

Understanding and Applying Innovation Strategies in the Public Sector

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I. On Public Management Innovation

This paper seeks to identify strategies for bringing innovation into public sector organizations, and develop some ideas about how and when to deploy these strategies. We discuss management innovation conceptually, and then discuss some specific techniques of management innovation now being experimented within the public sector. These techniques include: Strategic planning, reengineering, total quality management, benchmarking, team management and privatization.

This is not an exhaustive list of innovation techniques but rather a set of the most common innovation techniques now used in the public sector. While we will address each technique separately, in the real world they tend to be used in combination and in no way should be seen as mutually exclusive. In fact, a major assumption of this paper is that despite the presence of consultants and others who advocate one technique as the "right" one to follow, effective management innovation requires a blending and tailoring of a variety of innovation techniques to an organization's unique culture and environment.

II. The Concept of Public Sector Management Innovation

For us, public sector management innovation can be best defined as the development of new policy designs and new standard operating procedures by public organizations to address public policy problems. It is important to note that we are dealing with both the design and the management of policies and programs. Bureaucracy was created to provide stable, to use Kaufman's classic formulation, preformed decisions, to specific relatively stable phenomena and stimuli. These standard operating procedures were to be long-standing and unchanging. As we enter the 21st century we see our society and economy rapidly changing in response to new technologies that have facilitated greater exchange and economic and social interdependency. This accelerated rate of change has challenged the traditional bureaucratic form of organization to develop new methods for rapidly modifying organizational

strategies and the SOPs designed to implement those strategies. Public sector organizations are being challenged to learn to embrace constant change.

Studies of successful public management innovation have discussed the nature of change processes in the public sector. Olivia Golden (1990) studied innovation in public sector human service organizations and "the implications of innovation by groping along." Golden studied the winners of the 1986 Ford Foundation Awards program for innovation in public management and tests the use of two models of innovation in the public sector:

THE POLICY PLANNING MODEL: The emphasis in this model is on innovation through creative policy design. In this formulation, innovation is the task performed by policy analysts while line bureaucrats oppose innovation as they defend their traditional standard operating procedures.

THE GROPING ALONG MODEL: The emphasis in this model is on field-level experimentation with new ideas. According to Golden:

"We cannot know ahead of time what the results of our ideas will be, because the complexities of the real world cannot be anticipated and because ideas divorced from rich operational experience are so general that they are likely to be systematically wrong. Because we cannot know the results of our ideas, we need to try them out in action and learn from experience; based on that learning we may need to modify not only our actions but also the policy idea and the ordinal objectives." (p. 226).

Bryna Sanger and Martin Levin build on Golden's analysis in their study of more than 25 successful innovations. They conclude that public management innovation is rarely characterized by revolutionary breakthroughs. It typically involves rearranging old practices in new ways. Rational analysis of options before implementation seems to be less useful in organizational learning than evaluations of programs already underway.

Both of these studies indicate that innovative programs and more effective program outcomes seem to be a function of a spirit of experimentation and a willingness to rapidly adopt and discard practices in the face of evidence about the effectiveness of those practices. While these studies do not distinguish the design of organizational routines from the design of programs and policies, we believe that their finding is equally applicable to both.

The supposed failure of various organizational reform efforts is frequently a result of attempts to quickly and uniformly apply an organizational reform methodology throughout an organization. Rather than seeing these methods as instruments of incremental organizational reform, senior management and their high-priced consultants see these ideas as all encompassing organizational ideologies. They are over-sold and misapplied and often fail for those reasons.

Successful innovation is often incremental and small scale because the factors conditioning the success of innovative practices vary according to the organization's internal capacity, external environment and

goals or mission. Each organization is different and faces varied situations at particular points in time. The techniques required to promote organizational innovation must therefore be situationally determined. Furthermore, the stability of the organization's environment changes over time, requiring varied degrees of innovation. Finally, the internal social structure and capacity of an organization to support and carry out changed standard operating procedures will also vary. In other words: "one size does not fit all".

In our own efforts to adapt TQM to specific government situations we developed a **project-oriented** approach to TQM (Cohen and Eimicke: 1994) . It represents an explicit recognition that the specific shape that TQM should take will vary in each and every work situation. The general principles of TQM could be taught in two or three hours, but the actual application would evolve over time in individual organizational units.

