



The US Forest Service Enterprise Program: Reinvigorating Government

By Toni L. Stafford



—a brief overview of the Enterprise Program's first decade—



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For the last decade, a group of U.S. Forest Service employees have provided a variety of services at competitive prices within the agency. They are part of a program that is rather unique within the federal government, the Forest Service Enterprise Program. Many employees gave up secure careers to become entrepreneurs and are now creating business and marketing plans for the first time. Whether the Enterprise Program is shortsighted or visionary has yet to be decided, but as it marks its tenth anniversary in 2007, the scales seemed to have tipped towards the latter.

Determined to balance the budget upon taking office in 1993, President Bill Clinton initiated the National Performance Review (NPR), more popularly known as the "reinvention of government," to produce a government that worked more efficiently and cost the taxpayers less money. By 1996, NPR had cut nearly a quarter million jobs, saving taxpayers an estimated \$118 billion.¹ NPR sparked the creation of more than 325 "reinvention labs" throughout the federal government, each tasked with finding radical new ways of doing business. Aggressive downsizing and ever-increasing push for innovation meant it was no longer business as usual for many federal agencies. The Enterprise Program,

created in 1997 amidst government downsizing, budget cuts, and NPR, was one of the Forest Service's initiatives at reinventing itself.

The "reinvention of government" initially reached the Forest Service in 1994 with the passage of the Department of Agriculture Reorganization Act (7 U.S.C. §§ 6901-7014), which mandated Forest Service-wide reorganization.² Anticipating change before the president had signed the bill, groups of people at all levels of the agency had already begun meeting. By coincidence, the concept that would later become the Enterprise Program emerged simultaneously in conversations at opposite ends of the country.

Reinventing the Forest Service

By the fall of 1995, a small group of employees in the Pacific Southwest Region (Region 5) brainstormed ways to reorganize and streamline administrative functions to be more businesslike. Mike Duffy, the region's financial manager, along with Forest Supervisors John Phipps, Gene Zimmerman, and several others, became interested in creating groups that would compete to provide administrative functions to forests. Duffy and others reasoned that competition would increase both service and efficiency.

At the same time, Dave Radloff was leading the Forest Service's reinvention efforts in Washington DC. Radloff's

team recognized that they were “moving away from large staff organizations toward a model in which units that use their budgets to care for the land and serve people can purchase services they need from internal enterprises,” and began planning accordingly.³

The idea of creating functional units within the agency that acted like businesses and competed to serve national forests soon expanded beyond administrative functions to include resource management. The Region 5 group explored business models with several different consultants before entering into collaboration with Gifford Pinchot III. Pinchot, grandson of the first chief of the Forest Service, was a natural fit. He and his wife Libba had co-authored *The Intelligent Organization*, which mapped out a strategy for groups within corporations to become “intraprisers”—or internal businesses—which served clients within the corporation. The Forest Service sought flexible organizations, which Duffy had dubbed “enterprise units,” to compliment agency line and staff structure.

In 1996, Duffy and Radloff crossed paths and compared notes. Radloff invited Duffy to brief Doug Farbrother of the NPR staff, and within a few months the group in Region 5 had been



Just as the fire lookout and the remote automated weather station represent changes in the Forest Service fire program, enterprising represents a new way of doing business that supplements traditional ways of getting our work done. (Photo: AMSET)

designated a reinvention lab. The primary focus was to create the Enterprise Program.

Creating the Enterprise Program

The Forest Service needed to address myriad questions before the Reinvention Lab could transform federal employees into small business entrepreneurs. The largest hurdles included creating human resource procedures that met both agency and union⁴ needs, and establishing a means to process financial transactions and track financial performance. In addition, there were the never-ending attempts to explain the concept to individuals at all levels of the agency.

