Reflections on 21st Century Government Management

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The Transformation of Government in the Decade Ahead

FOREWORD

On behalf of the IBM Center for The Business of Government, we are pleased to present this report, "Reflections on 21st Century Government Management," which contains essays by Donald F. Kettl and Steven Kelman.

In 2005, the IBM Center for The Business of Government began an ambitious four-year project. Our goal is straightforward: to begin thinking about the future of government and the trends and new ideas in government management that a new president should consider as he or she takes office in 2009. The intent of this project is to stimulate new ideas among several key audiences. We wish to spark the imagination of government leaders to look beyond their day-to-day "urgencies" and reflect upon the important challenges the nation will face tomorrow. We also seek to challenge the academic and nonprofit communities to begin looking ahead to future approaches in the management of government as they continue to analyze past successes and failures.

Our approach to this project is simple: to engage the nation's top public management thinkers in a discussion of the future of government management. We want to begin a national dialogue about "what happens next." The next president of the United States will face a very different set of management challenges from the ones that confronted the current president when he took office. Can we collectively begin to anticipate these challenges and start preparing to respond to them?

In 2005, we asked Donald Kettl (Stanley I. Sheerr Endowed Term Professor in the Social Sciences at the University of Pennsylvania) to give us his thoughts on these questions. In 2006, we asked Steven Kelman (Albert J. Weatherhead III and Richard W. Weatherhead Professor of Public Management at Harvard University's Kennedy School of Government) to respond to the same set of questions. Both of their essays are presented in this volume. In preparing his paper, Professor Kelman had the benefit of reviewing Professor Kettl's paper and reflecting on Kettl's thoughts and ideas.

Each paper was presented at a Thought Leadership Forum at the Wye River Conference Centers in Queenstown, Maryland. Professor Kettl presented his paper at Wye in June 2005, while Professor Kelman

Albert Morales
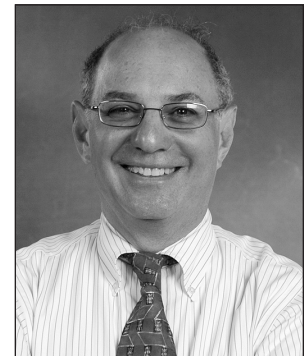
Mark A. Abramson

presented his paper at Wye in June 2005, while Professor Kelman presented his at a second Wye River Forum in November 2006. Participants at the Forum included many of the nation's leading thinkers and practitioners on issues related to government management. Papers summarizing the insights developed at both Forums are available on the Center's website at www.businessofgovernment.org/transition2008.

In addition, the Center staff developed a companion report on significant management trends based on the more than 160 reports the Center has published over the past eight years. That report, *Six Trends Transforming Government*, is also on the Center's website. Look at it, as well, to see if these trends support or deviate from the insights offered in these essays.

Our objective in publishing these two outstanding essays is to stimulate a nationwide dialogue on the future of management in government. In the "old days," individuals could grumble about whether they agreed or disagreed with an author's ideas. If highly motivated, they could write to an author and share their reactions and thoughts—but these thoughts remained solely with the author. Today, new technology allows us to engage a wide audience.

So we would like your thoughts on the two essays by Professors Kettl and Kelman. Did they get it right? Did they get it wrong? Did they leave out an important idea? What are your thoughts on the future of government?

Please go to www.businessofgovernment.org/transition2008 and join a virtual discussion on improving government management. We look forward to your participation in our ongoing conversation.

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The *Next* Government of the United States: Challenges for Performance in the 21st Century

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E X E C U T I V E   S U M M A R Y

In response to a request from the IBM Center for The Business of Government, I prepared this essay in 2005 to stimulate a discussion on what the "next government" of the United States might look like. The discussion focuses on the following five imperatives for the performance of American government in the 21st century:

• A policy agenda that focuses more on *problems* than on *structures*

• Political accountability that works more through *results* than on *processes*

• Public administration that functions more *organically,* through heterarchy, than *rigidly* through hierarchy

• Political leadership that works more by *leveraging action* than simply by *making decisions*

• Citizenship that works more through *engagement* than *remoteness*

These imperatives emerge from America's struggle to deal with deep challenges facing the nation. At the core is a fundamental problem: The current conduct of American government is a poor match for the problems it must solve. If government is to serve the needs of its citizens in the 21st century, it must reconfigure itself—to shift the boundaries of who does what and, even more important, how its work gets done.

Some public organizations have already experimented with the challenges of stretching and bridging their boundaries. At the Centers for Disease Control and Prevention (CDC), Dr. Julie Gerberding struggled with

a series of challenges, including the 2001 anthrax attack and Severe Acute Respiratory Syndrome (SARS), and devised a new model for CDC's operation. This essay concludes with an analysis of the steps she took, along with a broader discussion of the imperative for creating knowledge-driven learning organizations.

Based on Dr. Gerberding's experiences, what general principles can be drawn from CDC's issues that would be useful in creating the government of the future? Consider these three:

• The imperative for knowledge-driven organizations

• The increase in non-routine problems

• The growing need for non-hierarchical solutions

Government is moving into the information age. Effective government requires public institutions that can manage information to learn how best to improve their effectiveness. In the information age, democratic government demands both citizen engagement and transparency. However, the growing complexity of government's administrative tools makes it far harder to determine who is responsible for what. Innovations in information—who produces it and who uses it—will be essential to crack this emerging paradox of 21st century governance.

Shifting Boundaries

Americans have always been explorers and, as they have stretched their ambitions, they have always built boundaries. "Good fences make good neighbors," wrote Robert Frost in his poem "Mending Wall." The urge to escape the boundaries of the east drove settlers west—and one of the first things they did was to construct fences. So it has been with Americans and their government. The Constitution's long shadow over American democracy is one of boundaries: of what each branch of government is empowered to do, of powers reserved to state governments, and, most important, on the limits of governmental power enshrined in the Bill of Rights.

Yet, as Frost begins his famous poem, "Something there is that doesn't love a wall." American governments increasingly face problems that pay little attention to the boundaries created to manage them. Moreover, the boundaries with American government—and between its public institutions—have long been porous. Indeed, the American separation-of-powers approach is less a way of building fences around governmental institutions than of structuring the political conflict between them. Having created the boundaries, we test them, and we test them often. Moreover, the relative power of American political institutions has shifted regularly throughout American history. Indeed, one of the greatest and least-appreciated strengths of American democracy is the ability of its systems to stretch and accommodate new political pressures without shattering the fundamental balance at the core.

Periodic Revolution

The constancy of change has been at the core of American government. Americans have always loved to tinker. Benjamin Franklin's many inventions came from puttering about in search of solutions to problems

he observed. For more than 40 years, Thomas Jefferson continually redesigned and rebuilt his beloved Monticello. The administrative structure of American government has followed much the same pattern. Throughout the 20th century, as Paul C. Light describes, American government was awash in tides of reform, which regularly sought to transform how government did its work.[1] A driving culture of pragmatism has long been at the core of American political culture.

Beyond the constancy of change, however, lie more periodic, revolutionary transformations. American history has been marked by "punctuated equilibriums," deep, fundamental, and sometimes violent changes that have interrupted the steady wash of reformist tinkering.[2] They have come as earthquake-like changes, along deep fault lines in the political system. Three fault lines have long proven to be the most important:

Federalism. In the early decades of the American republic, the nation slid around fundamental questions of the balance of power between the federal and state governments. The Articles of Confederation put power in the states, but the young nation proved incapable of organizing itself to solve tough problems like security in the countryside and trade among neighboring states. The Constitution firmly stated in the 10th Amendment: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." But where the boundaries lay proved a long-simmering problem. Slavery was the flash point, but there were important economic and social forces as well that built up tension along this fault line. The earthquake came with the Civil War, which resolved the tensions, if uneasily, in favor of federal supremacy.

Privatization. The American Revolution was in part about the colonists' revolt against the king's effort to restrain commerce. The Boston Tea Party, after all, was an act of vandalism by Bostonians against ships owned by the British East India Company, which the British government had tried to aid through a special tax plan. Americans wanted freedom of commerce, which they largely got until the Industrial Revolution. Toward the end of the 19th century, tensions began building on the role of the free market. Market-based competition increasingly hurt citizens, from unregulated steamship boilers that exploded to large trusts that gained monopoly control over the marketplace. Americans demanded tougher controls on business. The earthquake came with the Progressive Era, which ushered in new restrictions and a new role for government, from governing the value of money through the Federal Reserve to regulating markets through independent regulatory agencies.

Globalization. Once they fought off the British crown, Americans largely contented themselves with conquering the vast land that stretched to the Pacific. They showed little interest in the battles that so often preoccupied Europe, until World War I drew them into a conflict they could not escape. When the war ended, they settled back into a happy isolationism that even Hitler's invasion of Europe did not shake. The tensions finally proved overwhelming when Japanese forces attacked Pearl Harbor. The earthquake redefined America's role in the world and made it a central player on the global stage.

Throughout American history, tensions have periodically built up. The existing boundaries proved unworkable, and no amount of tinkering could resolve the problem. When American government proved it was not up to the problems it had to solve—and when the costs of the strain proved unacceptable—an earthquake in government occurred, and a new government arose to replace it.

These earthquakes have come with surprisingly regularity: the Civil War in the 1860s, followed by the limits on free markets led by the Progressives in the 1900s and 1910s, and then the rise of American global power in the 1940s and 1950s. By the end of the 20th century, the nation was overdue for another fundamental shift. And, sure enough, the 9/11 terrorist attacks brought a stunning earthquake.

As the *New York Times* editorialized on September 12, 2001, "We look back at sunrise yesterday through pillars of smoke and dust, down streets snowed under with the atomized debris of the skyline, and we understand that everything has changed."[3] Everything, of course, had changed—but in fact the change had occurred *before* 9/11. We just had not realized it. It took the earthquake of 9/11 to point out the transformations that had already taken place.

For the first time in American history, all three boundaries moved at once. In federalism, the political and administrative revival of the American states brought them into far greater prominence in domestic policy, just as political gridlock paralyzed federal policy makers. In privatization, the rise of free-market capitalism and deregulation spurred a rise of corporate power the likes of which the nation had not seen for a century. In globalization, important changes occurred: the fall of communism, America's rise as the world's unchallenged military power, the growing importance of global economic markets, and the unexpected challenge of global terror networks. Americans found themselves, for the first time ever, struggling to redefine the boundaries of federalism, privatization, and globalization—simultaneously.

That frames the fundamental question. Following the earthquake that occurred at the beginning of the 21st century, how is the political landscape being transformed? Toward what is American government moving? Indeed, what is the *next* government of the United States?

The Next Government of the United States: A Portrait

Just what might the next government of the United States look like? We can imagine five imperatives for a new and more effective strategy of government.

A Policy Agenda That Focuses More on *Problems* Than on *Structures*

Not long after watching a television newsmagazine report on the risks of sport-utility-vehicle rollover accidents, the author just missed watching such an accident. Coming upon the scene moments later, he saw an SUV on its roof on the side of the road. As luck would also have it, the occupants were not hurt—but they were hanging upside down by their seatbelts. But as luck would also have it, the accident was precisely at the intersection of two local governments. It was anything but clear whose job it was to get those people out.

In a case like that, three things could happen, and two of them would be bad. Neither government might respond, with each assuming the other would handle the call, and the victims would remain trapped. Both governments might respond with the full first-response arsenal, and taxpayers would have paid twice for the same service. Fortunately, the third alternative was the one that occurred. Because both communities had worked out these problems in the past, emergency vehicles with sirens wailing converged on the scene from both directions— with just the right level of support. They managed to extract the occupants from the vehicle, and they made the critical point: When you are hanging upside down from your seatbelts in a rolled-over SUV, the last thing you care about is the name on the decal on the side of the emergency vehicle. People want their problems solved; they don't fuss over who solves them. In the United States, it has

> **Five Imperatives for the Performance of American Government in the 21st Century**
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> - Public administration that functions more *organically,* through networks, than *rigidly* through hierarchy
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> - Political leadership that works more by *leveraging action* than simply by *making decisions*
>
> - Citizenship that works more through *engagement* than *remoteness*

been called "one-stop shopping." In the United Kingdom, it is "no wrong door" and "joined-up government." But the point is the same.

Effective 21st century governments work to ensure seamless service delivery in which governments structure their service delivery systems according to the problems to be solved, not by focusing on the organizations charged with solving them.

Political Accountability That Works More Through *Results* Than on *Processes*

Creating such integrated service systems demands a mechanism for holding managers accountable for

their actions. If government's service system resembles a web more than a hierarchy, who is responsible for what? If the government is part of a broader network, is government just one player among many, one claimant at a table with multiple claims on all sides? Who steers the network—if, in fact, the network is being steered? Who safeguards the public interest— and how can it best be done?

The answer to these questions traditionally came through hierarchy, but, as we have seen, the conduct of 21st century government directly challenges this approach. We certainly are not about to abandon authority as the cornerstone of public administration. Nor should we. Elected officials and citizens alike have the right to expect to hold administrators accountable for the performance of public programs. But the more we rely on network-based service systems, the more we need approaches to accountability beyond hierarchy to ensure that public agencies effectively manage public programs.

Where authority falls short, information systems and performance management can help fill in the gap. These techniques surely cannot replace the bedrock approaches to accountability. However, techniques like the New York City Police Department's CompStat system and the "Virginia Performs" system offer supplemental approaches for bridging the gaps that authority fails to cover. Moreover, since organizational partnerships can shift and evolve rapidly, government needs a flexible accountability system that can keep up.

Effective 21st century government requires a high-performing government whose accountability systems keep track with the evolution of the public sector's toolbox.

Public Administration That Functions More *Organically* Than *Rigidly*

The analyses of how government responded to the 9/11 attacks showed the deep pathologies of public organizations trapped in functional silos. In New York City, for example, the emergency response system suffered from a host of problems, including communications breakdowns and deep strains in coordinating police and fire units.[4] At the Pentagon, by contrast, the story is remarkably different.[5]

Governments in Arlington County and throughout the region had long anticipated the possibility of a major attack, had worked out possible scenarios in advance, and had drilled with each other on how to respond. They did not have to work out tactics on the spot. Instead, they were able to shift into pre-arranged patterns, which made the response far smoother.

Emergency responders typically call this problem "interoperability," but it extends far past establishing common procedures, command structures, communication systems, and other details like fire hoses that actually connect to different cities' hydrants. These straightforward elements have challenged many communities. But interoperability extends to the process of ensuring that public organizations work together carefully and seamlessly.