Our TQM work taught us several other things about bringing innovative practices into organizations. First, TQM alone, was not a sufficient approach to making organizations agile, and effective in rapidly changing conditions. If the organization's overall strategy was faulty, or its basic agency-wide systems were in massive disrepair-- for example, a personnel system that prevented hiring and retaining quality staff-- TQM would have the same effect as rearranging deck chairs on the Titanic. Through TQM we might have designed an effective practice for posting jobs or providing promotional opportunities, but if no one gets hired or promoted because the overall system is flawed, our newly designed processes will have no real impact on the organization's performance. An example of the type of system failure we are describing might be a hiring process with so many approval steps that excellent candidates attracted through a newly redesigned posting and advertising process take jobs with other organizations because of delays in getting hired.

Our TQM experiences started us thinking about how and when to utilize other reform strategies:

Under what conditions is our imagination dry and our need to benchmark other organizational practices acute?

When should we accept the high organizational cost of top-down, large-scale system reengineering?

When should we substitute a contractor's work for our own?

When has the organization's environment changed sufficiently to warrant a revision of the organization's mission, focus and strategy?

To what degree should team processes replace individual assignments?

These questions led us to develop an overall framework for management innovation techniques that delineates their characteristics as techniques of change and assesses their utility in specific situations.

III. What is the Purpose of Management Innovation: What Are We Trying To Change?

The first issue we face is: What aspect of the organization are we trying to change? The answer to this question can lead to the use of a particular innovation technique, or a sequence of techniques.

The first step in addressing this question is to identify the potential arenas of organizational change. In our view there are three arenas, each calling for different organizational change techniques:

External: The arena that comprises the organization's environment. Issues addressed here include the organization's mission, resource base, market niche, and political support/opposition.

Macro-Internal: The arena of organizational behavior dealing with large-scale, organization-wide systems and infrastructure that supports the activities of individual organizational units. This will include the organization's budget, purchasing, personnel, information, security, and communication systems as well as other similar support systems and structures.

Micro-Internal: The arena of organizational behavior that takes place within individual organizational units as standard operating procedures are developed, implemented and analyzed.

An organization can have needs in all three arenas, and every technique discussed can have some utility in each arena, but different techniques tend to have greater usefulness in particular arenas. For example, strategic planning is the best method for dealing with issues that appear in the external arena. Reengineering is well suited for some macro-internal issues, and total quality management is an excellent method for addressing issues in the micro-internal arena.

IV. Techniques of Management Innovation

To effectively apply innovation techniques, we need a shared definition of each technique. This section of the paper describes and assesses a select group of management innovation techniques. As noted earlier, we will focus on strategic planning, reengineering, total quality management, benchmarking, team management and privatization. We will define the technique, describe how it works, and discuss the typical benefits or impacts and costs of using these techniques

1. STRATEGIC PLANNING

DEFINITION:

James Mercer, in his Strategic Planning for Public Managers observed that: "At least three decades ago Peter Drucker defined planning as actions taken right now to reach tomorrow's objectives. His definition still holds; planning means deciding what has to be done to prepare a given organization for the future." (p. 17) C.W. Hoffer and D. Schendel define strategy as the basic pattern of current and planned resource deployments and environmental interactions that indicate how the organization will achieve its

objectives. In The New Effective Public Manager (Cohen and Eimicke: 1995) we observe that:

"A strategy attempts to delineate the resources that will be used to pay for specific activities designed to accomplish specific objectives. Strategy formulation begins with the identification of objectives and the determination of methods for reaching objectives. These objectives and activities are then scaled to fit within resource constraints. Each element of a strategy (objectives, activities and resources) is constrained by political, social, economic and environmental variables. The objectives and activities of public organizations are constrained by the formal authority provided by statute." (p. 196)

HOW IT WORKS:

A strategic planning exercise typically involves an organization wide initiative to reformulate goals and develop new methods of achieving those goals. At a minimum, managers from key organizational units are involved in the process. Sometimes participation is broader, involving staff from throughout the organization.

New information about the organization's environment is presented and assessed regarding its impact on the organization's goals and activities. Meetings are held to stimulate the creation of new approaches to the organization's mission and work. An inventory of the organization's capabilities and needs is also conducted to determine the organization's capacity to implement the new strategy.

BENEFITS:

Strategic planning gives the organization a chance to look at itself comprehensively, in the light of new information. When it is developed by a new management team, it provides that team with an opportunity to form a cohesive identity. When it is developed by a chief executive, independently, it provides that executive with a medium to express and define his or her leadership. When a strategy is developed with broader participation it can be used to create a sense of shared mission and values, and can be used as a political tool to develop support for organizational change. In the public sector, an organizational strategy can prevent an agency from being taken in rapidly shifting directions by the political mantra of the moment.

COSTS:

A high-quality strategic planning process requires significant expenditures of management time and analytic resources. If the analysis is not done well, the organization may misread its environment, or misjudge its own capability. While organizational change tends to be incremental, some strategic planning exercises assume that organizations are capable of massive, rapid change.

