



Frequently Asked Questions About Entrepreneurial Management

January 27, 2005

- 1. Where did the idea for the Department of Administrative Services come from?** As the size and cost of government have grown during the last twenty years, so have ideas for improving its performance. Many new initiatives have been proposed and implemented. The 1993 National Partnership for Reinventing Government has been the most meaningful reform effort in federal history, generating many changes to make government work better, cost less and get results.

The concept of combining the Iowa agencies providing support and administrative services took shape in 2001, when Governor Vilsack and Lt. Governor Pederson initiated a review of Executive branch agencies. It was their idea to consolidate service departments, giving employees greater incentives to improve services and lower costs and more flexibility to meet customer needs.

- 2. What goals did Governor Vilsack set for the new Department of Administrative Services?** To improve customer service, save money, streamline and allow employees to use people and financial resources in ways that are more flexible. In the December, 2002 news release, he also announced his intent to nominate Mollie Anderson to serve as the new department's first director.
- 3. What is the DAS mission?** To implement a world-class, customer-focused organization that provides a complement of valued products and services to our customers. "World-class" signals our intent to do it as well as it can be done. "Customer-focused" is about what should be at the center of every business decision we make: Is it the best I can do for my customer? A "complement of valued products and services" has to do with the broad range of services this department provides to its customers. We will be looking carefully to see that the businesses we are in are the businesses our customers value and are willing to pay for. We cannot be all things to all people at the taxpayers' expense.
- 4. What about entrepreneurial management?** The dictionary defines the word "entrepreneur" as "one who organizes, operates and assumes the risk for a business venture." We have defined "entrepreneurial management" (EM) as a *customer-focused* approach to delivering services in a *competitive marketplace*, where business decisions are motivated by the desire to meet customer needs and by rewards or consequences for financial performance. This means:

- We "risk" success or failure based on whether customers buy our products and services;
- We must put customers first, not programs or rules;
- We must listen to customers in order to find out what we can provide that meets their needs;
- We need to get rid of "red tape" that keeps us from meeting customer needs;
- We must focus on both activities *and* results.

5. **Why be *customer focused*?** In today's economy, both public and private sector organizations are learning to put the customer at the center of their activities. Successful and profitable enterprises are the ones that develop products or services that best meet customers' needs. When we make customers the drivers, empowering them to choose the products and services that best meet their needs, we enable them to better serve *their* customers—the citizens of Iowa.

6. **How has entrepreneurial management changed the way DAS provides services?** DAS services are divided into three categories. Services for which customers have a choice of vendors inside or outside state government are *marketplace services*. Services for which it makes sense to have a single supplier for all users are *utilities*. Policy and regulation development rests in a separate category called *leadership*.

Customer councils provide customer input about utility services. Over time, the *Legislature's role* will evolve to a review of business plans and financial results, leaving DAS managers free to listen to their customers and make business decisions that best meet their customers' needs.

Much of the funding to cover the cost of DAS services was given to DAS in the past. During FY 2005 and 2006, DAS began the process of calculating service costs, and transferred its funding for those costs to DAS customer agencies. Many "cross subsidization" problems were resolved during this process. The long-term financial goal for DAS is that all customer agencies will pay for the services they receive. Giving DAS customer agencies a choice of where to buy marketplace services and a voice in setting utility rates gives them a new level of accountability for their financial choices.

7. **How does DAS plan to improve customer service?** In the past, some DAS units operated like unregulated monopolies, giving their customers little say about cost, quality or timely delivery. In the competitive EM environment, DAS customer agencies have the freedom to take their business elsewhere if DAS does not provide the level of service they want. DAS employees in these business units will determine how to improve their services.
8. **Why streamline?** Duplication costs money because it eats up economies of scale. Unnecessary layers of management or restrictive rules can make it harder for DAS employees to meet customer needs.
9. **How will the new system give managers more flexibility in how they use resources?** DAS business units will be encouraged to use their staff and financial resources in creative ways that best meet the needs of their customers.
10. **How will this change save money?** DAS customer agencies will pay more attention to what they use when service funding is in their budgets. Price competition between DAS marketplace services and private sector vendors is also expected to reduce costs.
11. **What is the significance of separating "steering and rowing?"** *Steering* refers to setting the vision and policies that guide an organization; *rowing* functions provide the services. Unhooking these two functions is a "best practice" for public organizations because it tends to reduce internal conflict. The two functions call for very different skill sets; organizations that mix roles find that the constant rush of operational decisions keeps leaders from strategic thinking and decision-making.