There are huge challenges to this approach. Such coordination often fails because it is an unnatural act among non-consenting bureaucrats. Indeed, one of the first things that Arlington County Police Chief Ed Flynn had to do that morning was to decide that he would surrender command over the crime scene to firefighters, who were struggling to contain the blaze at the Pentagon. The Arlington emergency response succeeded because administrators had, in the past, worked out such arrangements so they were ready in case of trouble.

But working out such relationships is often difficult because organizational boundaries often mirror the jurisdiction of legislative committees and subcommittees, and sharing power among legislative jurisdictions is a feat of supreme difficulty. American Enterprise Institute analyst Norm Ornstein has counted 88 different congressional committees and subcommittees with some jurisdiction over the new Department of Homeland Security. That political fragmentation makes it increasingly hard to ensure administrative coordination.

Nevertheless, *effective 21st century government requires new mechanisms for coordinating government agencies to ensure that they connect organically as they seek to solve the manifest problems they confront.*

Political Leadership That Works More by *Leveraging Action* Than Simply by *Making Decisions*

The challenges facing 21st century government demand more than innovative policy tools and fresh administrative approaches.[6] They also demand new leadership by elected officials. It is unreasonable for elected officials to promise more than they can deliver in homeland security, just as it is unconscionable for them not to try as hard as they can to protect citizens. It is unthinkable for them to demand accountability from administrators at the same time they might be creating obstacles to performance. The challenges demand a higher level of truth-telling from elected officials, truth-telling that rises above a promise not to dissemble, to a commitment to engage citizens in a frank debate about the realities of what government should and should not seek, and what it can and cannot do.

Too often, media exposés prompt witch hunts to ensure problems never happen again. That sometimes prompts government to act without exploring the full consequences of its decisions—or without examining related fallout. When studies showed that the use of the painkiller Vioxx was associated with heart attacks and strokes, public uproar led the manufacturer, Merck & Co., to withdraw the drug from the market and the Food and Drug Administration to issue a public advisory. Some patients who found relief only with Vioxx countered that the decision dramatically lowered their quality of life. Some researchers pointed out that the cardiac risks of Vioxx were relatively low and that other painkillers sometimes caused serious bleeding problems. Reporters, citizens, and policy makers often look for black-and-white answers to questions that live only in shades of gray.

The highly combative, closely balanced political system can make elected officials gun-shy about wading into such complexity. The last two presidential elections have shown just how deeply divided the public is, and that has made it even harder for elected officials to deal with the inevitably complex issues they face—and to escape the gridlock that so often constrains American politics. The problem goes even deeper, however. Although the nation is politically balanced on a razor's edge, there are relatively few states whose governments are so evenly divided. Within those states, there are even fewer divided communities. The sense of deep political division is in fact a curious coincidence of communities with a strong sense of what they believe, which balance other communities that frequently believe something quite the contrary. That makes it even more difficult for the political system to deal in subtle shades of gray, because different communities so often hold such different views. It also vastly complicates the basic role of elected officials in making decisions, and it often freezes relatively junior or minority party officials from a serious role in public debate.

However, these problems also create new and sometimes unexpected, out-of-role opportunities for elected officials. Several relatively junior Pennsylvania state legislators devised a new leadership role for themselves. As a new highway project was being built through their districts, they realized that a larger, busier highway was likely to create the risk for more dangerous accidents. To tackle the problem, they worked to bring together local officials—elected officials, first responders, transportation managers, and others—along the new highway corridor. One key player was reluctant to join the conversation: state troopers, who did not normally work with local officials. Local officials countered that, without their presence, the response system would inevitably have a large hole.

They determined that was unacceptable. And to solve the problem, they called the state police headquarters with a simple invitation for representatives to attend the meeting. The message, of course, was unmistakable: No administrative agency could afford to ignore such a subtle hint without provoking a less-subtle reaction. The troopers came to the meeting.

Not long afterwards, the planning paid off. The team had prepared for a wide range of contingencies, but they did not expect their first major call would be for an accident involving an asphalt truck. The black, sticky stuff began oozing from its side and soon would have created a large new lane of rough pavement that would have ruined that new stretch of highway. But the region's officials invoked their new response plan. Sand trucks from nearby jurisdictions quickly converged on the accident scene, and highway teams used the sand to sop up the spilled asphalt. Everyone agreed that the advance

understandings had allowed them to dramatically reduce the closure of the major highway. And the state legislators learned that they do more in the policy process beyond legislating. They played a critical role as conveners—and, in ensuring that the key players were at the table, they provided important bridge building among public administrators at several layers of government and across many different agencies.

Indeed, *effective 21st century government requires innovative approaches to leadership by elected officials—approaches that stretch traditional roles and that, in some cases, may require courageous risk taking.*

Citizenship That Works More Through *Engagement* Than *Remoteness*

The demands that government solve policy problems are growing; the public's taste for a bigger government has not. Indeed, the tax-limitation movement has forced elected officials into ever more creative tactics for expanding government's reach without appearing to increase its size, at least as typically measured by indicators like the number of government agencies or the number of employees. The new push for homeland security, especially at the federal level, has broken these barriers, with a major new cabinet department and the federalization of airport screeners. But in most other areas of government, at all levels, the push is on to deal with the fundamental dilemma: satisfying public demand without dramatically increasing government bureaucracy.

To deal with this paradox, governments at all levels have been increasingly relying on a vast array of indirect tools. The war in Iraq, to a level never before seen, depended on a huge range of private support contractors. Investigators have discovered that interrogators working for private contractors were directing the interrogations that some members of the armed forces were conducting at Abu Ghraib prison.[7] At home, welfare reform has built on a vast network of for-profit and nonprofit contractors.[8] Medicare and Medicaid are hugely leveraged programs, with just a handful of government employees at the federal, state, and local levels responsible for a huge collection of hospitals, clinics, doctors, and nursing homes that actually provide the service.

This not only presents important challenges for ensuring accountability and effective results. It also is posing new and unexpected challenges for citizenship. Indeed, there is a profound irony that more and more citizens are feeling disaffected from government just as they are themselves, as contractors and other agents of public services, becoming ever more integral to the delivery of government programs. A pharmacist might be filling the prescription for a Medicaid-funded drug at one moment, the prescription of a retired military officer the next, then a drug paid for by a managed care plan, followed by someone paying cash. In many policy areas, the streams of public and private action have become so intermingled that it is impossible to disentangle them. It is likewise extremely difficult to inculcate a sense of the public interest in those responsible for frontline service delivery when so many of those responsible are in the private sector and do not even stop to think about their role.

At the same time, the Internet has provided remarkable new opportunities for citizen interaction. The 2004 Howard Dean presidential campaign stunned candidates with its prowess in raising money on the web. Blogs allow individuals to circumvent the news media, and web-based rumors sometimes spread more quickly than hard news. This has many very positive aspects, especially by increasing the opportunities for citizen engagement at a time when many citizens are feeling alienated. But it also challenges public officials. They are developing new strategies for e-government, but the spread of technology has multiplied opportunities—and challenges—for citizen action faster than government's ability to keep up. One thing can be said with certainty: Technology has fundamentally transformed citizens' interactions with government.[9]

Thus, *effective 21st century government requires a new role for citizens, one that requires them to rethink their connection to—and involvement in—the pursuit of the public interest.*

The Government of the Future: Dr. Julie Gerberding at the CDC

What might the government of the future look like? Dr. Julie L. Gerberding's hard work on the challenges facing the Centers for Disease Control and Prevention (CDC) provides some telling evidence. She has struggled mightily to put her reforms in place. But the tale offers stark evidence of the emerging problems that public managers everywhere increasingly face.

Anthrax

Dr. Gerberding was a most unlikely hero of the 2001 terrorist attacks. In fact, when the towers fell on September 11, she was working more than 600 miles away in Atlanta, Georgia, at CDC headquarters. But Gerberding quickly found herself buried in some of the nation's toughest homeland security problems.

She had not intended to commit herself to a new job. At the end of August, CDC's deputy directorship of the National Center for Infectious Diseases became vacant, and Gerberding's boss pressed her to take the job. A physician, Gerberding had worked for three years to develop CDC's patient safety program, including a cutting-edge strategy to reduce medical errors. But she had little background and less interest in taking the infectious disease job. When her boss twisted her arm, she reluctantly agreed to serve for a month—maybe three—but not a second longer. The field was a long way from her expertise and not what she wanted to do next. And, she explained later, "In the first 10 days of my job, I really couldn't figure out what in the world I was going to do."[10]

But that all changed in just a few weeks. Mysterious respiratory illnesses surfaced around the country. First, a photo editor at the company that produced the *National Enquirer* fell ill and suddenly died. Postal workers in Washington, D.C., and a 94-year-old

Connecticut widow soon followed. The pattern seemed random, and the source was baffling. Experts soon diagnosed the disease as anthrax, and it continued to spread. It hit assistants to NBC news anchor Tom Brokow and CBS anchor Dan Rather. When workers in Senator Tom Daschle's mail room discovered a suspicious white powder in an envelope, officials quickly evacuated one of the Senate's office buildings.

The blizzard of anthrax reports terrified citizens across the country—and provoked an avalanche of false alarms. Emergency workers evacuated hotels and office buildings on the discovery of cleaning fluids, flour, and even the sticky residue of spilled soft drinks. In one Wisconsin community, office workers shivered outside in the early-fall chill as they went through decontamination showers, only to discover that the mysterious powder for which they had been evacuated was harmless (and not even the same color as anthrax). People feared the trip to the mailbox, and some individuals put on rubber gloves to open their junk mail.

Because of the job she had reluctantly agreed to take, Gerberding was the senior CDC official on the case. With determined detective work, she and her staff traced the problem to a small handful of envelopes that contained anthrax powder. As the anthrax-laced envelopes passed through mail-sorting facilities, the machinery became contaminated and spread the powder through diplomatic mailbags shipped to American embassies in Peru and Russia. A devious act by an unknown terrorist, who created a small number of biological weapons disguised as ordinary envelopes, spread contamination, quite literally, around the world (see Figure 1).

Figure 1: Anthrax Attack 2001—Mail Flow Network

W. Trenton PO (NJ) □

Princeton PO (NJ) ●

Pataki's Office

CBS (NY) □ ●

ABC (NY) □ ●

Kuser Road Business □ ●

Times Square PO (NY)

Radio City PO (NY)

Ansonia PO (NY)

48 Local Post Offices including:

Local Businesses including:

Other Post Offices

New York Post (NY)
● □ ■ ■

Bellmawr Distribution Plant (NJ)

Hamilton Processing Facility (NJ)
● □ □ □ ■

Morgan Central Postal Facility (NY) ●

Rockefeller Ctr PO (NY)

NBC (NY) ● □ ■

Lenox Hill PO (NY)

Distribution Plants including:
(Bulk Mail Ctr, Dominic V Daniels, Hackensack, Central NJ, Performance, Monmouth, Newark Main, Patterson, West Jersey)

Boulevard PO (NY)

ENT Hospital (NY) □

NYC001 - 47 Home

Truck to Atlanta, GA

Carteret Hub and Spoke Facility (HSF) (NJ)

?

West Palm PO Main Branch (FL) ●

All DC City Mail for Zips 20000-20099

Southwest PO Station ●

Lantana PO (FL)

Green Acres PO (FL) ●

Friendship PO Station ●

56 USPS Facilities including:

Dulles PO Branch ●

Blue Lake PO (FL) ●

Lake Worth PO (FL) ●

Pentagon PO Branch ●

Boca Main Substation (FL) ●

Walter Reed Complex ●

Landover (Justice) ●

AMI Building (FL) ● □ □

Brentwood Mail Facility (DC)
□ □ □ □ ●

Supreme Court ●

BATF ●

177 Federal Agencies including:

DC VAMC ●

Stamp Fulfillment Kansas City, MO ●

Anacostia Mail Room ●

P-St. Mail Sorting (DC) ●

State Department SA-32 (VA) ● □

Dirksen Bldg ●

Ford Bldg ●

State Department SA-3 (DC)

Hart Bldg ●

Longworth Bldg ●

US Embassy in Vilnius, Lithuania

US Embassy in Lima, Peru

US Embassy in Yekaterinburg, Russia

□ Confirmed Anthrax case associated with site
■ Suspect Anthrax case associated with site
● Environmental samples positive

Source: Centers for Disease Control, November 7, 2001.

Gerberding proved herself a hero in the case, but in a very different way from the firefighters and police officers who, heedless of their own safety, had run up the stairs of the World Trade Center. She faced the task first of figuring out what was happening, where it was coming from, how to stop it, and how to treat victims. No one knew much about anthrax, how it spread, how to detect it quickly, and how to minimize its spread. Medical treatment—strong antibiotics—was effective if administered quickly, but if victims did not receive the medicine soon after inhaling anthrax spores, the disease spread quickly and often proved suffocatingly fatal.

Especially in the aftermath of the September 11 attacks, people were terrified, and everyone demanded quick results. Gerberding's challenge was determining how best to shape the government's response. Her distinctive contribution to the anthrax outbreak was her diagnosis of the government's underlying problem—that its traditional hierarchical systems were a poor match for the anthrax problem—and her prescription—that government needed a far more flexible network-based approach to tackle the issue.

SARS

The spread of Severe Acute Respiratory Syndrome (SARS) in the spring of 2003 confirmed both Gerberding's diagnosis and prescription. A global outbreak developed from a single physician who had been treating patients in rural China. He visited his brother in Hong Kong without knowing he was becoming ill with the flu and, in the process, unknowingly spread it to other guests on the eighth floor of his Hong Kong hotel. These hotel guests, in turn, soon traveled back to their homes around the world, including the United States, and they took SARS with them (see Figure 2).

With far greater frequency, Gerberding and CDC found that new problems were arising from unexpected directions, spreading through unpredictable patterns, and outstripping the capacity of traditional government bureaucracies. Public organizations like the CDC, structured with traditional hierarchical boundaries, found themselves struggling to cope with problems that paid no attention to these boundaries. Indeed, more and more problems began resembling the drawings adorning the refrigerators of parents and grandparents of 2- and 3-year-olds everywhere: boldly colored strokes spilling beyond the outline of color-by-number pictures. How should public

organizations deal with problems that refuse to stay within the lines?

Gerberding identified the key hubs of action, the opinion leaders who leveraged others in the network, and the bridges that connected them. She minimized central authority and worked to create open consortia of action. She understood that responsibility had to be distributed, not centralized.