In the public sector, an organizational strategy can create political difficulties because it not only indicates what an organization is planning to do, it requires explicit trade-off decisions about what an organization will not do. This can stimulate political opposition to the organization, and stimulate

publics and interest groups that previously were unaware that of the organization's plans.

2. REENGINEERING

DEFINITION:

Reengineering is "the fundamental rethinking and radical redesign of business processes to bring about dramatic improvements in performance," according to Michael Hammer and James Champy, authors of Reengineering the Corporation: Manifesto for Business Revolution, the 1993 book that popularized this innovation strategy (Hammer & Champy, 1993, p. 32). The authors emphasize key words, particularly "fundamental", "radical", "dramatic", and "processes". They stress "starting over" and "clean sheet of paper" as the reengineering way of thinking.

The authors also focus on what reengineering "is not":

It is not downsizing;

It is not restructuring;

It is not a fad; and,

It is not more of the same.

Reengineering has also become very popular. Two million copies of the original book are in circulation and the two authors have each written sequels. According to Michael Hammer, reengineering consulting fees exceeded \$7 billion in 1994 alone, driving \$30 billion in related corporate investments (Hammer, 1995, p. xi).

HOW IT WORKS:

Perhaps to provide the maximum opportunity for consulting arrangements, none of the three books by the creators of the reengineering movement are very specific about how a reengineering project should be conducted, step by step. Hammer and Champy are clear that the larger the scale of the project, the higher the probability of success. They are also clear that reengineering is a top-down strategy, requiring strong and visible commitment from the CEO and communication/enforcement of that commitment down the organizational hierarchy.

In general terms, reengineering begins with the appointment of a "process owner" by the CEO. The process leader then convenes a reengineering team, who will reengineer the process under review, with the assistance of an internal reengineering "czar" and a hired, expert reengineering consultant. A reengineering steering committee can also be established to provide a sounding board. Once the team has been assembled and all the aforementioned roles officially designated, the process can begin.

While each reengineering effort is in many respects unique, common steps include:

1. Map the current process;
2. Identify the steps that add value;
3. Eliminate the steps that don't add value;
4. Use a triage mentality, emphasizing speed, quick turnarounds, prompt service and a single point of contact for customers and suppliers; and,
5. Reengineer first, then bring in automation and new information systems technology.

As reengineering has been applied to government, some uniquely public concerns must be accommodated. Also, the realities of public organizational behavior have led to some modifications of the process. To begin with, government organizations must balance the constitutional requirement of due process in striving to meet consumer demands for prompt service. And while public organizations seek to include customers in reengineering of public service delivery systems, they must remain attentive to the dangers of conflicts of interest and abuses of the public trust.

In his very instructive, "A Guide to Reengineering Government", Russell Linden suggests seven principles to guide reengineering in the public sector:

1. Organize around outcomes, not functions;
2. Substitute parallel for sequential processes;
3. Bring downstream information upstream;
4. Capture information once, at the source;
5. Provide a single point of contact for customers and suppliers whenever possible;
6. Ensure continuous flow of the main process; and,
7. First reengineer, then automate.

It is our observation that where reengineering in the private sector virtually always occurs within the same organizational framework, government reengineering often involves the transfer of the process being changed from its current organization to a different, existing agency or, more often, for it to be

reestablished as a free-standing, new agency. While many re-organizations are more symbolic than real, very often the creation of a new public sector organization is used as a way to reengineer a set of basic organizational processes.

BENEFITS:

Hammer and Champy, together and separately, cite a long list of testimonial case studies to document the efficacy of reengineering, including IBM, Ford, Kodak, Hallmark, Taco Bell, Capital Holding and Bell Atlantic. Reengineering proponents identify increased productivity, growth, employee empowerment, higher morale, lower overhead and improved customer service as benefits of the process. Its advocates also maintain that reengineering enables organizations to adapt to meet the needs of customers and the demands of competition and change. They argue it recognizes the permanence of change and constructs a model of supportive competitiveness and growth with service. Moreover, it refocuses the organization on its vision and purpose.

COSTS:

Reengineering is a high cost and high risk strategy. Expensive outside consultant fees are only the beginning. The fear and subsequent dislocation caused by "blank sheet" analysis disrupts both efficient existing processes as well as those in need of immediate improvement. The organization's functioning during the transition period is disrupted and slowed.

Despite the denials of its true believers, reengineering has become a cover for large scale downsizings and purging of analysts and middle managers. As a bi-product, many of the organization's best people (who the organization does not want to lose) leave before the expected blood-letting starts. And, while supporters also claim it is "not restructuring", the costly and time-consuming process of shuffling the organizational boxes often accompanies the reengineering exercise, particularly in the public sector.