The most basic business requirement is a system

for tracking expenditures and income, and a method to store that income. Whereas most Forest Service budgets “zero out” at the end of each fiscal year, the new enterprises, as Pinchot explained, “had to find a way to carry the money over from year to year so that people could build up capital...because that’s what allows them to take risks.”⁵ In May 1998, the USDA Office of General Counsel authorized the creation of an Enterprise Fund within the agency’s Working Capital Fund. Under this authority, the Reinvention Lab established the Enterprise Development Bank. Additionally, enterprise units would be able to receive advanced payments from their client national forests to fund their work. As a key concept, the units would generate a small reserve of capital that would be

available in later years for reinvestment into the business. This was crucial to a business's ability to buy supplies and equipment, hire new employees, and engage in marketing.

At the same time the Forest Service was ironing out details of the program, the agency continued adding jobs to the WRAPS (Workforce Restructuring and Placement System) list as part of its downsizing. When federal positions are abolished, employees are placed on WRAPS and efforts are made to place employees elsewhere within the agency or government.

the same place and job. Yet at age 53 he was not fully vested for retirement either. To stay put required giving up financial security and embracing a new way of working.

In the autumn of 1997, the regional office sent a letter that introduced the Enterprise Program and invited employees, including Sturgeon, to submit a prospectus for individual business proposals. Entering the program required a tremendous leap of faith and entrepreneurial spirit. Employees had to let go of the security of the traditional agency for the risk of a new and

not naturally think like business people, let alone entrepreneurs. Now, in order to remain employed, they had to think about products, markets, and expenses.

Sturgeon's prospectus was accepted, but in order to finish the Enterprise training, he had to overcome a number of personal issues. Being hearing impaired, he was often not able to clearly hear the trainers. All trainees had to deliver presentations, a requirement that proved more challenging due to his speech impediment and his difficulty hearing any questions asked. In addition, Sturgeon had spent most of his career in check cruising and check scaling, not running a business. Now he had to write business plans and create PowerPoint presentations and other computer documents for the first time in his career.

Sturgeon's wife, Lynette, watched one particularly frustrating evening as Merl tried to make the adjustment. Overcome by the stress and uncertainty, Sturgeon decided to give up. The next morning, Lynette and their daughter Julie had a tearful conversation about the situation. They committed to helping him make the necessary adjustments and, with him, they wrote the business plan and prepared the PowerPoint presentations. This allowed Merl to concentrate on



Merl Sturgeon (left) and Bill Hay (2nd from right) co-led TEAMS from 2000 until Merl retired in January 2007. (Photo: TEAMS)

Merl Sturgeon, a career Region 5 check cruiser and scaler, found himself on the WRAPS list in 1997. Well aware that a new job oftentimes required one to move, Sturgeon was not interested in moving after twenty-nine years in

temporary program.⁶ To succeed as a business venture, they would have to find customers and earn every penny of their expenses—what business people call “full-cost recovery.” Most civil servants, however, do

the details involved in creating his own enterprise business, without worrying about the new technology he had to learn. With that, the Timber Measurement and Expert Services (TEAMS) business was born.⁷

TEAMS was one of nine businesses accepted by the Reinvention Lab Steering Committee on June 2, 1998. The Steering Committee was comprised of representatives from the National Federation of Federal Employees; the Reinvention Lab; the regional forester; Chief Operating Officer Francis Pandolfi; Special Assistant to the COO Dave Radloff; Julian Lange, Professor of Entrepreneurship at Babson College; and Gifford Pinchot III.

On July 6, 1998, the nine enterprises opened their doors for business. Many of the first clients were former colleagues who were already familiar with individual business owners and their offerings. Relationship capital banked over \$200,000 in the first fiscal year, which actually covered only three months of operations.