But, most of all, she grasped an important but extraordinarily difficult reality of modern public administration. Like many public organizations facing critical issues, the CDC had ultimate *responsibility* for the results but did not have *authority* to produce or control them. Gerberding had to set a course and determine how best to mobilize the forces required to serve it. She had to find a way to learn quickly, to minimize mistakes. And she had to find a way to enlist partners, in government and outside, in the United States and around the world, to manage the problem. In short, she had to find new ways of bringing important knowledge, often held widely in organizations spanning the globe, to bear on new problems, with high risks, that had to be solved.[11]

CDC as a Learning Organization

Gerberding explained that she quickly had to move "from a situation where I knew nothing about anthrax into one of the world's experts." In July 2002, Gerberding became CDC director, and she decided to take a radical step away from the CDC's typical procedures. She concluded that her agency's traditional structures and usual procedures were a poor match for the anthrax crisis. To replace the standard operating procedures, she cobbled together a new administrative approach—and she knew full well that, given the genuine public health risk and the public panic over anthrax, failure was not an option. She developed a new network of hubs (concentrated centers of expertise) and spokes (connecting rods to the front lines of operations). In the process she created a world-class operation that has become finely tuned to the risks of bioterror, as well as to the increasing risks that mysterious diseases like bird flu and flu pandemics can spread as well. In short, she tried to transform the CDC into a learning organization.

Gerberding institutionalized these changes with a 2005 CDC reorganization, around four "coordinating centers," which moved CDC from function to
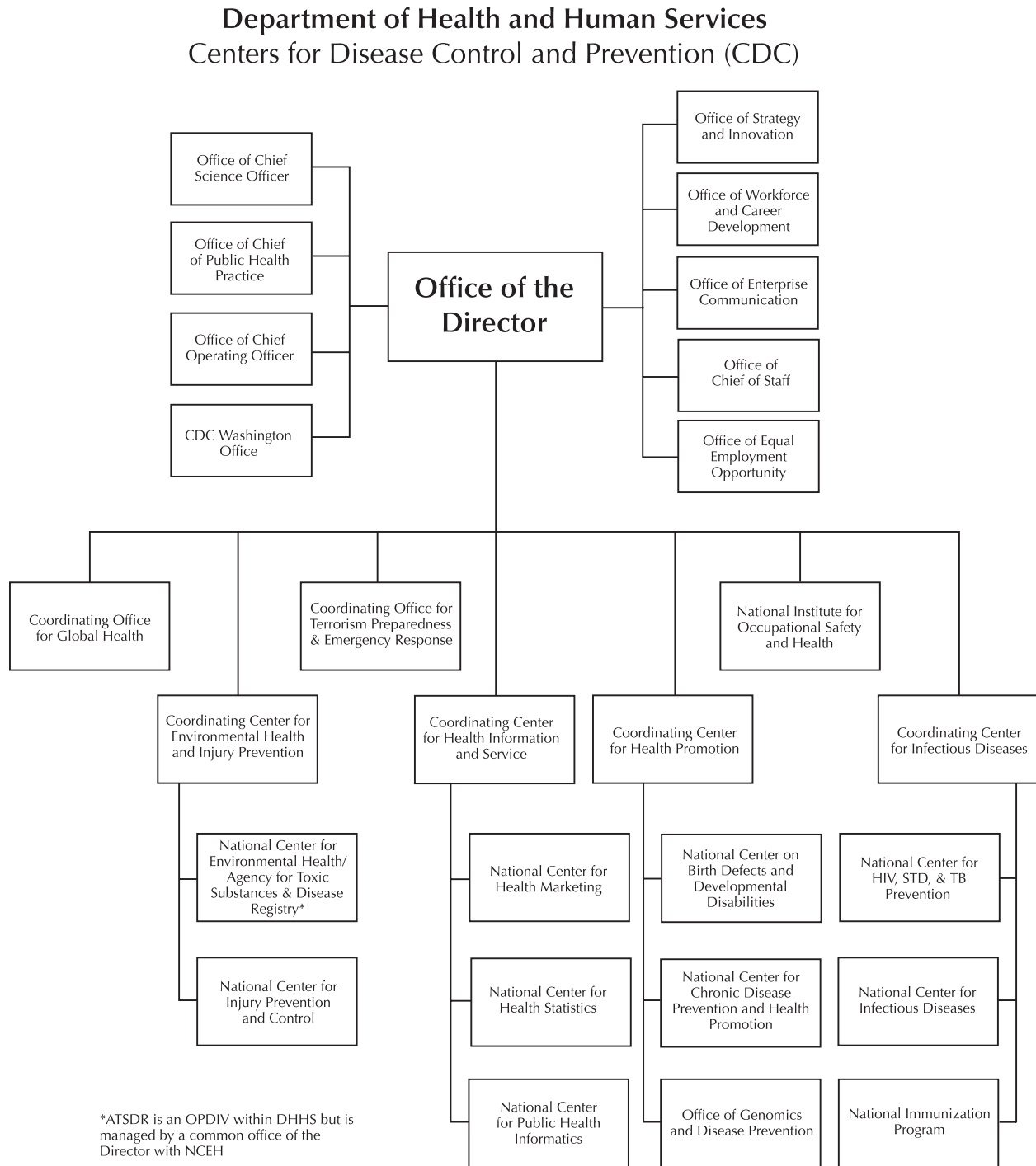
Figure 2: SARS Transmission, Spring 2003
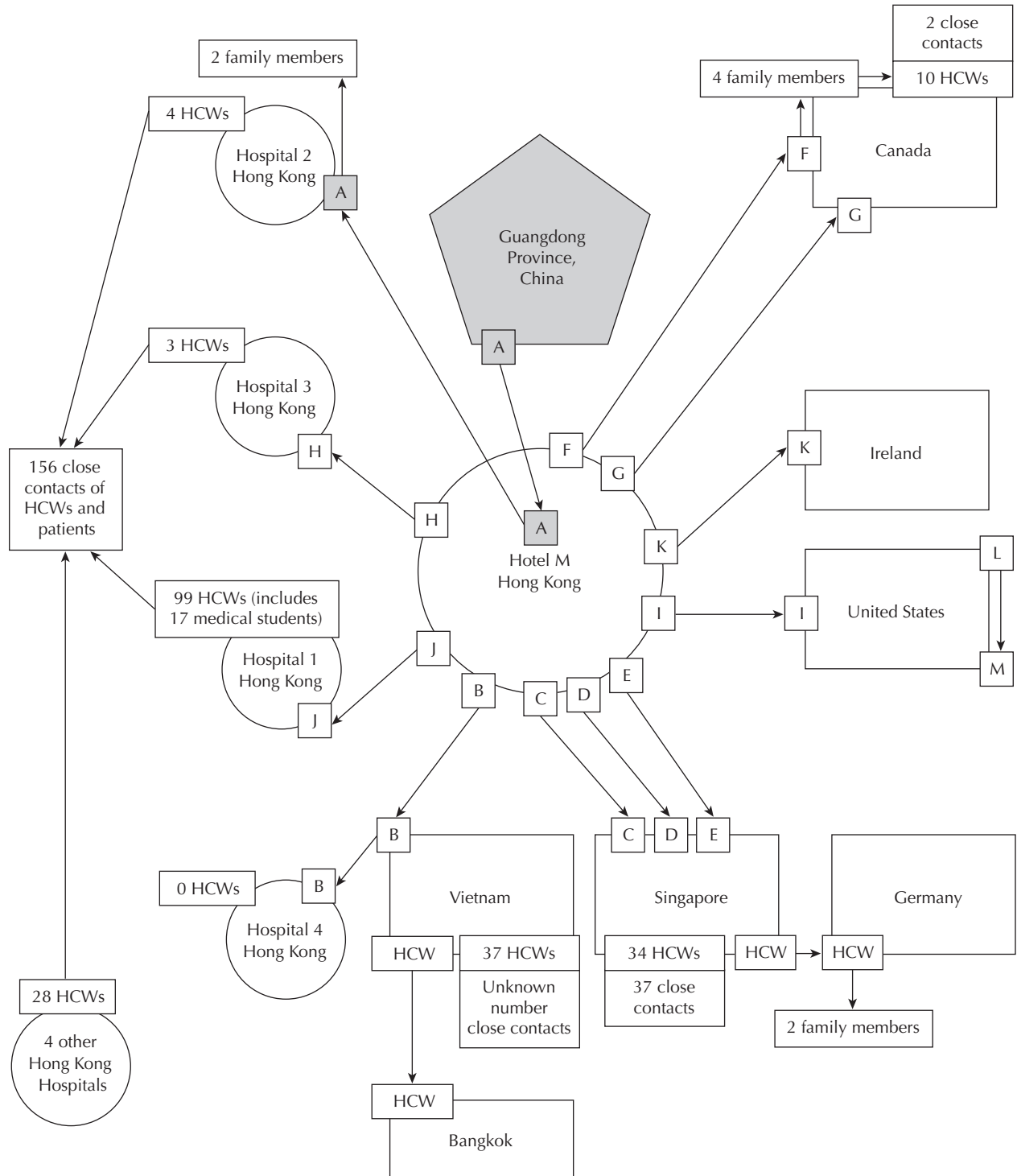
HCW = Healthcare Worker

Source: Centers for Disease Control.

Figure 3: CDC "Futures Initiative" (2005)

Department of Health and Human Services
Centers for Disease Control and Prevention (CDC)

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- Coordinating Office for Global Health
- Coordinating Office for Terrorism Preparedness & Emergency Response
- National Institute for Occupational Safety and Health

- Coordinating Center for Environmental Health and Injury Prevention
  - National Center for Environmental Health/ Agency for Toxic Substances & Disease Registry*
  - National Center for Injury Prevention and Control

- Coordinating Center for Health Information and Service
  - National Center for Health Marketing
  - National Center for Health Statistics
  - National Center for Public Health Informatics

- Coordinating Center for Health Promotion
  - National Center on Birth Defects and Developmental Disabilities
  - National Center for Chronic Disease Prevention and Health Promotion
  - Office of Genomics and Disease Prevention

- Coordinating Center for Infectious Diseases
  - National Center for HIV, STD, & TB Prevention
  - National Center for Infectious Diseases
  - National Immunization Program

*ATSDR is an OPDIV within DHHS but is managed by a common office of the Director with NCEH

April 2005

Source: *Centers for Disease Control.*

mission: Environmental Health and Injury Prevention, Health Promotion, Infectious Diseases, and Health Information and Services (see Figure 3). The goal, CDC announced, was to improve the ability of CDC experts to share what they knew, to streamline the flow of information to top officials, and to improve the agency's ability to leverage the expertise of its partners. "The changes add greater agility and accountability," Gerberding explained. "We have transformed CDC into a learning organization."[12] The restructuring went far past bioterror. Her goal was to build CDC not around functions but around the health and safety issues in people's lives. She aimed to "help CDC's scientists collaborate and innovate across organizational boundaries."[13]

Gerberding's restructuring proposal encountered enormous resistance within CDC. A 2005 survey of employees found that two-thirds of them opposed the restructuring. Some employees criticized what they viewed as an "inappropriate" business focus to the CDC's health mission, loss of trust, low morale, and damage to the agency's reputation. Gerberding understood the difficulty of the change. "It was done at the worst possible moment as far as people's anxiety," she said. "I knew how hard it would be." But, she added, "We had to change."[14] Some employees criticized her management style. Others pointed to what they contended was political interference with CDC, including a big budget cut and turmoil over the distribution of flu vaccine. The reorganization had stretched on over two years, and many employees said they were frustrated and exhausted. Turnover of key scientists proved a major problem. One top official said that "it's gone from dedication to make change to being aghast at the process and the changes being made." But another official concluded, "This is exactly what the agency needs to be doing," and he pointed to the problems as "growing pains." Outside experts said that the restructuring was long overdue, but some were concerned about how long it was taking and about the morale problems that had arisen.[15]

Like all big reorganizations, this one stirred up deep passions among those being reorganized. Debate raged over the tactics. Some critics suggested that CDC should have pursued other alternatives. But it is impossible to escape the central lesson of the case: The CDC's traditional hierarchical organization proved a poor fit for the 21st century problems it was facing, and it needed a fundamental change.

Government is being fundamentally transformed, as Mark A. Abramson, Jonathan D. Breul, and John M. Kamensky have found, with changing rules, a new emphasis on performance, a focus on improved service delivery, and increased collaboration.[16] But organizing government to accomplish these goals—and, at the same time, to cope with the urgent policy problems facing them—is challenging the very foundation of public administration in the United States and around the world.

Creating the Government of the Future

What general principles can we draw from the issues that CDC faced? Consider these three:

- The imperative for *knowledge-driven organizations*

- The increase in *non-routine problems*

- The growing need for *non-hierarchical solutions*

The Imperative for Knowledge-Driven Organizations

For many tough problems, success increasingly depends on information as much as more-traditional assets like authority. Experts including Peter Drucker and Daniel Bell have made the case that the post-industrial era is a knowledge society, where the chief assets are communication, innovation, and information.[17] As Tom Peters famously put it, "Get innovative or get dead."

The arguments for the "knowledge society" soon become so well-known as to be trite. But the case for the knowledge society is far more straightforward than the plan for how to achieve it—and, especially, how to transform organizations to make them limber enough to learn without being so flaccid as to lose their effectiveness and discipline. Moreover, having made the case, the cutting-edge theorists have not always stopped to ask whether all problems need the same knowledge-society solutions. The impulse for innovation can become an obsession that stirs up turmoil as well as new ideas. Reform fatigue is a frequent side effect of a continuous improvement strategy. So the trick is building organizations that can learn and adapt while remaining focused and effective on their mission; that can match the learning approach to the special problems they face; and that can remain lively and vital without wearing out their employees.

The Knowledge Society and Innovation

The case for innovation is unarguable. Modern life presents organizations with a host of new problems for which old solutions are a poor fit. That is often true in spades for public organizations, as Gerberding found, which often face, by default or design, the social problems that are most important or most intractable. The more rapid the pace of change and challenge, the greater the need for innovation. But as Markus Reihlen perceptively argued, "formalization of the innovation process is one of the biggest obstacles for fundamental learning processes."[18] Doing something new once, especially sparked by crisis, is one thing. Doing it again can strain an organization's capacity. Doing it as a matter of routine is an enormous challenge. Doing it within hierarchical organizations, with their powerful focus on routine, can be daunting indeed. Yet restructuring public organizations so that they respond more dynamically to new challenges can fly in the face of centuries of tradition, theory, and law about the accountability of public organizations.

Challenges to Building Knowledge-Based Organizations

The fundamental problem in creating knowledge-based organizations is that hierarchies focus on building expertise to accomplish, efficiently and effectively, matters of routine. Knowledge-based organizations, by contrast, focus on building the capacity to adapt rapidly to change—that is, to cope with problems that are distinctly non-routine.