Reengineering's laudable emphasis on holism and seamlessness is also a limiting factor. Putting everything on the table can be daunting and can raise opposition from every corner of the organization. Moreover, while competition and change, technological and otherwise, march forward daily, a reengineering revolution takes about a year to accomplish. And, is it feasible, in any organization, to have annual revolution?

In the public sector, government operations are generally not disciplined by competitive markets. Ideally, public sector reengineering would be accomplished through consensus and universal participation. But, the non-stop public and media pressure to cut the cost and size of government just about guarantees that public sector reengineering becomes a closed, pre-destined downsizing exercise.

Radical redesign in the public sector is also severely constrained by partisan differences regarding government's mission, short-run considerations driven by the next election, legislative mandates, policy differences between the legislative and executive branches, civil service restrictions, and the opposition

of public employee unions. Nor are the resources often available in the public sector for reengineering consultants or the equipment and information technology needed to implement the recommended process changes. Finally, a great deal of cynicism has built up in public sector bureaucracies about the next innovation "silver bullet". Long term middle managers have seen PPBS, Zero-based Budgeting, MBO, TQM and Reinvention directives come and go with the next election or change of commissioner. Protected by civil service, many of these middle and higher public sector managers will wait out or even clandestinely sabotage the reengineering effort. That is why we believe that the transfer of the process to be reengineered, either to an existing, or an entirely new agency is the most likely way for reengineering to succeed in the public sector.

3. TQM

DEFINITION:

Total Quality Management can be reduced to three central elements (Cohen and Brand: 1993):

1. Collaboration with suppliers to ensure that the supplies utilized in work processes are well designed and fit for use.
2. Continuous employee analysis of work processes to improve their functioning and reduce process variation.
3. Close communication with customers to identify and understand what they want and how they define quality.

HOW IT WORKS:

We have developed a government-oriented adaptation of TQM that we call project-oriented TQM. It includes the following elements:

1. A focus on production in the field.

Management and workers should focus their attention on the process of producing goods and services. Understanding exactly what happens when work is performed is an essential element of TQM. Quality can only be improved once management and workers have completed a step-by-step description and analysis of the work process.

2. Worker participation.

In order to increase the level of attention paid to production, management must depend on workers to analyze and suggest improvements to work processes. Since workers perform these tasks, only they have access to all the information about how work gets done. If management does not obtain this information,

it is very difficult to improve quality.

3. Communication with customers and suppliers.

In order to improve quality, a worker must have supplies that are well designed and fit for use. Supplies can include computer equipment, forms, or directions from a supervisor. If quality is to be improved, suppliers must learn how to tailor their supplies to the needs of particular production processes. Similarly, in order to determine what customers want and how customers define quality, an organization must constantly be learning their customers' preferences.

4. Rapid changes in standard operating procedures and constant training.

TQM requires that organizations constantly analyze and change work processes. Continuous improvement requires continuous modification of standard operating procedures and the communication of those new processes throughout the organization.

5. Small-scale projects at the beginning.

To teach workers how to communicate with suppliers and customers and analyze their own work processes it is best to start with small, easy-to-understand aspects of the organization's daily work. This builds a record of visible accomplishments quickly and avoids misinterpreting boundary disputes as TQM failures.

6. Eventual invisibility.

After a few years TQM is simply "the way we work around here."

7. Utilizing existing departmental procedures and structures as a foundation. Reinforce the importance of TQM through routine management processes. Avoid establishing separate quality organizations to implement quality improvement projects.

BENEFITS:

TQM can enable an organization to tap into knowledge about work processes possessed only by workers. It can empower staff to think and can enhance morale. It can result in higher quality and lower cost production as work steps are rationalized and supplies are improved. It can provide a means for bringing customer preferences into an organization, increasing the organization's ability to deliver what their customers want.

COSTS:

If the organization's overall strategy is faulty, TQM will have the effect of improving production of the wrong thing. Furthermore, if standard private sector TQM is applied unmodified in government, too much will be tried too soon and the effort will probably fail. Project-oriented TQM is public-sector oriented and recognizes the fact that government organizations are characterized by independent power bases. The leaders of these powerful independent units must be recruited to TQM. They cannot be forced to comply. If these middle managers do not support TQM, they will simply wait out the transitory elected and appointed officials championing the initiative and kill it at the first opportunity. Because it is so difficult to fire these managers, they cannot be swept aside by the top-level leadership as called for by Deming in his version of TQM.

