

Government Accountability Committee – Monday Oct. 19, 2009  
Testifying for LCRCC

Lake Champlain Chamber of Commerce

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### Sustainability of Government

Good morning. I am John O'Kane and today I am providing information to your Committee on behalf of the Lake Champlain Regional Chamber of Commerce. I am a member of the Chamber's Board of Directors and Executive Committee, and serve on its Tax and Fiscal Responsibility Committee. A few weeks ago we testified to the Committee on Tax and Fiscal Policy, chaired by Bill Shubart, requesting that Committee's recommendations stress restraint in both taxes and government spending.

Today I will repeat and expand on some of that testimony to the Tax and Fiscal Policy Committee.

The unsustainable size of the state budget and the taxes it requires is the fundamental problem facing the State of Vermont. My observation is that discussions about the state budget, and taxes, are often based on a false premise.

We are given the choice of maintaining or increasing spending by raising taxes which are already among the highest in the nation. The only alternative is cutting vital services to Vermonters in need,. What we do not discuss enough is how we can reduce spending, target it better to priorities, and actually increase the effectiveness of state government.

I can hear you thinking "that's easy to say". But let me share some observations from a Vermont employer perspective about increasing effectiveness. I work for IBM and, as many of you know, we have had some difficult challenges over the last eight years.

By the middle of 2001, the IBM plant in Essex Jct. and Williston employed about 8,500 people, and there were at least a thousand other persons on site employed as vendors or suppliers. We produced advanced semiconductor products for IBM and other customers.

Currently that plant employs fewer than 5,000 employees. However, we process the same number of semiconductor wafers as we did in 2001. Furthermore,

today's products are more complex, have higher quality, and cost less to our customers.

IBM learned through hard economic challenges that with determination and perseverance, and the help of our employees, we could change the fundamentals of our business.

The challenges facing Vermont's state government require the same kind of focus and determination IBM used. The alternative of "working smarter" is attainable. Furthermore, it is by far a better choice for Vermont than to continue down a path of cutting personnel and vital services and waiting to see what falls apart first.

These are my recommendations:

A. Increase the productivity of state government and achieve economies by implementing existing productivity tools used with great success by the private sector. There are a variety of such management processes using different names. The best of these rely upon the skills and knowledge of the employees who perform the jobs. Among these tools are LEAN programs which Vermont has available through VMEC and which the state government could utilize.

For example, the LEAN process used by IBM begins by eliminating or redesigning the processes and activities which are not directly related to customer requirements. This allows employees to focus on the work which is most important. What happens to organizations over time is that tasks are added but few are ever taken away, even if the reason for adding the task no longer exists. The workforce swells in size to handle the increased burden and morale often suffers as employees question the rationale for their activities.

In applying a LEAN process to state government, the process would be enlisting the participation of the people who know the state's workload best, the state employees, and perform a systematic review of every task and operation in a function or department. Determine what that task does, who is served by the task, how it relates to the core missions of the department or function, and how to manage if that task is eliminated or modified.

I will tell you that in IBM's case, there were many tens, if not hundreds, of steps we were able to take out of our processes. This reduced the time required to perform tasks, reduced cost, and actually improved employee morale as employees had more control over how their jobs were performed and understood how their work fitted into "the big picture".

The proven success of process simplification management in manufacturing led IBM to perform similar reviews in other areas as diverse as Research and Development, Product Design, Supply Chain Management and some

administrative processes. We found that, with some modifications, this analysis produced results in these areas as well. In other Vermont companies there have been similar stories. It could happen in state government.

This is not “pie in the sky”, it is real and it works. I encourage this Committee to recommend that state government broadly implement management techniques which systematically improve work flow and results.

B. Second, the state must make much better use of Information Technology. Lip service has been paid to this issue but there continues to be a lack of a centralized IT management with the authority to implement consolidations and simplifications. Vermont must stop the redundancy and waste of having separate agencies having separate IT systems which do not communicate or share information. Services to the public, such as streamlined permitting and environmental regulation, will never be optimized without centralized and consistent information practices. Vermont is in the “dark ages” in this regard. One solution which other states are using is having a vendor perform IT operations and be responsible for upgrading and improving the efficiency of state IT operations. This can produce very substantial savings.

C. Third, focus on what are truly core functions of government. When I speak to Commissioners and Secretaries of some agencies, I learn that large amounts of the state’s spending is really “pass troughs” of funds to various private or non-profit agencies which perform tasks which someone once decided were desirable. In the times we face, “nice to do” can’t cut it. We have to look at sustaining the “have to do” functions. If the public is not willing to fund a “nice to do” function through philanthropy, it is likely they don’t view it as being that important.

D. Finally, when staffing changes are made in state government, they must be thoughtful and targeted. Across the board cuts, or eliminating functions of government based on who retires or leaves, is not responsible management. If a function is understaffed for a service we require and can afford, it must receive appropriate resources. We must match peoples’ capabilities with job requirements and staff necessary jobs with people appropriately compensated for their skills. We should look more broadly at the economies and productivity of using private sector solutions when feasible and appropriate. Such considerations should be a key part of the upcoming labor negotiations with state employees.

The challenge facing your Committee, and the challenge facing State government, is not insurmountable. We are at that place in time where crisis becomes the opportunity to shape a better future for our state. I hope your recommendations are much more than prescriptions for how we can “muddle through” and wait for economic recovery. We need to build a better, more

efficient and more productive state government by setting a new direction for our future.

Thank you.