Government, of course, does not face an either/or choice. Most government functions have been—and will continue to be—largely routine. Sometimes those routine functions are ordinary, such as delivering

(and billing for) safe drinking water. Sometimes those routine functions can be quite complex, such as putting out fires and catching criminals. Some straightforward routines, like mailing Social Security checks and managing air traffic, require deceptively complicated support systems. At the core, however, most government actions are routine, large-scale activities that have always relied on hierarchy for effective administration.

On the other hand, many important government functions, including programs ranging from the social services to homeland security, are increasingly non-routine. They typically involve partnerships among multiple organizations, at all levels of government and between government and the for-profit and nonprofit sectors. They involve very hard problems where the costs of failure can be great. And they require very complex administrative technologies. The fastest-growing portion of most state budgets is Medicaid, and the engine driving Medicaid costs is nursing home coverage for older Americans. That care is deceptively complicated. As one social worker put it, "If you've met one Alzheimer's patient, you've met one Alzheimer's patient." The required care varies with each patient, and that care must change as the person's condition changes. The care comes from a wide variety of medical disciplines, including nursing, nutrition, physical therapy, psychiatry, dentistry, and medicine. Most of the care is provided by private and nonprofit organizations. Most of the financing is managed through for-profit intermediaries. For government, the job of managing the program is finding leverage over this vast and complex network. The job of ensuring effective service requires doing so in a way that brings coordination to this wide array of services so that they work well (yet differently) for each recipient.

The same is true in environmental policy, where the federal government itself does relatively little itself. Much environmental management is delegated to the states, which in turn regulate and oversee private companies and manage cleanups through private contractors. In public health, specialists are puzzling over how best to control the risks of flu pandemics, which because of the speed of international travel can spread quickly from individual cases in desolate areas and cause worldwide problems.

It is true in spades for homeland security, which depends on coordinating private and public functions,

at multiple levels. For example, fire and police departments have sometimes warred over who is in charge at the scene of an emergency. Indeed, in 2005, this issue yet again ruptured the always stormy relationship between the New York City police and fire departments.[19] Terrorists are most effective when they take advantage of holes in the system—that is, when they identify hierarchical, bureaucratic routines and discover the inevitable gaps they can exploit.

Solutions to these problems increasingly depend on innovation and information. Traditional organizations typically struggle to keep up with these challenges. Creating a knowledge-driven government thus requires a new approach to government.

The Increase in Non-Routine Problems

Moreover, more of the problems government faces are non-routine—even "wicked," as some analysts have described them.[20] First, many critical problems allow *little time to react*. The Air Force scrambled jet fighters on the morning of September 11, but they did not reach Washington in time to stop the plane that crashed into the Pentagon. The small private plane that panicked Washington in May 2005 proved harmless, but even at its slow speed, it was just minutes from the White House. Global flu pandemics can spread quickly, as the SARS case demonstrated.

Second, these problems can bring a *high cost of failure*. The breakdown of the nation's airline security system in 2001 killed nearly 3,000 people and crippled commerce. The spread of anthrax quickly killed five persons and made millions of Americans afraid of opening their mail.

Third, these problems often tend to be *critical to citizens' needs¸* from public health and transportation to commerce and a sense of well-being. They are problems that citizens notice. Failure can not only bring great cost to citizens. It can bring a harsh spotlight on the policy makers under whose watch the failures occur.

Finally, *responsibility for solving these problems is highly diffused.* Indeed, no one organization, public or private, and no single nation can hope to control these issues. As Gerberding concluded, local issues have increasingly become global, and global issues

increasingly demand a local response.[21] Effectively leveraging government's power is deceptively difficult, and measuring how well it's doing the job often lies beyond our grasp.

The Implications for Government

These non-routine problems are increasingly important to government: because the increasingly interconnected nature of policy problems leaves everyone more vulnerable to failures anywhere; because citizens expect that government will solve these problems; and because the solutions require integrated, coordinated solutions involving a remarkably wide range of organizations, both inside government and out. Large organizations are best at dealing with problems that can be reduced to routine, if complex, solutions. The rise of non-routine problems makes that difficult, especially for many of the most important problems that governments face. That fuels the need to make substantial parts of government into "learning organizations."[22]

This argument, of course, has been made often, but its subtle implications often lie unexplored. Consider these challenges, for example:

- Many non-routine problems require nimble organizations that can quickly adapt. Hierarchical organizations are designed to present a common face to problems.

- Non-routine problems require solutions based on communication and information. That gives great power to those who hold the information. But hierarchical organizations give power according to position. Those who hold the information might well not be those who have authority in the hierarchy, so there is great potential for internal organizational conflict if information-based power wins out—or ineffective response if position-based power triumphs.

- Non-routine problems require different patterns of coordination for different problems. This argument, in fact, lies at the heart of the case reformers have made for flexibility in government administration, including "reinventing government."[23] As Reihlen puts it, "coordination patterns are developed according to situational requirements." Hierarchical organizations seek

coordination through routine. Theorists have long embraced complexity as part of hierarchy.[24] But it is clear that public organizations are facing challenges that strain the ability of even complex hierarchies to adapt quickly enough.

- Non-routine problems require non-routine solutions, which in turn require innovative problem solvers driven by information. Large, formal organizations frequently create cultures that make it hard for innovative managers to thrive. Moreover, it is hard for any organization to exist long without creating a culture that shapes the lens through which its members view the world —and thus limits the perspectives they can bring to new challenges.

Non-Routine Problems and Learning Organizations

Many of the critical problems facing 21st century government require a lithe, learning organization. Learning organizations find ways of managing the non-routine in a routine way—making innovation the standard operating procedure, making large organizations nimble, and encouraging administrators to color outside the lines without shredding the organization's ability to accomplish its mission. Moreover, the challenge is not only creating learning organizations. It is also encouraging innovation while maintaining side-by-side routine operations, administered through more traditional organizations and procedures. Finally, it is important as well to ensure that the search for flexible, innovative solutions does not license administrators to skirt the requirements of *public* administration: management that complies with the law about both *what* ought to be done and *how* it is to be done. Creating a government capable of solving non-routine problems thus requires a new approach to government.

The Growing Need for Non-Hierarchical Solutions

Dr. Gerberding discovered that the traditional CDC hierarchy did not allow her to solve these problems. Instead, she self-consciously embraced an approach of *heterarchy* to replace *hierarchy*. Reihlen explains that heterarchies are pluralistic structures that rely heavily on the initiative of their members, who seek to learn quickly and effectively about how best to

handle uncertain futures.[25] This concept grew in the 1990s as an alternative to traditional hierarchy. Organizational theorists sought to solve two problems. First, much of the work of complex organizations increasingly occurs not through individual organizations that control a solution but through networks that share a portion of the action. Second, as problems become more complex, no organization can hope to control or manage all the inputs and outputs that affect it. Organizations, including public ones, increasingly find they depend on other organizations to accomplish their missions.

These puzzles—and Gerberding's network-based approach—challenge traditional public administration. If, as we have seen, American political institutions have revolved around boundaries, that is even more true of American public administration: between that which is the public and that which is not; between what ought to be done by one organization and what ought to be done by another; between how responsibility is allocated throughout the organization; between the budgetary and human resource policies that define what can and cannot be done; and, ultimately, between the instruments of governmental power—the bureaucracy—and those who set governmental policy—elected officials. Line-drawing has thus been important because it helps answer the fundamental dilemma of modern bureaucracy: how to empower it to act effectively without making it so powerful as to endanger bureaucracy.

Boundaries, Bureaucracy, and Democracy

When modern American bureaucracy grew in the late 19th century, reformers worried about how to empower bureaucracy without threatening democracy. They responded with a scheme to separate policy making from policy administration. As Woodrow Wilson famously put it:

> If I see a murderous fellow sharpening a knife cleverly, I can borrow his way of sharpening the knife without borrowing his probable intention to commit murder with it; and so, if I see a monarchist dyed in the wool managing a public bureau well, I can learn his business methods without changing one of my republican spots.[26]

The Progressives saw strict boundaries as a way to constrain the exercise of government power:

to empower government to get the job done, but to keep the exercise of that power politically accountable. This solution, however, has become harder to maintain. As government has grown larger, its bureaucracy has necessarily become more powerful. As government tackles more problems, its power has increased. As government relies more on indirect tools of action—like grants, contracts, regulations, loan programs, and tax incentives—that power has increasingly penetrated the private and nonprofit spheres of action. And as government has moved more from hierarchy to heterarchy, the dilemma of maintaining effective yet accountable public bureaucracy has grown ever sharper.

One solution is to push back against the drift toward heterarchy—to restrain administrative flexibility, to force public administration back into hierarchy, and where new puzzles challenge existing hierarchy, to create new hierarchies or to devise new strategies and tactics within the conventional model. Indeed, we have generations (if not centuries) of tradition and experience in managing hierarchical organizations. We also know that giving administrators more flexibility can court behavior that is not accountable to either the law or to policy makers. This worry, in fact, drove many of the criticisms of the Clinton administration's "reinventing government" movement.[27] And if the government is part of a network, is it one player among many or the prime mover of the system? That is a critical question in defining and enforcing accountability. We know how to hold hierarchical organizations accountable. With a single focus of responsibility and a clear chain of command from an organization's top to its bottom, hierarchy provides a straightforward answer to the question of how to hold bureaucratic power accountable. So despite the difficulties that hierarchies have in meeting modern policy challenges, there are powerful reasons for trying to find some way of fixing the hierarchical approach instead of seeking other approaches like heterarchies.

Hierarchical Bureaucracy and Political Cross-Pressures

Moreover, hierarchical approaches to public administration are about more than management. The structure of public agencies mirrors the preferences of elected officials, especially legislators. In fact, as the creation of the Department of Homeland Security demonstrates, administrative structure tends

to mirror the legislative jurisdictions. Even though we tend to talk about the president as "chief executive," bureaucratic structure tends far more often to reflect the patterns and preferences of congressional committees and subcommittees.

The news media reinforce this tendency. When problems occur, from homeland security to public health and from local garbage problems to forest fires, reporters ask why government did not prevent the problem from happening—and then ask who in government is responsible for the failure. The media have a hard time reporting on indirect management networks. The way that newspapers, and especially television network news and newsmagazine shows, package stories lends them most to the who-should-have-done-what approach. Moreover, many reporters (like most elected officials and ordinary citizens) view government bureaucracy as a kind of vending machine, with money inserted at the top and services emerging from the bottom. They have little interest and less patience for how the machine works—or with a perspective that suggests that the process is not one but many machines, each producing a different piece of the service. Complicated public-private-nonprofit networks simply do not lend themselves easily to sound-bite-based news coverage. For example, the plight of a 95-year-old grandmother in a nursing home makes for a natural story. The explanation of how Medicaid works in treating her does not. Reporters, as do members of Congress, think hierarchically in seeking accountability.

Nevertheless, as Gerberding found, hierarchical organizations have struggled to keep up with the challenges of 21st century governance. Many—indeed, perhaps most—of government's most important problems refuse to stay within the boundaries of the government agencies established to solve them. New agencies created to tackle the new generation of problems, like the federal Department of Homeland Security, have struggled to find their footing. Even more important, they tend to be backward looking, focused on solving the last set of problems rather than scanning the environment for the next set of problems that must be solved. As Marshall McLuhan argued, "We see the world through a rearview mirror. We march backwards into the future." That is the way in which we have designed most of our public bureaucracies. Looking back can often pose enormous challenges for future problems that do not resemble those of the past. That is the central

force driving the need for a new approach to governance and public administration. Hierarchical organizations find themselves facing problems for which hierarchy is, at best, a poor match.

Thus, we face several core puzzles. Even if we need flexible, nimble, non-hierarchical solutions, we typically need to pursue them through hierarchically organized government bureaucracies. Even if we build strong ties between government and its for-profit and nonprofit service partners, government is—and must be—the principal force in the partnership if government is to protect and promote the public interest. Yet we nevertheless need to find solutions to problems, from SARS and bird flu to Alzheimer's care and space exploration, that refuse to stay within the lines—and where solutions depend on a rapid response from multiple organizations, both within and outside of government.

Performance Measures to Span Boundaries

Most boundary-spanning solutions are in their infancy. There are hosts of ideas to break down the silos that constrain problem solving and organizational options. Indeed, one of the most common complaints of government managers is that once a problem is tossed down a functional silo within a government agency, it often becomes virtually impossible to make the connections with other parts of the same agency—let alone with partners in other agencies or outside government.

One of the most promising solutions is performance management. The technique embraces the usual puzzles of defining what organizations ought to do and measuring how well they do it. Some of the most interesting innovations involve "crosscutting performance management"[28] to encourage all of the members of an interorganizational network to recognize their individual contributions to shared goals—and to assess their effectiveness in doing so. Seen this way, performance management becomes more than a tool of measurement and more than a driver of management—it becomes a language for talking about common action. The mutual-aid agreements that helped rescue the passengers in the SUV who were hanging upside down is a prime example: a focus on the contribution that each agency needs to make to help the passengers escape, and a strong incentive—helping the hapless passengers—pushing aside the usual bureaucratic pathologies.

The U.S. Government Accountability Office has found that performance measures often founder when they supply information that decision makers do not find useful. On the other hand, performance measures tend to work when they foster communications among the key parties.[29] Performance measurement has the greatest potential for becoming performance management, and ultimately for growing into a device for transforming government, when it becomes a language that transforms how the players think and talk about government programs.

Re-creating these performance measures into geographic-information-system-based pictures—as has occurred in New York City's police department (with CompStat), Baltimore's municipal services (with CitiStat), and Philadelphia's school system (with SchoolStat)—suggests performance measures can now in fact transform the language of government. Moreover, when key data become translated into memorable pictures, they often prove unforgettable to those involved in the process. These different approaches to measurement suggest that the performance approach not only has potential for improving the results of government programs. It can also create an information-driven language to break down the silos that so often separate the agencies managing government programs. Thus, creating a government capable of solving non-hierarchical problems requires a new approach to government.

Conclusion

This is not the first time that American government has faced such challenges. Indeed, a careful reading of American history suggests that the nation periodically has gone through a dramatic redrawing of the boundaries of government. In the past, new boundaries have been important for the role of state and local governments, then the role of the private sector, then the role of the American government in the world. For the first time, however, we face a tectonic shift on all three boundaries. The shift was already under way before 9/11. The awful terrorist attacks of that day shine a harsh spotlight on these changes, reminding us that change is inescapable.

The frontline public servants who put the welfare of others ahead of their own safety—the firefighters, police officers, and other first responders who bravely did their jobs in the face of unthinkable danger— were surely heroes. But, in a quiet and no less important way, so too are public leaders like Julie Gerberding and Ed Flynn, who had the insight about how to meet the challenges of 21st century governance and the courage to face the barriers of systems not always friendly to innovative thinking.