Another cost of TQM in the public sector has to do with the difficulty of reconciling the claims of competing or contradictory customer demands. Unlike the private sector, the government cannot simply decide it only intends to serve a market niche. Furthermore, sometimes the people who supply the resources for a service are not the direct users of the service. This means you will have one set of customers paying and another set of customers receiving a particular service. For example, "taxpayers" pay for welfare programs but welfare recipients (who may or may not be taxpayers) actually use welfare services.

4. BENCHMARKING

DEFINITION:

Benchmarking involves finding, adapting and implementing best practices. Bruder and Grey define it as "a rigorous yet practical process for measuring your organization's performance and processes against those of best-in-class organizations, both public and private, and then using this analysis to improve services, operations and cost position dramatically." (Bruder and Grey, 1994; p. S-9). R.J. Fischer defines benchmarking in performance measurement terms: "Through a series of performance measures--standards known as "benchmarks"--a person can identify the best in a class among those doing a particular task. Then, the best practices are analyzed and adapted for use by others wanting to improve their own way of doing things." (Fischer, 1994; p. S-3)

HOW IT WORKS:

Benchmarking as a stand alone management strategy is a relatively new and evolving set of techniques. Its roots go back to performance measurement, including the ICMA ground-breaking efforts to measure municipal activities in 1938, through Deming and his followers, the Hoover Commissions, and PPBS. In its current form, Bruder and Grey (1994; pp. S-9-S-14) have set out the most detailed agenda, the following seven step protocol:

1. Determine which function will benefit most from benchmarking;
2. Identify key cost, quality and efficiency measures for those functions;

3. Conduct an expert opinion survey and literature review to find the best in class organization for each measure;
4. Measure the best in class performance in the key areas identified;
5. Compare your organization's performance against the best in class and quantify the gap;
6. Specify actions to close the performance gap to best in class and, if possible, the steps necessary to "leap-frog" the current industry leader; and,
7. Implement those actions and monitor your performance.

BENEFITS:

By continuously seeking to identify the best-in-class and duplicate or surpass their performance, an organization can embed in its culture and behavior a strong spirit of competitiveness, pride, confidence, energy and striving for improvement. Benchmarking is also a relatively low tech, low cost and quick response technique that almost any organization can adopt. Benchmarking also seems to be common sense and is easily understood by managers, workers, suppliers, customers, the general public and the media.

COSTS:

Benchmarking can easily become bogged down in performance measurement and lose sight of the real objective of performance improvement. This is particularly significant as measuring the performance of organizations, particularly public organizations with multiple goals, is often a very difficult task. As Fischer suggests--no data are ever perfect; small differences should not be considered overly meaningful; and comparisons with competitors should be used to find red flags. (Fischer, 1994; p. S-5). Sometimes, significant factors may be too difficult or even impossible to quantify (eg., spirit, energy or attitude).

Benchmarking can lead to limits on creativity by focusing on copying what already has been achieved, instead of encouraging "out of the box" thinking and looking for quantum break-throughs. And it can become a ceiling on achievement in a given field. It can also lead to blind attempts to imitate when more careful analysis would relieve cultural, temporal, geographic or other characteristics that limit the replicability of the selected benchmark.

Finally, the cost of benchmarking is seldom noted in the literature or considered in the field. Research takes time, energy and resources. The more extensive the benchmarking effort, the more likely it is to consume the organization's innovative capacity. Taken to an extreme and combined with a complex performance measurement system to establish baselines, benchmarking can begin to negatively affect

the quality and quantity of services delivered.

5. TEAM MANAGEMENT

DEFINITION:

In a workplace context, a team is a group of people pooling their skills, talents and knowledge in a mutually supportive effort to complete a project, reach a goal or solve a problem. Or, a team can be defined as a group of people drawn from different disciplines, who work together on a permanent basis to carry out critical organizational tasks. Similarly, in their very successful, The Wisdom of Teams: Creating the High-Performance Organization, Jon Katzenbach and Douglas Smith define teams as "a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they hold themselves mutually accountable." (Katzenbach and Smith, 1993; p. 45)

In modern organizations, project teams are rapidly becoming the primary mechanisms for innovation and change. The team focus can have a dramatic impact on the roles of managers and subordinates and on the functioning of an organization. The team focus can shift an organization from managing by control to managing by commitment. It can change the institution's emphasis from individual motivation and output to team motivation and output; from traditional functions of organizing, staffing, and evaluating to coaching and facilitating.

HOW IT WORKS:

Teams are typically comprised of five to seven members, with one member selected by senior management to serve as the team leader. Teams are often created to complete a specific project or goal or to perform a significant on-going function. The creation of a team is generally an indication from senior management that the work of the team is an organizational priority. Teams are usually organized as standing teams, project teams or crisis teams.