Preconceptions and “Sticker Shock”

The process for becoming an “enterpriser” has largely remained the same over the life of the program. The program’s design forces potential enterprisers to network their idea with colleagues

in order to find sponsors, potential partners, and potential clients. If the individual finds this first level of support for the concept, then the concept is more likely to succeed in the marketplace. If the Steering Committee approves a prospectus, then the potential

success of the venture. They are well aware of the relationship between time and money. The full-cost recovery requirement drives enterprisers to be more efficient, yet customer satisfaction is paramount. Competition compels an enterprise to offer the best service



TEAMS Planning specialists work on the Thomas Mountain Fuels Reduction Project in Riverside County, CA, a collaboration between several state and federal agencies and the Cahuilla Indian Tribe. (Photo: TEAMS)

enterpriser attends a series of training sessions. The training focuses on the development of a business plan, market research, and financial planning, as well as agency specifics such as human resources and financial management. In general, by the end of the training, potential enterprisers have already lined up future work.

Enterprisers, like any entrepreneurs, have a high level of personal commitment and responsibility for the

and the highest quality products possible because customers (the Forest Service and other government agencies) have a choice between enterprisers, external contractors, or hiring employees to do the work.

Not surprisingly, a nontraditional program and its workers located within an agency steeped in tradition and known for its resistance to change had a difficult time in its initial phase. Free markets and profit making⁸



Enterprise Units may supplement their offerings by collaborating with another Enterprise Unit or subcontracting part of the work to private industry. Recreation Solutions and Adaptive Management Services collaborated on fuels planning for the Grand Canyon area. (Photo: Recreation Solutions)

are concepts that run counter to the agency's century of zero-sum budgeting. Consequently, the Enterprise concept met with resistance and generated misunderstandings at all levels of the agency. Preconceptions and false assumptions circulating about the program included claims such as Enterprise is more expensive; enterprisers are private contractors, not agency employees; enterprisers do not have to operate by the same rules; and enterprisers can take away jobs.

How and where enterprisers work is untraditional. Many enterprisers telecommute or are stationed at a host forest. An enterprise unit may purchase office space and services from a host forest, making the

enterpriser's workspace just another cubicle amidst those of other agency employees. In some cases, the enterpriser was a former employee of that forest. It sometimes proves challenging for Forest Service employees to adjust to the fact that their neighbor down the hall can no longer collaborate on a project, that is, unless there is a signed work order.

In order to get a signed worked order, the enterpriser has to bid on a job. In a traditional Forest Service unit, before a program manager receives a budget, overhead costs such as computers, office space, utilities, vehicles, and administrative support like human resources have already been accounted for. Therefore, the average program manager thinks of costs in terms of the

cost to government for each employee. In the Enterprise Program, all costs must be recovered in order for the business to remain solvent. The bill rate charged by an enterprise reflects all of the overhead expenses. The "sticker shock" experienced by program managers over the cost of a project if awarded to an enterprise has been an ongoing challenge. Associate Deputy Chief for State and Private Forestry Kent Connaughton explained the challenge: "There is an initial reaction that Enterprise costs the government more. That's a myth...full-cost recovery is simply full-cost identification."⁹ The tension created by the sticker shock, however, has provided an opportunity for the enterpriser to help a program manager better understand the true cost of Forest Service operations.

Critics of Enterprise assumed that enterprisers were somehow above the rules. Like many myths, there was a kernel of truth to it. Some reinvention labs created during NPR received waivers from certain internal agency policies, in order to test ways of reducing bureaucracy and increasing efficiency. Labs and their subsequent programs were encouraged to do things in radically different ways from their traditional agencies, which established a dynamic which is still prevalent today. The Forest Service

lab applied for three waivers. One waiver related to regulations for printing business cards, a second to the cost limitations for holding meetings, and the third related to using Working Capital Funds to carry balances over fiscal years. Beyond these three points, however, they follow all the same rules and regulations as the agency.

Enterprisers promoted themselves as being more efficient. Every potential enterprise client is also an agency employee who may feel their work is under scrutiny and their job in jeopardy. In a climate of continuing downsizing and outsourcing, some employees grew fearful of being replaced by enterprisers¹⁰.