Their actions chart the steps we can use to meet the challenges of 21st century governance. They are the face of the *next* government of the United States.

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25.   Reihlen, "The Logic of Heterarchies," p. 8.

26.   Woodrow Wilson, "The Study of Administration," *Political Science Quarterly,* vol. 2 (June 1887), p. 220.

27.   See, for example, Charles T. Goodsell, "Did NPR Reinvent Government Reform?" *Public Manager* 22 (Fall 1993), pp. 7–10; David Segal, "What's Wrong with the Gore Report," *Washington Monthly,* November 1993, pp. 18–23; and Ronald C. Moe, "The 'Reinventing Government' Exercise: Misinterpreting the Problem, Misjudging the Consequences," *Public Administration Review* 54 (March–April 1994), pp. 125–36. For a balanced analysis, see Peri E. Arnold, *Making the Managerial Presidency: Comprehensive Reorganization Planning, 1905–1996* (University Press of Kansas, 1998), especially chapter 12.

28.   See Abramson, Breul, and Kamensky, "Four Trends Transforming Government," pp. 9–10.

29.   U.S. Government Accountability Office, *Performance Budgeting: Efforts to Restructure Budgets to Better Align Resources with Performance,* GAO-05-117SP (February 2005), especially pp. 7–9.

A B O U T   D O N A L D   F .   K E T T L

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The Transformation of Government in the Decade Ahead

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Introduction

I have been asked to reflect on trends that "could transform government in the decade ahead." The question expresses an Enlightenment or Whiggish view of history that is attractive but not necessarily true. In this view, the path of human history involves progress and improvement. Over time, things—even including government!—get better.

Such a view is encouraged by developments over the last 20 years. During these decades what Don Kettl (2005a:1) calls "a remarkable movement to reform public management has swept the globe." Hood (1990) labeled this the "new public management"; in the United States it came to be known as "reinventing government." The movement arose from practitioners and has sought public-sector self-renewal, based around improved public-sector performance. Indeed, based on its common theme, I would refer to the movement as a "performance turn" in public management. If one examines two recent papers published by the IBM Center for the Business of Government that discuss future trends in public management (Kettl, 2005b; Abramson, Breul, and Kamensky, 2006), the trends they present virtually all involve improving government performance, and many include the actual word *performance*. The same thing is true of trends that I will discuss later in this paper, based not only on U.S. experience but including other countries where I have observed public management, particularly the United Kingdom (UK) and Sweden.

Nonetheless, it should by no means be taken for granted that the performance turn will dominate public management over the next decade. Indeed, it has only just barely, at least in the United States, dominated developments in public management over the last decade.[1] The performance turn has, to be sure, been central to the formally organized management activities of both the Clinton and Bush administrations, under the rubrics of the National Performance Review and the President's Management Agenda. Furthermore, someone reading *Government Executive* or *Federal Computer Week,* or attending National Academy of Public Administration conferences, will probably experience performance improvement as the key theme in public management in recent years. However, a reader of the *Washington Post* during the same period, not to speak of a *New York Times* reader, would almost certainly not have the same impression. Media coverage of public-sector management is no different from what it was before the performance turn occurred: It continues to be dominated by the same themes traditionally characterizing it—corruption, dishonesty, and "waste, fraud, and abuse." Indeed, a reader of the *New York Times* would be forgiven for not knowing there even *exist* any systematic or ongoing efforts to improve public-sector performance. And if there is a performance turn in public management, few in Congress seem to have heard about it. Indeed, though one should not ignore the assistance that senior executive-branch leadership, along with the trade press following government, has provided for the performance turn, one may see the persistence of performance-improvement efforts among public-management practitioners as a tribute to the mission identification and public spirit of career public employees, because, all things considered, there has been precious little encouragement from the political environment in which government agencies exist.

One might say that the performance turn is contested. And, indeed, as we shall see, a significant number of academics do contest it outright. But probably the main threat to the performance turn comes not from opposition so much as from

neglecting performance in favor of focusing effort and attention on aspects of public-sector management other than overall performance improvement. This may even now include issues not related to performance improvement beyond those the system must already contend with; for example, Jody Freeman, a respected administrative law scholar, has argued (Freeman, 2003) that contracting *requests for proposals* should be published for public notice and comment under the Administrative Procedures Act, so "public law" issues involving a contract (e.g., whether the function should be outsourced in the first place, protection of citizen rights, applicability of the Freedom of Information Act) can be vetted.[2]

It is therefore entirely possible that the major trends in public management over the next decade will involve preoccupations completely different from those presented in recent IBM Center work and in this paper.[3] Rather than transforming, innovating, learning, and challenging themselves, agencies could well be preoccupied over the next decade with different activities—"ferreting" (as in "ferreting out waste, fraud, and abuse"), "exposing" (as in "exposing mismanagement"), "complying" (as in "complying with rules and procedures"). It is certainly not impossible that people in agencies over the next decade will be more in a mode of "hunkering down" and "keeping out of trouble" than in a mode of performance improvement. I believe it is important to be aware of this risk. It is not trivial. We cannot take the existence of the performance turn for granted. We need to explain how an emphasis on performance differs from traditional ways agencies have been managed and how those traditional ways harm performance. We need to take on an intellectual battle to protect the performance turn.

This paper therefore consists of two parts. The first will make clear that the performance turn represents a challenge to a traditionally dominant approach to public-sector management focusing on respecting constraints rather than on achieving goals. The second part will assume that these challenges are held at bay and that the public sector will be permitted to focus significant attention on performance improvement, and ask what the most important performance-improvement leverage points are likely to be over the next decade.

The Challenge: Focusing on Performance in the First Place

Government underperforms. And this underperformance is overdetermined. One explanation, which economists favor, is that agencies are protected monopolies and thus lead an easy life, without performance pressures (Rainey, Backoff, and Levine, 1976; Savas, 1982); monopoly, writes Savas (pp. 134–35), produces a situation where citizens are "subject to endless exploitation and victimization," where "so-called public servants have a captive market and little incentive to heed their putative customers." The very universality of popular obloquy regarding government performance across time and place suggests the monopoly criticism is not groundless, since the most obvious common feature of agencies is monopoly status. However, it is inaccurate to state that agencies generally lead an easy life without outside pressures. Pressures come from the political system and the media, not the marketplace, but that doesn't make them innocuous: If one asked people whether they would rather be attacked on the front page of the *Washington Post* or subjected to punishment that firms typically mete out for poor performance, it is not obvious most would choose the former. Another explanation is that few of the best people choosing government careers do so because of an interest in managing organization performance, but rather to influence formulation of policies such as for AIDS or terrorism. A third explanation is that, compared with the profit metric for firms, agencies often have a hard time developing good metrics available to use to achieve performance improvement (to take an extreme example, what should the State Department's metrics be?) or there are conflicting goals or controversy about goals (should the Forest Service cut down trees for economic use or preserve them for wilderness lovers?)

The most obvious explanation for underperformance, however, is that government, compared with business firms, pays less *attention* to performance in the first place. All organizations have goals and also constraints that put boundaries around what they may legitimately do to achieve their goals. Traditionally in government, the tail wags the dog—constraints loom larger than goals, inhibiting good performance.

Central to understanding government organizations is the distinction between goals an organization has and constraints under which it operates (Wilson, 1989:chap. 7; Simons, 1995).[4] Goals are *results* an organization seeks—for firms, profit, market share, or customer satisfaction; for the Environmental Protection Agency, improved air quality, or for the National Cancer Institute, better understanding of cancer. Constraints are *limits* on the acceptable behavior of organizations or their members, even to meet goals.[5]

For agencies, constraints include that officials not take bribes or lie to the public; or that citizens be treated fairly, due process respected, and that there be accountability to the public for agency actions.

Since they often embody important ethical values such as respect for persons, honesty, and integrity, constraints are not unimportant. At the same time, organizations (or individuals) about which it can only be said they have respected constraints would typically not be judged successful. Imagine a journalist who during a long career never revealed a source or fabricated evidence—but had never uncovered a good story. Or imagine a company that had never cooked its books, but also never succeeded in making a sale. Nor are organizations (or individuals) that need to focus significant energy

on ensuring constraints are respected normally successful, because that energy is unavailable for goal attainment. Instead, a healthy organization (or individual) is one where constraints are taken for granted. If an individual needs to spend hours each day worrying about how he or she will avoid murdering others, the person is unlikely to be successful at achieving substantive goals.[6]

Business firms almost always focus in the first instance on achieving their goals: A business that doesn't won't stay in business. However, a central fact about the practice of government, across most times and places, is that, in the environment in which government operates, closer to the opposite is true—failure to pay attention to *constraints* often inflicts more pain (Wilson, 1989:115). This is so for several reasons. First, in government goals are often controversial (should affirmative action be required or free trade pursued?) but "everybody can agree" it's wrong to lie or show favoritism. This makes constraint violation an easier story for media or opposition politicians to tell. Second, goal achievement is not fully under agency control and occurs over time, while constraint violation is immediate. Third, pursuing goals is about "maximizing good government," respecting constraints about "minimizing misgovernment" (Gregory, 2003:564, quoting Uhr); many have such limited aspirations for government that reducing misgovernment is all they ask, a standard for success firms would find incomprehensible.[7] Fourth, agency accountability is a central value in a democracy. This focus is a constraint since it says nothing about results, only process.

The result is that, traditionally, the dominant focus of the political system—elected officials and the media—in thinking about the management of government agencies has been on (real, perceived, or alleged) violation of constraints, along with a closely related focus on egregious mistakes or errors (the "waste" part of "fraud, waste, and abuse"). Agencies have been asked to focus on avoiding the bad rather than achieving the good. Thus, the performance turn represents a sharp break with tradition.

All organizations should seek to maximize goal attainment, while respecting constraints. For firms, goal focus increases the chances they perform well and also the risk they ignore constraints—the Enron problem. For governments, the problem is less that

constraints are violated (although media coverage produces the misimpression of common misbehavior) than that they perform poorly—the Katrina problem.

The importance of constraints is tied to dominance of bureaucratic organizational forms in government, since rules and hierarchy are important control tools.[8] As Kaufman (1977:4) famously noted, "One person's 'red tape' may be another's treasured procedural safeguard." Hierarchy, combined with rules developed at the top, where those lower down are merely executing directives, fits into the desire to subordinate unelected officials to political control (Warwick, 1975: 69–70). If one cares about minimizing misgovernment rather than maximizing good government, one will be disinclined to grant officials discretion. As Theodore Roosevelt stated a century ago (quoted in White, 1926:144), "You cannot give an official power to do right without at the same time giving him power to do wrong."

Rules, of course, sometimes also promote good organizational performance, particularly when they embody knowledge an organization has learned over time, so organization members don't need to reinvent the wheel (March, Schulz, and Zhou, 2000). However, rules generally become interpreted as suggesting a maximum (rather than minimum) level of performance (Mintzberg, 1979); people often come to think that their jobs end when they have followed the rules. Both for this reason and because of their association with a constraints perspective, supporters of the performance turn have typically sought to reduce, although surely not eliminate, the importance of rules in the organizational design of the public sector.

Performance Orientation for Government: The Battle Within Academia

A performance orientation toward public management is not only controversial in American society. It is even, or perhaps especially, controversial among academics studying public administration.

During the founding decades of public administration starting around the turn of the last century, the focus of the field was on performance—or, to use the idiom of that era, promotion of "economy and efficiency."[9] Gulick wrote (1937b:191–92) that "[i]n the

science of administration, whether public or private, the basic 'good' is efficiency." The founders of public administration were reformers, promoting good management as a means to improve government performance. The founders specifically established the field in distinction to public law, which emphasized constraints. White (1926:2, 4–5) stated "the study of administration should start from the base of management rather than the foundation of law, and is therefore more absorbed in the affairs of the American Management Association than in the decisions of the courts." While the major objective of public law was "protection of private rights," public administration's main objective was "efficient conduct of public business."

But after World War II, a change occurred. In the late 1940s, two young scholars each published widely noted books: Herbert Simon, *Administrative Behavior* (1947) and Dwight Waldo, *The Administrative State* (1948).[10] The two had different subsequent histories. One became an icon of social science—he won the Nobel Prize in economics. The other became an icon of public administration—the American Society of Public Administration's highest scholarly award is named for him, his book subject of a retrospective collection, *Revisiting Waldo's Administrative State* (Rosenbloom and McCurdy, 2006) 60 years later. One continued an astonishingly productive career, while the other wrote little but elucidations of his first book. *The Administrative State* helped set public administration on a separatist path emphasizing constraints. *Administrative Behavior* represented a road not taken of integration with the growing field of organization studies, and a continued concern with attaining goals.

Substantively, Simon endorsed the founders' support for "efficiency" as the criterion to judge organizations, although adding a focus on making good organizational decisions not present in the founding literature. Methodologically, Simon called on public administration, as a science of human behavior, to associate itself with social psychology and, more generally, to test propositions about organizations in a more scientific way, denouncing the founders of public administration for insufficient scholarly rigor.

Waldo's critique of the founders was the opposite of Simon's. He denounced their preoccupation with efficiency. And he rejected their aspirations to science,

not (as with Simon) for poor execution but rather for ignoring values, particularly the importance of democracy. He argued that the founders sought expert administration, which Waldo believed was questionable from a democratic perspective, and centralized hierarchy, which Waldo believed violated democracy at work. Waldo believed the field needed to redirect attention toward creation of "democratic administration"—greater popular participation in setting direction for agencies and greater employee participation inside them. Waldo thus disparaged the field's attention to how well agencies performed and urged focus instead on process, perhaps the most important of constraints government organizations face, but constraints nonetheless.

In the early 1950s, Simon left public administration to take the job of transforming the business school at the Carnegie Institute of Technology to a research-oriented institution. Simon's departure was a tragic loss. The field was small enough that departure of one young prominent figure actually could make a difference, especially at a crucial time when organization studies was growing in disciplines not traditionally connected to public administration, and thus building new links was crucial. By contrast, Waldo's approach was attractive for a field traditionally close to political science but now distained for what political scientists ridiculed as a "preoccupation with manhole covers": By turning to political philosophy, public administration might regain esteem.