Standing Teams- Certain projects, types of projects, customers or issues frequently recur within an organization. Standing teams can deal with issues that resurface seasonally or with issues for which a group of specialists is the most effective response. Unlike project teams, standing teams extend beyond the scope of any one project and can be characterized as a permanent part of the organization.

Project teams- Assembled for a specific assignment, this is the most common type of team and is typical in consulting organizations. The appropriate mix of specialists from across the permanent organization are brought together to accomplish a project with clearly defined goals and deadlines. Once the project is accomplished, the team members return to their home base or join another team directed at a different set of objectives. A typical project for such a team might be the installation of a new computer system, relocating the office or setting up a new program.

Crisis Teams- The nature of a crisis team is obvious from its name. The typical governmental organization rocks from side to side as a herd of staffers run from crisis to crisis identified by headquarters, the White House, Congress or the media. Crisis teams can be used to mitigate the constant disruption of the agency's regular work (which can later become a crisis when it doesn't get done). Crisis teams can be organized as project teams, assembling a new team of experts to deal with a specific crisis or the standing team concept, a on-going swat team could be used. Generally, these projects would be very high profile and selection for participation on a crisis team should be accorded the proper organizational prestige.

Clear ground rules are essential to team success. Team members must understand the work they are to accomplish. There should also be a formal reporting structure and schedule for teams to input their activities into the organization's management structure. There should also be regular, formal feedback to the team from management on their activities and a method of evaluating team performance and the contribution of each team member to that overall performance.

Ground rules for each team should be established, in writing. Among the issues covered should be a process for assigning work, methods for reviewing work, the role of the team leader, an evaluation process for team and individual performance, and procedures for resolving conflicts between the team and other organizational units.

Some organizations execute an annual "contract" detailing the specific deliverables that the team is expected to produce over the course of the year. It is particularly important that staff be provided with increased levels of specificity and certainty in their communication with management since the volume of communication will necessarily be reduced under the new management structure.

Clear goals, clear roles, constant and open communication, a plan of action and well established ground rules are essential. In addition, training in beneficial team behaviors and constructive feedback, balanced participation, informality, listening, civilized disagreement, knowledge of group behavior, self-assessment, style diversity, and well defined decision-making processes all contribute to a successful team.

BENEFITS:

A team approach to the accomplishment of work assignments has been common in many cultures for hundreds of years. Large multi-national corporations have been using the team approach for a growing percentage of their work since the beginning of the decade. The team approach is prominent and credited with much of the success at leading corporations such as Motorola, Ford, 3M and General Electric.

Teams perform well because they bring together people with complementary skills and experiences that exceed the capacity of any one of the members or of the members collectively but working independently. The broad base of teams enables them to respond well to a wide variety of challenges from customers, change and technological innovation.

Second, the communication skills and network that successful teams develop creates a capacity to respond quickly and flexibly to new problems and a changing environment. Individuals seldom have the resources in time, skills and attitude to adapt to change or new obstacles as rapidly or effectively.

Teams also facilitate the breaking down of barriers between genders, age groups, races, ethnic groups and geographic biases. With such barriers reduced, an environment of greater trust and mutual confidence develops, as well as a stronger commitment to organizational goals.

Finally, advocates argue that teams have more fun. This kind of fun is important because it comes out of meeting and working together to solve important organizational problems or in striving to meet organizational goals. Teams work long, hard and well in part because the members enjoy the process of collaboration and achievement. They often celebrate their successes and discuss their failures together, which reinforces the social and positive work aspects of the team experience. Katzenbach and Smith cite the phenomenon of being part of something greater than just yourself. (Katzenbach & Smith, 1993; p. 19).

COSTS:

A lack of conviction from management can communicate to the organization's members that work in teams is not serious business but more of a human resources, spirit-building exercise. This will reinforce the prejudice of some that individual performance is the only thing that counts and that work in teams just wastes time in meetings and talking when real work could be getting done. In such circumstances, time spent in teams will be wasted time.

Except for athletes, most of our formative experiences in school and social organizations reinforce individual work and evaluation. It is not surprising then, that many people feel at risk and uncomfortable when the team structure is introduced into their work setting.

The problem becomes extreme when the performance evaluation system and compensation systems are not modified and therefore reward only individual achievement. Most members receive the clear signal that work in teams is not important. This reward problem is compounded when promotions are tied to progress up the supervisory ladder of the traditional bureaucracy. In such circumstances, expending time and energy in team settings is at best a waste and could even damage your prospects for a future in management.