These attitudes reflected a cultural clash between traditional agency employees and enterprisers. As the program was rolled out, enterprisers nurtured relationships and tried with some success to counter such negative views. But no amount of nurturing could deflect official criticism directed toward the program. Pinchot and other veterans of the program refer to this phenomenon as the agency's immune system. The concept being that the program is so radically different from traditional hierarchy that it is recognized as a foreign entity and like a virus is attacked by other elements of the system.

Reviews and Reactions

There were many ups and downs in the early years of operation. Businesses began operating while the lab was still sorting out how to interface with the traditional agency regarding issues such as: human resources, equipment purchases, proper documentation for the transfer of funds from the client to the enterprise, and, most importantly, how to track financial information so that the enterprises had up-to-date financial data to guide business decisions.

In December 1998, a Financial and Operational Review conducted by James Turner of Pinchot and Associates revealed that enterprise owners had no information on their financial status. Financial statements had not yet been provided by the bank, nor had the owners access to transaction records. At about the same time, the Forest Service was undergoing wide-scale transition from one accounting system to another that resulted in confusion throughout the agency and a gap in reliable reports for up to two years for some departments. To simplify things in the Enterprise program, the lab decided that the bank would use the off-the-shelf software QuickBooks to prepare financial statements in order to meet the enterprises' need for

accurate and timely data.

As organizational expert Peter Senge has observed, "Today's problems come from yesterday's solutions."¹¹ As the program reached its third year, it was reviewed a number of times and strongly criticized for the inability for anyone in the bank or the enterprises to reconcile QuickBooks records to the Forest Service financial system, the Foundational Financial Information System (FFIS).

In fiscal year 2000, the Enterprise Program employed 80-100 of the agency's 34,000 employees and was responsible for \$12 million of the agency's \$3.4 billion dollar budget. Despite the relative smallness of the program, it has been analyzed repeatedly during the past ten years. Supporters of the program cited the reoccurring reviews as more evidence of an agency immune system. Official reviews included:

- Six Month Review, December 1999
- Washington Office Review, February 2000
- PriceWaterhouseCoopers Review, October 2000
- Human Resources Management Review, May 2000
- Office of Inspector General Review, June 2001

- Social Enterprises Strategy Group Review (Pandolfi Report), December 2004
- Washington Office Financial Policy Review, October 2004
- Deputy Chief, Business Operations Review (Pyron Review), June 2006

Each review revealed flaws in the program and recommended or even mandated solutions.

Among the most recurrent problems during the first

by program leaders and participants that it was full-cost recovery, that it was more efficient, and, especially, that it was emulating private sector wise business practices.

The three reviews completed in 2000 all cited financial issues. For example, the Washington Office review, completed in February 2000, documented that financial data in QuickBooks did not reconcile with agency reports of funds in the Working Capital Fund. The review also

its financial management department. While it is difficult to determine whether this provided any benefit over time, one thing that was certain was that the transition added even more chaos to the already confusing situation.

Along with criticism over its financial information the Enterprise Program received accolades. Customer surveys conducted for the Price Waterhouse Coopers (PWC) Report indicated a strong demand for products and services and a great deal of repeat business. PWC was actually the first reviewer to recommend program expansion. Their preferred option included expanding into additional regions and outsourcing financial management in order to address financial management problems which faced both the program and the agency at large.



As the Forest Service continues to downsize, Enterprise Units are increasingly being called on for assistance, especially in niches like interpretation, where there are few employees with planning and design skills. (Photo: Heritage Design)

six years was the lack of accurate financial data. While these financial issues had several interrelated causes — the challenges of inventing new processes, the struggle for enterprisers to interface with the existing financial infrastructure — this shortcoming did much to undermine the claims

cited that transaction codes necessary for the Enterprise Program to fully utilize the FFIS system had not been created. This was, however, something which was out of the control of the Lab or bank. In 2000, to address financial problems in Enterprise, the region placed the bank under

Retrenchment and Renewal

The reviews brought to light flaws within the system as well as providing documentation so clear that it could be viewed as a checklist of issues to address in order to strengthen the program. Nonetheless, it took several years to address all the issues.