Attacking the politics/administration dichotomy developed by Wilson and Goodnow became a major theme in public administration following Waldo's book. A widely noted essay by Gaus (1950) called "Trends in the Theory of Public Administration" in the 10th anniversary edition of *Public Administration Review* concluded with the flourish, "A theory of public administration means in our time a theory of politics also." As public administration took Waldo's road, these issues became central to the field. An analysis of public administration theory (Denhardt, 1990) concluded that the main change between the 1950s and the 1980s was a shift from "positivist" research on organizations to "subjective" discussions of the relationship between administration and politics. The so-called "Blacksburg Manifesto" scholars of the 1980s mixed separatism with strong support

for an active political role for career officials. The lead essay in a "Blacksburg" volume (Wamsley, 1990:24) referred to "debilitating irrelevant intellectual baggage" inherited from the field's founders—"[borrowing] heavily from private-sector management techniques" rather than developing "its own theories, concepts, norms, or techniques." Waldo (1968) urged public administration to move away from its hostility to administrative law. Cooper (1990) noted public law had "experienced a resurgence in public administration" during the 1970s and 1980s, another move away from performance.

In reaction to the practitioner performance-improvement efforts of the past decades, some public administration/management scholars embraced reform and aligned themselves with the performance movement. These are the names of scholars in public administration and public management whom many in the field are likely to know—people such as Michael Barzelay, Bob Behn, Sandy Borins, Don Kettl, Mark Moore, and Hal Rainey. However, these people don't represent the entire academic public administration/management community, or even necessarily a majority of it. Instead, a disturbing proportion of the field, particularly in the UK, has reacted to the performance turn with cranky skepticism or downright hostility, often displaying nostalgia for the good old days of a public sector not needing to concern itself with pesky performance demands. The three editors of *Public Administration Review* serving when new public management emerged all had negative opinions of the performance turn. The field's two most recent handbooks (Peters and Pierre, 2003; Ferlie, Lynn, and Pollitt, 2005) have been predominantly critical.

Perhaps the most influential in the British torrent of attack is Pollitt's *Managerialism and the Public Services* (1990), which popularized the phrase "manageralism" in public administration discourse. Pollitt initially defines this as a belief "that better management will prove an effective solvent for a wide range of economic and social ills," which, absent the overdramatization, might appear no "-ism" but just the unexceptional claim that good management improves performance. What Pollitt doesn't like is the implication of generic management—"the transfer … of managerialism from private-sector corporations to welfare-state services represents the injection of an ideological 'foreign

body' into a sector previously characterized by quite different traditions of thought" (pp. 1–2, 11). Radin (2006:35–41) sees generic management as a major flaw of the "performance movement." The critics disapprove importing business terms into government, even those one might regard in a positive light. An example is enmity against the word *customer,* as in *customer service* (e.g., Pollitt, 1990:139; du Gay, 2000:108–11; Peters, 2001:45).

A conscious defense of the primacy of constraints over goals emerged in embrace of what frequently became referred to as "traditional" public administration values. Savoie (1994:283) worried about "rejecting traditional public-administration concerns with accountability and control, and giving way to the business-management emphasis on productivity, performance, and service to clients." Peters (2001:36) used the phrase "cherished traditions of personnel and financial management" to refer to bureaucratic rules. In Peters (2001: 88, 108, 121, 125, 129, 200), references to "traditional" values such as probity, impartiality, and so forth appear in at least six places. Thus the bane of government is presented as a virtue. And *performance* itself is presented as a negative word. Radin boldly titled a recent (2006) book *Challenging the Performance Movement.*

Embracing constraints, the critics reject reformers' attack on bureaucracy. Du Gay's *In Praise of Bureaucracy* (2000) lauds bureaucracy for promoting constraints. Terms such as *probity* and *reliability* abound. Du Gay praises bureaucracy for being "ordered, cautious"; by contrast, new public management judges agencies for "failure to achieve objectives which enterprise alone has set for it" (p. 87), presumably performance and cost-consciousness. Peters (2001:200) muses about "a return to the bureaucratic Garden of Eden."

What Might the Next Decade's Trends Be (If We Get to Focus on Performance)?

I developed a list of trends before reading the two recent IBM Center reports on the same topic, thinking about not only the United States but also experience outside this country. What fascinates me is how similar the list I developed independently is to the lists in the other two IBM Center papers.

My list includes the following trends:

- Performance measurement and management
- Improved contract management
- Interorganizational collaboration
- Choice and competition
- Efficiency-promoting budget reforms

Two of these trends are different from those on the lists in the other two IBM Center papers—contracting management and budget reform. The first probably reflects my own interests and prejudices. The second, perhaps more interestingly, reflects my remit (I self-consciously use a British expression!) to think globally—or at least somewhat outside our own borders—and not just locally: Budget reform has been significant in public-sector performance-improvement efforts in a number of Organization for Economic Cooperation and Development (OECD) countries, but not in the United States, so the more domestically focused authors of the IBM Center reports may have ignored them.

I will also confess that I am unsure in my own mind to what extent this list should be considered pre-scriptions (what I believe public-sector performance improvement *should* focus on) or predictions (what I believe performance improvement *will* focus on). I am clear that my list is at least prescriptive: These

areas are, in my view, those with the potentially highest value added for public-sector performance improvement.

Performance Measurement and Management

For over a decade—and earlier in some places, such as Sweden (Sundstrom, 2006)—there has been a dramatic expansion in the use of non-financial performance measures for government agencies (Talbot, 2005). When I ask Kennedy School executive education students whether pressures for their organizations to develop performance measures are high, medium, or low, majorities of the Americans, and similar majorities from other developed countries, characterize pressure as "high" (almost nobody says it's "low"); when I ask whether pressures have increased, decreased, or stayed the same over the last decade, the overwhelming majority from both the U.S. and other developed countries say "increased."[11] Increased visibility of performance measurement is the most obvious sign of the performance turn in public management.

Often, governments have limited themselves to what may be called "performance measurement"—choosing measures and reporting performance against them. This has for many years frequently, though not always, been the case in the U.S., where this is all the Government Performance and Results Act requires. In this situation, the words typically associated with the effort are *accountability* and *transparency*. Agency overseers, and the public, are made aware of performance levels and may then react according to their judgment about whether it's good or bad. Other times, government organizations have gone beyond performance measurement to

"performance management"—using measures as a tool to *improve* performance along dimensions measured, not just *record* performance levels assumed to be unchanging.[12] When I ask executive education students what justification for spending resources on performance measurement they would offer a staff member arguing that the agency should spend its limited resources delivering performance rather than measuring it, five years ago most gave some version of an accountability/transparency argument ("we are spending public funds, so we must justify that we are using them well"). Today most give some version of an argument that measuring performance will help improve performance.

Managers at various levels of an organization may use performance measures as a performance-improvement tool in various ways. First, they can motivate individual employees to work harder and more effectively, given the abundant evidence that challenging goals encourage better performance (Latham, 2006). Second, performance measures can provide feedback about an organization's performance over time or in comparison with other organizations, which in turn can direct areas for organizational learning and for prioritizing managerial attention. Third, measures can focus employees on the few things managers wish them to attend to ("what gets measured gets done").

The distinction between performance measurement as an accountability tool and as a performance-improvement tool is key. *Accountability* has strong punitive connotations (Behn, 2001). When agencies conceive of performance measurement in this way, line managers will resent it, and organizations will be inclined to react by isolating it as a compliance exercise in the hands of headquarters staff, preparing reports to present to overseers, kept as insulated from the actual line work of the organization as possible. By contrast, if seen as a management tool for performance improvement, many line managers, eager to improve performance and often lacking good levers, will embrace it.

After passage of the Government Performance and Results Act (GPRA) in 1993, the Clinton administration began an effort, mainly directed by the Office of Management and Budget (OMB), to implement the legislation. In a few cabinet departments—most notably the Department of Transportation and the

Department of Veterans Affairs—political-level senior executives began using performance measures as a management tool. However, the initial emphasis on developing paper documents for submission to OMB (agency "strategic plans" and "annual performance reports"[13]) encouraged agencies to regard GPRA as a compliance exercise. There was a danger that attention to performance measurement would not survive the transition to the Bush administration, especially given the tendency to abandon Clinton-era management reform efforts. However, performance measurement not only survived but was actually strengthened, through OMB attention to an effort to link performance measurement with budgeting and also through increased use of performance measurement as a management tool by more senior political executives. At the same time, state and local governments have shown increasing interest in performance measurement, in areas ranging from high-visibility school testing to various programs (modeled in some senses on the New York CompStat anti-crime performance management system from the 1990s) in cities such as New York, Baltimore, and others. The best guess now is that performance measurement has become institutionalized in the U.S.

A particularly ambitious example of using performance measurement for performance improvement has been the UK under the Labour government since 1997. Starting in 1998, departments negotiated "public service agreements" with the Treasury (the budget ministry) in conjunction with budget settlements. These were quasi-"contracts" where departments agreed to achieve various performance targets in exchange for their budgeted resources. (Examples have included improvements in surgical wait times, student test scores, and commuter rail punctuality.) The UK is awash in "league tables" comparing performance of schools, hospitals, and local governments. In conjunction with these efforts, central government in the UK has developed a significant, and impressive, central apparatus, both via the Prime Minister's Delivery Unit and through performance management units in individual cabinet departments, for encouraging performance improvement in situations—such as schools, police forces, and hospitals—where performance is delivered by local operating organizations (Kelman, 2006b). This is *separate from* activities in the Treasury to "link budget to performance" (to use an American

expression seldom used in quite the same way as in the U.S.). Central units monitor local organization performance on an ongoing, and often comparative, basis (often monthly or even weekly); provide consulting services for poorly performing local units; do research on best practices;[14] and sometimes provide financial incentives for target attainment. My own (limited) observations in English local government are that performance management and targets play an astonishingly strong role in both the vocabulary and the practice of local practitioners—this is *not at all* something confined to policy offices in London. I am also astounded by how often public-service performance information is actually the stuff of media reports; the UK is a country where statistics on attainment (or, more likely, given media culture, non-attainment) of a commuter rail punctuality target can be a major newspaper story. In the UK it is impossible to miss the importance of performance measurement in government.

The growth of interest in performance measurement has been criticized both inside and outside academia (e.g., Schick, 2001; Radin, 2006; also in economics work with employment contracts in firms in mind, e.g., Holmstrom and Milgrom, 1991 on "multi-tasking"). Critics worry both about dysfunctional consequences (e.g., does testing reading/math inappropriately reduce attention to other school subjects?) and about gaming or even cheating on the measures (e.g., does a four-hour treatment target for emergency room patients in the UK cause ambulances to wait outside hospitals until patients can be seen?) The criticisms are summarized by the worry expressed in the context of educational testing about "teaching to the test." People mean different things when they use this term. First, they may mean that the goal is a good one but that the metric does not appropriately measure the goal (e.g., it is important for children to learn language skills, but a multiple-choice standardized test doesn't measure language skills well). Second, they may mean that although the goal is a good one and the metric may measure the goal well, people ignore other valid goals because they focus only on the performance measure (e.g., what about teaching history, foreign languages, citizenship, or social skills in school?)[15] Third, they may worry about gaming—teachers don't teach the underlying skills being tested but rather skills at *taking the test* (e.g., teaching students when it makes sense to guess on a multiple-choice question).

Three observations should be made about this. First, these classes of problems are common to performance measurement in general, not just to educational testing or even to government. (Think about the worry that CompStat's focus on crime reduction caused the police to pay less attention to human rights violations, or of firms gaming profit measures using accounting tricks.) Second, for each problem, there are mitigation strategies, but none is likely to be perfect—performance measurement will create some behavior distortions. Third, and most importantly, the presence of distortions does not mean that performance measures should not be used as a management tool to improve performance. The appropriate question is not whether organization performance is worse using imperfect performance measures than using perfect performance measures but whether it is better than organization performance using no measures at all. Few would argue that Enron's accounting fraud suggests abandonment of profit as a performance measure for firms.

The conventional wisdom among performance-measurement experts, a wisdom also enforced by OMB when it negotiates with agencies about performance measures, is that outcomes are far preferable to input or output measures (Hatry, 1999). This view reflects the correct observation that, at the end of the day, what the world cares about is outcomes (health, crime reduction, educational attainment), not inputs or outputs. Furthermore, it is often possible at least partly to deal with objections—often from agencies—that outcomes are "beyond our control" through regression analyses controlling for the impact of other variables and providing program "value added" or through other statistical techniques. However, the dogma nonetheless appears exaggerated. While outcomes may be good as a management tool to remind employees why they are coming to work every day, it is often difficult to manage to them in real time, since often[16] they only change slowly and are more distant to employees.[17] Furthermore, OMB imposes lower scores in its Program Assessment Rating Tool, or PART, process when outcome-focused targets are missed, even if those targets are ambitious or where they reflect a lack of agency legislative authority, even if the agency has requested it (Metzenbaum, 2006). The usefulness of output/input performance measures hangs on how confident we are that the inputs/outputs in question are related to the outcomes we

seek (what is often called the "logic model" linking measures). If we are confident—as with confidence that vaccinating a child against measles will protect the child against it—input/output measures are acceptable. If not, they cause people to teach to the test.

The highest visibility aspect of performance measurement in the Bush administration has been the Program Assessment Rating Tool, run by OMB, which seeks both to negotiate program performance measures with agencies[18] and to rate programs as "effective," "moderately effective," "adequate," "ineffective," or "results not demonstrated." By FY2006, about 800 of the 1,000 major federal programs had been rated (Gilmour, 2006). PART has had the positive impact of helping begin to institutionalize the standing of performance measurement in government. However, it has done little to encourage use of performance measurement as a performance-improvement tool. OMB interacts mostly with PART-assigned staffers in agencies, perpetuating conceptualization of performance measurement as a staff rather than a line exercise.

Gilmour's account makes it clear that agencies work to get good PART scores by getting better at "communicating their accomplishments" to their counterparts at OMB, not by improving their performance. (Unlike the Prime Minister's Delivery Unit in the UK, OMB does not track or monitor performance on an ongoing basis, or work to encourage performance improvements directly.) In a devastating observation, Gilmour (2006:17) reports that agencies getting good PART scores

> did not attribute their success to changing the program. None of the officials interviewed for this project claimed that they had introduced significant management improvements or changed program design in order to raise their rating.

A second problem with PART is tying results to budgets before performance management has become institutionalized in agency cultures. The implication of poor (or good) program results for budget decisions is, of course, ambiguous, since poorly performing programs may be having problems because they are underfunded, and well-performing programs don't necessarily need more money.

Politically, some rhetoric surrounding PART suggested its purpose was to "expose" badly performing programs so they could be defunded, giving PART a partisan edge that threatened to make performance measurement a matter of political controversy—although there is no evidence, as some have alleged, that PART was used as a partisan tool to decrease funding for "Democratic" programs (Gilmour and Lewis, 2006).[19] Most importantly, the connection of PART to budgeting gives PART a punitive edge that encourages a compliance approach rather than getting performance to become an accepted part of an agency's culture. For these reasons, in my view, connections between program results and budgets should come at the end of a process where a performance measurement system is institutionalized, not at the beginning.