Teams inevitably face obstacles which, if not overcome, can waste the organization's resources, hamper morale and ultimately lead to the organization's demise. To prepare individuals for effective team performance, initial training and on-going access to help and advice is critical. Internal or hired consultants are used but in either case, there is an on-going expense involved.

It is even more expensive but as important to revise the organization's performance evaluation and

compensation system to reflect and reward performance in team settings. Career ladders must be created to make sure that talented employees do not come to view team assignments as a career dead-end. There also must be clear guidelines regarding next assignments when a team completes its work and is disbanded.

Finally, moving to team management is a reorganization and thereby includes the dislocation and expense of a more traditional organization. Some will resist the change and others will seek to undermine it. Job descriptions, career ladders, evaluation systems and often office configurations will need to be revised. And, there is always the danger that the performance improvements anticipated by management will not meet expectations, and the costs of another reorganization will follow.

6. PRIVATIZATION

DEFINITION:

Utilizing private, or non-governmental organizations in the implementation of public policy, often replacing direct government provision of particular programs or services.

HOW IT WORKS:

Privatization takes four different forms. The first is contracting out functions that government agencies used to implement with their own staff. Management control is still retained by government, and the option of ending a contract and resuming direct government control is retained. The second form of privatization involves turning over a government-run enterprise such as a phone system to the private sector, by selling government assets and monopolies to private firms. The third form of privatization is a public-private partnership, where government and the private sector work jointly, with clearly defined roles, on a public purpose. New York City's Business Improvement Districts are an example of such a partnership. Under this model, the businesses located within a specific geographic area vote to create an organization to provide additional services such as security, clean-up, maintenance and marketing and in return they agree to levy a tax assessment on themselves. The city collects these fees as part of the normal taxation process and returns the fees to the Business Improvement District organization. The fourth form of privatization is public policy designed to encourage private behavior. This type of leveraging public resources to encourage private activity typically involves tax policy such as targeted credits or deductions, or deregulation. Federal home mortgage insurance and subsidized flood insurance are examples of this leverage approach.

BENEFITS:

The issue of privatization often appears along with a great deal of ideological baggage about the relative value and competence of the government and the private sector. Many of its most ardent supporters believe that smaller government is a benefit in and of itself. We believe that the decision to privatize should be analyzed without a preconceived notion that it is the better way until proved otherwise. In our

view, the chief benefit of privatization is that it opens up the possibility of competition in the performance of a public function. This is not to say that competition is a cure all. There are some instances when competition is not possible or desirable. However, in many cases higher quality, less expensive services and programs can be delivered when organizations compete for the business and customer choice can be maximized.

Another benefit of privatization is that it facilitates organizational differentiation and focus. It allows governmental policymakers the freedom to achieve the Osborne and Gaebler dictum to steer rather than row. It enables public managers to focus on policy design and program evaluation, and allow others to worry about the direct administration of governmental programs.

COSTS:

The principal costs of privatization stem from the loss of direct control over program administration. The production of goods and services needed to implement public policy is no longer in the hands of government. If one private entity develops monopoly control of a service, or dominates that industry and holds a quasi-monopoly, government's ability to influence program implementation may be compromised. The skills and knowledge gained through administration belong to the private firm and not the government. Government may come to lack the technical expertise or knowledge base to effectively manage their private partners.

Conceptually program implementation and policy formulation are interconnected. Policy design must account for organizational capacity. Effective program implementation requires a knowledge of administrative issues and the ability to influence administrative behavior. A reduced understanding of administrative issues and reduced leverage over implementation behaviors is a cost of privatization.

V. Integrating and Using Techniques of Public Management Innovation

In our view, all organizational innovation must begin with a strategy. Without organizational consensus on its mission and a road map for achieving its key objectives, better management has no meaning. A more efficient or economical method of producing a product or service few people desire is hardly worth the effort. So, for us, all management innovation initiatives must begin with **strategic planning**. With the organization's mission and key objectives articulated and agreed upon, the most effective method(s) to achieve them can then be selected.

Reengineering is a macro-internal strategy that is both comprehensive and expensive. It implies that the organization is still a viable vehicle to achieve its objectives but it needs a radical restructuring of its methods. Reengineering has worked well in both the public and private sectors but it is a high-risk option, requiring strong leadership at the top, extensive resources and the time to succeed. To us, it is inconceivable that an organization would go forward with a reengineering project without first engaging in a serious, thoughtful **strategic planning** process.

