100 facilities. By taking these actions, DAPS reduced its operating costs by 35 percent. Simultaneously, it increased sales by 50 percent and its outsourcing activities by 88 percent. Based on these actions, the General Accounting Office concluded in 1995 that DAPS was less expensive than any government or commercial source on “average-size” printing jobs and was 57 percent less costly than the Government Printing Office.

In making itself more “business-like,” DAPS also focused on its core competencies. Cocchiola recounted, “We took a hard look at our core competencies. We had to figure out what we were best at and what we could outsource. We had to make ourselves cost effective.” The result of the analysis was a decision that all non-core work would be competitively outsourced.

In his attempt to make DAPS more “business-like,” Cocchiola created a “corporate board” to “run the company.” The board consists of the DAPS leadership team: Cocchiola, the deputy director, headquarters directors, and the directors of each of the DAPS regions. The board determines policy and strategy for the company and meets quarterly to examine corporate progress. It is this team that makes crucial business decisions. Decisionmaking at DAPS is not limited to the director and deputy director.

Like a growing number of service organizations across government, DAPS is funded by a working capital fund. Under the fund’s charter, DAPS does not receive any appropriated funds. All operations are funded on a fee-for-service basis. “Profits” made by DAPS are distributed in three ways: (1) to employees via performance bonuses, (2) investments in new equipment and staff training, and (3) “refunds” to the Department of Defense.

While there appears to be a growing interest in working capital fund-type operations across government, it remains to be seen whether more and more federal agencies will become “business-like” in the manner envisioned by Cocchiola. “It all depends,” stated Cocchiola, “on government’s ability to make itself ‘compete’ either against other government organizations or against the private sector. There is currently little incentive in most agencies for individuals to take risks. At DAPS, we created a bottom line and a profit motive. This is difficult and not encouraged in most federal agencies.”