A government that took performance measurement as a performance-improvement tool seriously would:

• Reverse the current priority of using performance measurement in the first instance as a budgeting tool and only secondarily as a management tool.

• Use central resources (e.g., OMB in the federal government) to take on a headquarters-like function in performance improvement, analogous to the Prime Minister's Delivery Unit in the UK.

• Train managers about techniques for using performance measurement as a management improvement tool.

Improved Contract Management

Contracting has become such an important part of how government does business (Light, 1999) that improving the value the government gains from contracting must be considered an important priority in any agenda for government performance improvement. A number of agencies, such as the Department of Defense, the Department of Energy, and the National Aeronautics and Space Administration, spend a majority, in some cases an overwhelming majority, of their budgets on contracted products and services—46 percent, 94 percent, and 78 percent, respectively. Most agencies contract out development of information technology applications that are crucial to running their organizations, as well as other central activities such as scientific research. For such agencies and functions, managing contracting must

be considered a core competence. Very similar discussions have been common in the UK (e.g., Walsh et al., 1997).

The "procurement reform" efforts of the Clinton administration (Kelman, 2002; 2005) were directed mostly at improving the source selection process,[20] with some attention to acquisition planning prior to source selection (development of performance-based requirements, market research, due diligence, communication with industry). In the UK, efforts to improve the procurement system have taken a very similar approach. A major government report on the topic (UK Cabinet Office, 2003) was subtitled, "Reducing Bureaucracy in Central Civil Government Procurement"; its conclusions sounded remarkably like those of the Clinton administration's efforts.[21]

However, 1990s-era reforms paid little attention to improving contract management following source selection. Any reasonably impartial person with experience in government contracting would draw the conclusion—unsurprising from a range of human affairs—that the quality of contract management varies widely, from contracts that are actively and successfully managed to ones where management is perfunctory or nearly non-existent. Although problems and issues have by no means been solved with regard to source selection—and indeed there are significant forces seeking to reverse gains that had been made—problems are more significant with regard to contract management (along with acquisition planning issues that, if not handled well, come back to haunt post-award contract performance).

Transaction-cost economics theory (e.g., Williamson, 1975; 1981; 1985; 1996) discusses the make-buy decision as involving trade-offs between the production-cost advantages of contracting, and the transaction-cost problems contracting engenders when all contract terms can't be specified in advance and "asset-specific" investments the parties make in the relationship make it expensive to break. Often, both the production-cost advantages of contracted production *and* its transaction costs are high. Large-scale information technology, weapons systems, and infrastructure projects fit into this category. In such cases, contracting makes sense, but it must become "relational" (Macneil, 1974)—long term and with significant investment in a governance structure. Without a large investment in contract management

(governance structures), contracting under these conditions runs great risks of failure.

There is an image of contract management where government is "asleep at the switch" or where nobody is "minding the store" (phrases often used) and, therefore, where contractors run roughshod over the public and hapless agencies. This is a world of cost overruns and performance failures. Academic concerns about a "hollow state" where government contracts rather than produces have sounded a parallel alarm, sometimes citing similar accounts of contracting problems (Kettl, 1988; Milward et al., 1993; Milward, 1996). We should take such images with a grain of salt. Surely, to take the best-known exhibits for the prosecution, there are "cost overruns" in many weapons and technology projects. But these should not be seen simply, or even mostly, as due to sloth or fraud. Much cost growth results from unrealistically low initial cost estimates reflecting positive illusions people tend to have that they are "above average" (Taylor, 1988) and therefore will be able to manage costs better than most, or, often, used to garner political support for a project that will be harder to sell the more expensive it is said to be. Cost growth also results from changes in project specifications, so what government ends up buying includes performance features not in the original contract. And, of course, many of these projects involve very complex, first-time tasks going beyond the current state of the art. In fact, studies (Merrow et al., 1979; 1984) comparing "mega-projects" in the Defense Department and the private sector found that a universe of non-defense projects such as construction of refineries, process plants, and nuclear plants showed greater average cost growth than did Defense Department major weapons projects in the 1960s, although technological uncertainties in the weapons systems were surely greater on average than for these projects. A study of private-sector information technology systems development projects found most came in considerably over budget and delivered less performance than expected; many were abandoned entirely (Kern, 2001).[22]

Determinants of contractor performance have received some attention in mainstream organization studies literature, often from a transaction cost economics perspective (e.g., Mayer and Argyres, 2004; Mayer and Nickerson, 2005; Srinivasan and Brush,

2006). There are also a few empirical articles on this topic in a government context (Provan and Milward, 1995; Milward and Provan, 2003; Brown and Potoski, 2003, 2006). Compared to its importance, this domain has been badly underresearched.

What needs to be done well if contract management is to be successful? The vast majority of what good program and contract managers[23] need to be good at are the same things *any* good manager needs to be good at. In fact, the most important responsibilities are analogous to those of a senior executive, not a first-line supervisor or middle manager. It is the job of the *contractor's* management directly to supervise its employees on a day-to-day basis. Instead, what a *government* program or contract manager needs to be good at is executive-type functions such as (1) developing strategy and setting goals; (2) inspiring those doing the work, including contractors, with commitment, enthusiasm, and public purpose; (3) focusing on performance management, including traditional "monitoring" (financial and non-financial); (4) managing horizontal interfaces between the contractor and end users of the contractor's services; (5) making decisions about acceptable risk levels and risk management; and (6) managing interfaces with higher organization levels and the external environment.

In a study based on a survey of Contracting Officer's Technical Representatives, or COTRs (U.S. Merit Systems Protection Board, 2005), it was found that a number of management practices were related, though generally not strongly, to the perception of good contractor performance on contracts where the respondent was COTR. These included receiving training in monitoring contractor performance and in interpersonal/organizational skills,[24] having worked on acquisition strategy/source selection prior to contract award, being in close physical proximity to contractor personnel, and frequently performing a list of post-award contract management tasks.

The most fundamental problem with the current system is that it insufficiently recognizes contract management as in the first instance a management function—and that, correspondingly, too many contract managers selected from the ranks of program or technical officials are wannabe doers dealt the short straw by being given contract administration duties (see Kettl, 1993 for older examples, which

still occur today). Technicians and other scientifically trained managers thus have had strong motivation to escape from this as quickly as possible.[25]

A government that took contract management seriously would:

- Regard resources required to manage contracts as part of the cost of contracting, funded from cost savings and performance improvements they are likely to produce.

- Train contracting people, especially those developing contract requirements and doing contract management, in selection and use of performance measures for contracts.

- Take evaluation of contractor past performance seriously, as a method for incentivizing good performance, particularly for complex "relational" contracts where there is a danger the contractor will exploit the government post-award.

- Look for ways to hire relatively young "doers" (e.g., software programmers, bench engineers) from industry to do stints as contract managers, to give government the technical expertise to manage technical contracts in situations where the government has few "doers" itself.

- Reconceptualize—in terms of training and self-image—contract management as a high-level *management* job.

Interorganizational Collaboration

The topics of organizing collaboration across government agencies ("connect the dots") and between government organizations and private ones ("network government," "collaborative governance") are now among the most-discussed questions involving the performance of public institutions and achievement of public purposes.[26] In recent years, it has become common to speak of a shift from "government" to "governance." Governance involves "processes and institutions, both formal and informal, that guide and restrain the collective activities of a group," while government is "the subset that acts with authority and creates formal obligations" (Keohane and Nye, 2000:12). The interest in "governance" beyond "government" relates to collaborations between government and the private/nonprofit sectors.

The overwhelming bulk of cross-boundary production occurs either through contracting or through various indirect policy tools such as tax incentives, loan guarantees/subsidies, or vouchers (Salamon, 1981; 2002). None of these is particularly new. However, while interest in interagency collaboration efforts isn't new—attention to multi-agency efforts to case-manage children or families with multiple social problems developed in the 1960s (Gans and Horton, 1975)—interest has grown in recent years. "Joined-up" government has been one of the central public management themes of the Labour government in the UK since 1997; some local-level partnerships (such as Crime and Disorder Reduction Partnerships, Drug Action Teams, and Local Strategic Partnerships) have been either mandated by statute or strongly recommended by central government directive. In the post-9/11 world in the U.S., attention to "connecting the dots," as well as important though lower-visibility efforts to develop multi-agency e-government applications, has raised interest in interagency collaboration; this is now almost *de rigueur* as a topic at conferences for government managers. Finally, enough examples exist—from the mundane, such as "adopt a highway" programs, to the momentous, such as public-private collaboration against terrorism—that newer forms of "collaborative governance" shouldn't be ignored (Selsky and Parker, 2005).

Views of the prevalence of these collaborative efforts have shifted over time. Writing as recently as the late 1990s about interagency collaborations inside government, Bardach (1998:4) wrote, "As one of my colleagues quipped when I told her I was writing a book about interagency cooperation, 'Short book, huh?' " The new view, summarized by McGuire (2006), is more breathless: "[S]ince collaboration is the new form of governance, it follows that collaboration in and of itself must be desirable. Thus, many studies ... equate the presence of collaboration to the success of a program without adequate empirical verification." Some of the more enthusiastic recent accounts would lead one to think that new cross-sectoral collaborations have become central to governance. Yet, in reality, these are a bit like the weather in Twain's aphorism: Everybody is talking about it, and nobody (or at least fewer than one might imagine) is doing anything about it. To switch metaphors, I believe it is justified to ask, "Where's the beef?" I will even confess perceiving, perhaps

wrongly (and I am happy to be proven wrong) an "Emperor's New Clothes" element to the enthusiasm for non-traditional collaborative governance. If I may be permitted to display an uncharacteristic cynicism, I am inclined to believe that the growing attractiveness of private industry and the reduced status of government has led even scholars to regard non-traditional cross-sector collaboration as a more important part of the governance landscape than it actually is.[27]

For interorganizational collaboration between government and the private or voluntary sectors, the main driver of collaboration is the view that organizations outside government possess resources in terms of capacity and/or legitimacy that help in solving public problems, so collaboration enhances the ability to achieve public purposes.

For interorganizational collaboration inside government, the main driver of collaboration is to try to overcome inevitable tensions and trade-offs among different organization-design departmentalization decisions that Gulick (1937a)[28] identified many decades ago. Gulick noted that one may divide up (departmentalize) work according to different criteria:

- **By purpose** (put people from all functions needed to manage development of an air pollution regulation, including subject matter experts, lawyers, and compliance experts, on a single team to develop the regulation)

- **By process** (what we today would call "function"—i.e., specialized experts in air pollution, law, and enforcement in separate units)

- **By clientele** (put all the people developing regulations for the automobile industry, be they air, water, or solid waste, in the same unit)

- **By place** (put all the people dealing with Los Angeles in the same unit)

Different departmentalization decisions have different advantages and disadvantages in terms of the quality of organizational production, but also (and most relevantly from the perspective of this discussion), often, *no matter what departmentalization decision you make, you create cross-boundary coordination problems, because most jobs simultaneously involve all four principles.*

So, to cite Gulick's example (p. 15):

> Within the City of New York, what shall
> be done with the doctor who spends all
> of his time in the public schools examining
> and attending to children in the Bronx?...
> Whichever answer we give [in terms of
> departmentalization] will ignore one or the
> other of the four elements characterizing
> his work.

The problem is that most feasible departmentalization decisions, no matter what decision we make, create some interorganizational collaboration problems that must be solved. At different times, the identity of the hypothetical individual as a participant in the education system, a doctor, someone who interacts with children, and someone working in the Bronx is likely to be relevant, and no matter what departmentalization decision is made, cross-boundary interactions will be desirable. Or take the collection of information about Osama Bin Laden. Currently, it is collected from many different agencies or units within organizations, divided up functionally—by process, in Gulick's phrase—by collection method, to achieve scale economies for expensive technology (signals for the National Security Agency, satellites for the National Reconnaissance Organization, and humans for the Directorate of Operations in the CIA), or by place (the FBI-CIA division for domestic and non-domestic sources) (Hammond, 2007). Would we really want to collect this information by "client" (i.e., just for Bin Laden), developing separate signal, satellite, and human intelligence networks *just* to collect information about Bin Laden? Obviously not. And if we located, say, a human intelligence network for Afghanistan in a hypothetical "Bin Laden department," we would then create interorganizational communication issues for getting non–Bin Laden information that these people gather inside Afghanistan to other parts of the organization. Furthermore, over time it is likely that the identity considered most relevant at the time the original departmentalization decision was made may become outdated by changed social priorities, creating, given existing departmentalization, growing interorganizational problems over time, especially in a world (like our own) with stronger demands for good government performance.

Despite the high level of interest in these topics, little rigorous empirical work exists on the relationship between the management/leadership/design practices of interorganizational collaborations and their success as partnerships, not to speak of the larger question of their success in improving public performance. The best-known and most widely cited scholarly books on the topic—such as Kickert, Klijn, and Koppenjan's *Managing Complex Networks* (1997), Bardach's *Getting Agencies to Work Together* (1998), Linden's *Working Across Boundaries* (2002), Agranoff and McGuire's *Collaborative Public Management* (2003), Thomas' *Bureaucratic Landscapes: Interagency Cooperation and the Preservation of Biodiversity* (2003), and Huxham and Vangen's *Managing to Collaborate* (2005)—are replete with very general propositions about "what makes for a successful partnership."

There are also a very small number of studies looking at the impact of cross-organizational action, mostly multi-agency case management such as for pregnant mothers under Medicaid or families receiving early childhood services, on client outcomes (Sandfort and Milward, forthcoming). Page (2003) cites conclusions from state-level reports in Georgia and Vermont suggesting a relationship between the intensity of collaboration among local multi-agency government/voluntary sector collaborations providing children/family services and performance improvements.

However, the empirical literature on both of these kinds of questions is weak. Literature on "what makes for a successful partnership" generally includes no empirical tests[29] of how much, or whether, the factors cited explain variation in partnership success, not to speak of societal outcomes. McGuire (2006) notes that "[t]here is a growing realization that collaboration is not an end in itself, and that only by examining its impact will general management theory be advanced." Koontz and Thomas (2006) note that "[w]e know little about the impacts of collaboration on the environment," and argue that examining connections between collaboration and performance is a high priority.

Some collaborative governance arrangements also raise democratic theory issues. Take the renowned and successful Central Park Conservancy, a private nonprofit organization that has taken considerable responsibility for managing Central Park in New York.