Perhaps the biggest challenge at the program

level, however, was a complete turnover in the Reinvention Lab. In April 2001, Reinvention Lab Director Mike Duffy retired and was replaced by an acting director. The lab's other two employees—the accountant and administrator—departed shortly thereafter, leaving the program without permanent leadership for more than a year. Nonetheless, the enterprise units flourished. The acting director, Jeni Bradley, was herself an enterprise business leader. Her official tenure as acting director expired before the position was filled, but she continued to hold the position on a voluntary basis until a replacement arrived. Business leaders banded together during this time to create the Enterprise Unit Partnership. It signified their determination to remain successful, despite the lack of leadership or fluctuations in political climate. In the face of uncertainty and continued criticism, enterprises continued hiring employees, gaining new customers, and serving repeat customers. Most importantly, they increased their partnerships with each other—they teamed up to provide training to the agency, stronger units mentored weaker ones, and some units collaborated on projects which called upon multiple areas of expertise.

Laurie Fenwood, who had a resource management

background, was appointed Reinvention Lab Director in June 2002. She quickly hired Mary McDonald to be her fiscal manager. Whereas Duffy's era had been innovative and exciting, Fenwood inherited a program with a list of problems to fix. First and foremost, she did not know the financial position of the program. Fenwood and McDonald approached the list pragmatically and methodically, spending time getting to know each enterprise and evaluating the several reviews of the program.

In late 2003, McDonald and a team of administrative officers from Regions 5 and 3 (Southwestern Region) reviewed the financial reporting process. They determined the best way to provide the information was in the form of FFIS reports. The Lab then took over the reporting function from Region 5's Financial Management office.

In 2004, the lab conducted a program-wide reconciliation which encompassed seven years of data for each of the 19 units. It was a herculean undertaking spanning eighteen months. As corrections were made



Enterprise Units like Trails Unlimited offer their expertise in the form of on-the-job training while helping their clients accomplish their work. (Photo: Trails Unlimited)

during the process, some enterprise units saw their perceived cash positions increase, others a decrease. But in the end the reconciliation effort showed a stable set of numbers.

Enterprisers use their eye for efficiency of process not only to serve their customers, but also to grow a stronger program. In 2005, when the Forest Service centralized all budget and finance to the Albuquerque Service Center (ASC), the Reinvention Lab hired the Digital Visions enterprise to create a database that allows enterprises to interface online with

ASC in order to request and process accounting transactions. The database saves untold hours and provides instant records of transactions.

The Enterprise Program in 2007

In the first few months of fiscal year 2007, ten years after its creation, the Enterprise Program was made a permanent, national program. It was placed in the Washington Office under Hank Kashdan, the Deputy Chief for Business Operations. William Helin was appointed the director and the name "Reinvention Lab" was changed to "Enterprise Program Office." When asked about his vision for the newly national program, Chief Dale Bosworth responded, "Now that we've made the decision to go national with the program my expectation is that all units in the Forest Service will be aware of the Enterprise Program....They're Forest Service employees. They're mobile, they're skilled, [and] they know how to get the job done."

As of August 2007 there were 14 Enterprise units, down from a peak of 21, as seven units have disbanded over the tenure of the program. Two of the units disbanded because their offerings became obsolete in the face of agency-wide centralization of certain business processes. Five

were disbanded due to irreversible negative cash positions or an inability to show that they had a viable offering. During its first ten years the program grew from 25 employees to about 215 permanent staff. Collections for the units combined have climbed from \$200,000 to about \$27 million at the end of 2006. Merl Sturgeon, who had created TEAMS with the help of his family, operates the largest unit, with some 120 permanent employees. Enterprisers serve dozens of Forest Service customers per year while also working for other government agencies at the local, state, federal, and international levels. When asked if the program is a success, Gifford Pinchot answered, "The Enterprise [Program] is a glorious success. It was handicapped. It fought with one hand behind its back [against] accounting systems that didn't support it, human resource systems that didn't support it. And it is still delivering exceptional service [to] happy customers who love using the same Enterprise Teams over and over again. I'm not quite sure why people are still asking that question."