In addition, some of the costs of reengineering could be mitigated by combining and/or setting the organizational stage with some of the other innovation techniques we have discussed. The fear of reengineering, particularly due to its top-down philosophy and association with downsizing could be offset by ensuring the maximum feasible participation of the staff in the planning stage. A **benchmarking** exercise, involving a wide array of organizational units could identify successful reengineering programs not requiring massive downsizing and in the process help create staff buy-in to the effort.

We also believe that mature **TQM** organizations are better prepared for a reengineering effort with several years of staff involvement in analyzing their work, thinking in a continuous improvement mode and seeing work as a continuum from supplier through the organization to customers. A level of trust and cooperation between management and workers that evolves from a successful TQM effort would help enormously in achieving support for the reengineering effort.

It has become very popular to criticize **TQM** in the US recently. The supposed "failures" of TQM are often the failures of half-hearted whistle and bell consultant exercises that are not integrated into the regular work organization or are the inadvertent prelude to a massive downsizing initiative. We have seen and participated in successful TQM initiatives in organizations large and small, public and private, growing and stable. But as we have discussed, TQM has a greater chance of getting off to a successful start if it is project-based.

TQM provides an excellent foundation for other innovation strategies, as it can and should invite participation from all levels of the organization, encourages every member of the organization to think about their work in the context of continuous improvement and establishes the framework of supplier-organization-customer. While TQM can move an organization forward, if an organization's basic systems are inadequate, the TQM improvements will tend to "bounce against" those ineffective systems. It is at this point and in this way that TQM helps identify fruitful targets for **reengineering**.

Benchmarking should be a part of any effort to innovate within an organization. It is useful in strategic planning, TQM, reengineering and even privatization. As each organization establishes its own innovation plan of action, it is usually instructive to learn how other organizations have approached changing similar processes (**TQM**) or systems (**Reengineering**). It is also helpful in defining your mission or in setting objectives to know how similar organizations have completed that exercise. Or to bring team management into your shop, wouldn't you want to know how the organization's noted for their effective teams has made their system work?

Benchmarking can also stimulate imaginative thinking. It can help overcome the skepticism, particularly in government organizations, that the innovation strategy beginning planned is just another management "fad" by presenting concrete models of success. But benchmarking without a management strategy to implement the desired innovation/ improvement is a meaningless and wasteful exercise.

Team management can be a stand alone innovation technique that can help facilitate cooperation and

coordination among organizational members, cope with downsizing and/or help flatten the organizational hierarchy. It reflects Drucker's observation that most organizations are increasingly populated by highly educated, highly skilled knowledge workers who are capable and more interested in working together to achieve shared objectives than being told what to do. Team management is also an essential component of any successful **TQM** initiative. Without a commitment and ability to work in teams, TQM innovation is impossible.

Similar to the other innovation techniques discussed in this paper, an effective team management structure is rather meaningless without a clear mission and organizational consensus around key objectives. And, similar to TQM, team management can "bounce against" fundamental systems that do not work. In such circumstances, to achieve sustainable improvement, a team management innovation must be combined with either reengineering or some form of privatization.

Privatization makes sense only after the organization has gone through a strategy planning process to determine what it is about. The core functions essential to the organization's reason for being are the activities it can and should do itself. Functions that need to be performed but are not central to the organization's definition of self can be privatized. For example, the US Environmental Protection Agency's(EPA) Superfund toxic waste clean-up program contracts with private organizations for the clean-up of waste sites. No EPA staff actually perform clean-up work. On the other hand, decisions about where clean-up workers are assigned and how clean a site needs to be are made by EPA staffers. This allocation of work tells us what is central to EPA's mission and what is not.

It is essential for an effective organization to have a clearly defined focus. Once this is determined, the organization should strive to shed functions that are not central. To do higher quality, more cost effective work, an organization must focus its resources on those functions central to its existence and shed or contract out secondary functions. Too often, the basis for privatization is not such a strategic planning exercise, but rather a matter of expediency to raise immediate cash for budget-balancing, escape criticism for poor performance, or fit into a blind commitment to the philosophy that the market cures all ills.

In sum, we see privatization as an alternative to internal management innovation that can be an effective tool, if used thoughtfully and for the right reasons.

VI. Conclusion

We wrote **The New Effective Public Manager** because we remain convinced that the public sector can not only work well but that an effective public sector is essential to a healthy, thriving society. But we also believe that much has been learned regarding management over the past decade; particularly, while we still believe an effective public manager must be an expert in working around constraints, we also believe we need to work harder at removing constraints. Sometimes it is better to attack and eliminate an outmoded process than to waste resources working around it.

Strategic planning, reengineering, TQM, benchmarking and team management are viable innovation techniques, especially when used in combination with each other to help public managers make public organizations the effective organizations they need to be, if modern society is to survive and prosper.

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