The Enterprise Program began as a response to dramatic budgetary changes coupled with the government wide call to reinvent the way business is done. The unconventional program was based on private

sector business practices such as full-cost recovery, competition, and customer service—equally dramatic responses, given the agency's history of zero-sum budgeting and its traditions. Entrepreneurial spirit, tempered by numerous reviews and often stern criticism, transformed the experiment into a viable, efficient alternative for conducting agency business. Proof of its viability came after ten years of operation, when the program was made a national resource.



About the Author

Toni Stafford is a program specialist in the Enterprise Program Office. Though the office is located in Washington, D.C., Toni telecommutes from her home in the Ozark Mountains in Arkansas. Telecommuting is permitted in accordance with Federal Management Regulation Bulletin 2006-B3 and is another example of how enterprisers strive to reduce operating expenses.

Toni would like to acknowledge the employees of the Enterprise Program for their hard work and perseverance in caring for the land and serving people.

To learn more about the Enterprise Program, phone Toni at 870-447-2203, or visit our Web site: www.fs.fed.us/enterprise

Endnotes

- ¹ Al Gore, *"The Best Kept Secrets in Government,"* National Performance Review, 1996.
- ² The Act required that the secretary of agriculture's reorganization proposals carry out the president's designation of the Forest Service as a Reinvention Lab pursuant to the National Performance Review. The proposals included: *"Reorganizing the Service consistent with the principles of interdisciplinary planning; redefining and consolidating the mission, roles, and research conducted by Service employees; reforming the Service's budget structure; defining new measures of accountability; achieving structural and organizational consolidations; sharing administrative resources with other Department units; increasing the percentage of Service employees retained at organizational levels below regional offices, research stations and the area office. The Secretary must submit a report to Congress by March 1995 describing actions to carry out this reorganization."* From: <http://ipl.unm.edu/cwl/fed-book/agreorg.html>, accessed 26 July 2006.
- ³ USDA Forest Service, *"Reinvention of the Forest Service: The Changes Begin"*, December 6, 1994, quoted in Anne Laurent, *Entrepreneurial Government: Bureaucrats as Business People*, Price Waterhouse Coopers Endowment for the Business of Government, May 2000.
- ⁴ National Federation of Federal Employees
- ⁵ Interview with author, April 7, 2006.
- ⁶ If an enterprise unit were to fail, the employees would be placed on the WRAPS list.
- ⁷ Interview with author, May 12, 2006.
- ⁸ Neither the federal government nor the enterprise program earns a profit. Enterprise is allowed to build up reserves in the Working Capital Fund as a means for investing in growth of the business or as a protection in case of lean times.
- ⁹ Quote from *Enterprisers and You: The Winning Combination*, a video produced by TEAMS Marketing Enterprise Unit, 2006.
- ¹⁰ During times of downsizing vacant positions often go unfilled. One staffing strategy employed by managers is to hire an enterprise unit to complete specific tasks. This is not a direct replacement of permanent staff by an enterpriser because enterprisers by nature serve multiple clients on multiple projects.
- ¹¹ Peter Senge, *The Fifth Discipline: The Art and Practice of the Learning Organization* (New York: Doubleday, 1990), 57.
- ¹² Price Waterhouse Coopers Report, October 2000.
- ¹³ Quote from *Enterprisers and You: The Winning Combination*, a video produced by TEAMS Marketing Enterprise Unit, 2006.
- ¹⁴ Interview with author, April 7, 2006.



Forest Service employees were accustomed to working on many kinds of teams, but the entrepreneurial aspect of the Enterprise Program required a paradigm shift for most government workers. Lessons learned through the enterprising experience—the program's focus on best practices, efficiency and fiscal accountability—may help set the agency's direction as the Enterprise Program enters its second decade and the Forest Service begins its second century. (Photo: TEAMS Planning)



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