To the extent it determines park uses, will it favor oldies concerts appealing to affluent baby boomers over amateur baseball appealing to young Hispanics? Imagine a voluntary organization dedicated to combating AIDS in Africa through abstinence strategies came to the U.S. government with an offer to supplement existing AIDS prevention efforts in Africa with significant funds for efforts they organized, but only in the context of a collaboration with the U.S. Agency for International Development. One could certainly imagine objections to this, even if it did not reduce funding for, say, condom distribution on the grounds that the division of funds between the two kinds of activities represented a political agreement that was now being upset. Many situations, such as participation by local farmer-run boards in making price support decisions under governmental agricultural policy, that might today enthusiastically be embraced as "collaborative governance" are ones that, for example, Lowi (1969) denounced as interest-group takeover of government.

Collaborative governance across sectors (not involving traditional tools such as contracting) is the newest and freshest of trends discussed here, and therefore the one most likely to change and develop the most over the next decade. The policy and research questions surrounding collaborative governance (both interorganizational collaboration inside government and public-private collaboration) that need further work as this trend expands include:

- Partnerships—why they work or don't, and the performance consequences of partnerships in different contexts

- The special managerial skills and mind-set required for the newer kinds of partnerships (Goldsmith and Eggers, 2004)

- Democratic theory questions about public-private collaborations—i.e., when do they add legitimacy to public action (the assumption of the enthusiasts) and when do they raise questions about illegitimate interest-group control of policy formulation

Choice and Competition

Perhaps surprisingly, given the greater ideological acceptance of market mechanisms in the U.S. than in many other countries, the U.S. does not "lead the pack" in discussions of using competition among producers of public services as a tool for performance improvement. The basic argument, of course, is that competition among providers of public services will bring the benefits of the marketplace to government organizations that previously have been monopoly providers.

Some forms of government-funded (or subsidized) choice programs go back many years (Steuerle and Twombly, 2002). The GI Bill after World War II created a voucher to pay for higher education, allowing the recipient to choose which college to attend. Large voucher programs dating from the 1960s or 1970s include Medicare/Medicaid, food stamps, the Special Supplemental Nutrition Program for Women, Infants, and Children (better known as the WIC Program), Section 8 housing vouchers, and college student loans/grants. However, in all these cases, vouchers have been for purchasing products or services offered by *private suppliers,* not by government agencies.

There has been a trend in some countries in recent years, although with far more controversy than for earlier choice programs, to introduce greater choice for universal public services such as education and health.[30] In the U.S., the most vigorous, indeed acrimonious, argument about choice and competition has involved schools. A number of varied local experiments have allowed parents to choose among local public schools rather than automatically assigning children to the closest ("neighborhood") school, and also have provided vouchers that students can use in private schools, including religious, as well as public schools. Outside the U.S., various choice systems in education have been adopted by law in a small number of countries, such as New Zealand (1991), Sweden (1992), and Chile (1980).[31] The systems are designed in different ways. The New Zealand system applies to public schools only, and allows oversubscribed schools to select students using any criteria (although ethnic discrimination is forbidden). The Swedish system applies to private schools as well as public, but requires a lottery among student applicants if a school is oversubscribed[32] (and does not allow participating schools to charge any fee above the state-provided voucher).

Aside from having been adopted in rather small countries, another common feature of the national school choice systems adopted over the last 15 years

is that they have come into existence in countries with relatively low religious diversity or religiosity.[33] Instead, they have appeared in the context of debates about how to improve public-sector performance. The Swedish system was introduced by a conservative government during a brief period in power, but was not abandoned when the Social Democrats returned to power. By contrast, in the U.S., discussion of education choice, at least if extended to private schools, has been inflamed by association with religion issues.

One of the most interesting developments in the trend toward use of choice and competition as a strategy for public-sector performance improvement is its recent embrace by the Labour government in the UK. After a number of years of rejecting former Prime Minister Thatcher's competition-oriented approaches in favor of achieving performance improvement through performance measures/targets, recently the Labour government has increasingly seen competition and "contestability," particularly in health and also in education, as key complements to (but not replacements for) a targets-based public services improvement strategy (Prime Minister's Strategy Unit, 2006); Prime Minister Blair has publicly begun emphasizing competition and choice as central to his vision of public-service reform. Competition is seen (p. 48) as involving both "competition in the market," where users choose providers, and "competition for the market," where government bodies that pay for a service select providers. So, for health, the choice agenda involves, first, the ability of patients to choose among hospitals for elective care rather than being assigned a hospital; and, second, for local Patient Care Trusts, the government organization running the health system locally, to choose a set of hospitals with which to deal. The move toward competition and choice in education and (especially) health is politically controversial in the UK, mainly *inside* the Labour Party, with the party's left wing and the unions representing public employees opposing these changes. The Conservatives, who initiated attempts at this approach for health in the early 1990s, support the trend. At this point, Labour's choice agenda is more in the development than the execution phase.

Upon closer examination, it often turns out that there are disanalogies between various proposed markets for public services and normal economic markets that make predictions based on ordinary economic theory problematic. For schools, the biggest worry from an educational performance perspective is what happens to those students in poor schools who, perhaps because of parental indifference or other factors, do not leave those schools in the context of a choice program. In standard economic theory, my decision to switch from Hershey's to Mars chocolate doesn't affect the Hershey's loyalist.[34] But many argue that in schools there are "peer effects," such that if some good students leave a school, the learning of others will suffer. Furthermore, to the extent that a school's fixed costs are an important part of total costs and cannot be reduced,[35] departure of students, with concomitant revenue declines, might lower the funding base for students left behind. For these schools, the question is whether any benefits from a competition effect (encouraging these schools to perform better to stem the crisis) (Kelman, 2006a) outweigh these losses.

On the other end, popular schools often have limited ability or desire to expand, so there are strong limits to how much they will expand production to respond to their success in drawing students (Fiske and Ladd, 2000). For health, choice without a cost constraint (as in systems where healthcare is paid by insurance) will tend to produce "excessive" quality. For many public services, it cannot be assumed that consumers will have sufficient information to make reasonable choices, meaning that performance information at the organization level is desirable as a tool for consumer choice, something that has been experimented with in healthcare in the U.S. Finally, for some public services, especially but not necessarily only schools, there is worry that to the extent choice results in fewer opportunities for people from different class and/or ethnic groups to interact, reduces common features of our national experience, or creates schools that orient themselves to very narrow religious or political views, this can produce bad social effects with no real counterpart in the economic marketplace.

There has been a fair amount of sophisticated empirical research, especially in the U.S., on the performance impact of various kinds of choice or voucher systems. One of the most interesting studies (Hoxby, 2000) looks at the impact of choice without formal choice systems—i.e., of a larger number of place-based school districts in a geographic area—giving

parents more ability to choose schools by moving their residence (the so-called "Tiebout effect," based on Tiebout, 1956). Hoxby found that the larger the number of school districts in a nearby geographical area, the lower the cost of educational production and the better the performance of an individual district. Competition for residents thus had the effect economic theory would predict.

Studies of the performance impact of choice or voucher experiments have often reached conflicting conclusions, reflecting the difficulty of separating treatment effects (from participating in one of these programs) from self-selection effects (those participating in the programs are different in ways that available data don't allow controlling for), and also controlling for sample attrition.[36] Ladd (2002:21; see also Levin, 1998; Gill et al., 2001) reads the evidence as showing that by introducing vouchers "[a]ny gains in overall student achievement are likely to be small at best." Neal (2002) reads the evidence somewhat more positively, especially for black students. In Sweden, Sandstrom and Bergstrom (2005) concluded that, controlling for other factors, the higher the proportion of students choosing private schools at the local government level, the better the performance of the public schools in that area—i.e., that competition effects on public schools outweighed any peer group or resource-deprivation effects.[37] None of the empirical studies, however, finds dramatic effects on performance.

Growing out of the reinventing government effort in the Clinton administration, there has also been interest in the U.S., probably more than elsewhere, in competition *inside* government, with different government organizations competing to provide services to internal customers. The Bush administration, for its part, has emphasized public-private competitions over who should provide (often) internal government services such as employee cafeterias or IT help desks, where one winner is typically chosen (competition for a market) rather than competing organizations, either public or private, continuing over time (competition in a market) (Kamensky and Morales, 2006). Competition among government organizations has been most prominent in the procurement area, where contract vehicles run by organizations outside an agency's own procurement shop (and which typically offer, for a fee, to run a customer's procurement completely in addition to providing a

pre-negotiated umbrella contract that can be used as a basis for developing orders for specific services or products) have become quite common. It may be noted that this approach stands in stark contrast to the cry in traditional public administration (and in the popular mind) to reduce or eliminate "overlap" and "duplication," and to *create* monopolies where only one organization does one thing; as in the production of toothpaste, the benefits of competition are seen to outweigh the costs of duplication. As for public-private competitions for government work that the Bush administration has supported, they have been strongly opposed by federal employee unions and at times blocked by Congress.

As trends toward increased competition and choice become a greater part of the agenda for government performance improvement, relevant issues include the following:

- The market analogy is a powerful one that has driven major economic progress in the world over time; people in government need to think creatively about where it can appropriately be applied in the public sector.

- In a world of citizen choice among public service providers, performance measures take on an additional significance beyond their use as an internal performance-improvement tool; they become "report cards" or "league tables" (Gormley and Weimer, 1999) that help guide individual choice.

- The more that choice systems seek to deal with the potential negatives unfettered choice can create, the greater the regulation that will be imposed on them. To the extent that these regulations are imposed on private/nonprofit providers participating in the choice system, they may reduce the independence and variety of such private organizations, making them more like the government (Smith and Lipsky, 1993).

Efficiency-Promoting Budget Reforms

My discussion of this trend will be brief, because it is the area I know the least about—and also the one that has received the smallest attention outside the community of budget experts (rather than public management experts), at least in the U.S. But, as noted, it has been an important part of public management reform in many places outside the U.S.

For example, one of the earliest of the New Zealand public management reforms was to introduce accrual accounting for programs as a way of making their long-term costs more clear (Jones and Thompson, 2000). Over the last 15 years, many advanced countries have made steps to increase flexibility and cost-reduction incentives in public budgeting. By contrast, in the U.S. not only have such steps been notable in their absence, but if anything—with increased congressional earmarking—budget policy has moved in the opposite direction. Budget policy in the U.S. continues to be dominated by congressional insistence on detailed division of expenditures into many line items (object classes). Congress insists this policy embodies democratic control of spending.

While I was serving in government, two of the most common complaints from career civil servants that I heard both involved budget flexibilities. One was the requirement that agencies turn back unused appropriations to the Treasury at the end of any fiscal year. This eliminates incentives for agency cost savings, since in effect there occurs a 100 percent tax on such savings.[38] The "use it or lose it" character of appropriations also encourages wasteful end-of-year spending.[39] The second complaint was excessive detail in line-item divisions among expenditure categories (particularly in the Defense Department's divisions among operations and maintenance, procurement, and R&D funds), preventing managerial flexibility in spending money across line items. Partly, the line-item detail produces the same problems within a fiscal year as the inability to carry over unused funds produces across fiscal years: It encourages an organization to spend its entire line-item appropriation. The flip side is also true: The line items may not provide enough funds for another necessary organizational activity. Thus, an agency may be able to do its job for a $10 million appropriation if it could spend $4 million on salaries and $6 million on technology, but will have problems if allowed to spend only $3 million on salaries while being required to spend $7 million on technology.

Other issues involving the connection between budgeting and government performance also deserve attention, namely, multiyear budgets, the separation of capital from operating accounts, flexibilities allowing procurement incentives such as share-in-savings contracting, and, of course, as discussed earlier, the connection of budget decisions to agency performance.

Budget reforms outside the U.S. have included three distinct areas: (1) reducing line-item detail for budget categories, (2) budgeting by output classes rather than input classes, and (3) encouraging cost-efficiency by moving away from end-of-year "use it or lose it" budgeting.

In a recent survey OECD (2006) conducted about budgeting practices among its members,[40] only 19 percent of OECD countries refused to allow agencies to carry over unused appropriations for operating costs to a subsequent year; in 19 percent of member countries, unused funds could be carried forward without limit, and in another 19 percent could be carried over up to a maximum percentage. (In other cases, carryovers needed to be approved on a case-by-case basis.) Furthermore, 26 percent of OECD countries even allow agencies to borrow against future appropriations for operating costs (in one case, Sweden) without limit, or in other cases up to a maximum percentage or as approved by the central budget authority on a case-by-case basis; borrowed funds are then paid back with interest.[41] In the UK, since the carryover reform was introduced in 1999, agencies have accumulated about $25 billion in unspent appropriations in agency "bank accounts." Finally, in 24 percent of OECD countries, all agencies may retain all (or in an additional 4 percent a formula-based percentage) of user charge proceeds, while in only 8 percent of countries is this prohibited. (In most other countries, whether an agency may retain user charges is determined on a case-by-case basis.)

To be sure, no budgetary rule can assure agencies that a subsequent legislature, looking at funds that have been carried over, chooses to regard them as available funds against which subsequent appropriations can be subtracted—a practice that, if adopted, would eliminate the cost-saving incentives that carryovers are intended to produce. This does not appear to have occurred in the UK to date, although legislative or central budget authority tolerance has not yet been tested by a major economic downturn that reduces tax revenues.

Reforms outside the U.S. are apparent in some other areas as well. According to the OECD survey, in 30 percent of member countries, agencies received a single appropriation for all operating expenditures; another 26 percent, two line items (for salaries and

everything else); and 44 percent, more than two line items. Where there are no line items, agency managers have discretion in managing inputs—the division of funds between staff salaries, procurement, technology, and so on. Indeed, according to another question in the survey, 52 percent of OECD countries did not even classify expenditures by line item at all, but only by program classification, economic classification (e.g., employee compensation, interest, social benefits) and/or administration classification (e.g., by hierarchical level or administrative unit within the agency or ministry).

The objection to these flexibilities is that they reduce democratic control over expenditures. Several points may be raised about this objection, in addition to the cynical one that asks to what extent many existing line-itemizing practices embody "democratic" control as opposed to control by a few members of the appropriations committees. The first is that a decision to delegate discretion to agencies, if made democratically, is itself democratic—indeed, this occurs constantly in regulatory and other delegations of rule making or other authority. (Furthermore, there is nothing magic about the democratic status of the exact current level of detail of line items; Congress doesn't, for example, believe that democratic control requires salaries be appropriated separately for each individual government employee, based on a judgment about whether that employee should have his or her job!) The second is that from a democratic perspective, it may make far more sense for Congress to exercise control over agencies less through managing budget inputs and more through performance targets.

As best as I can determine, there is no real empirical research on the cost-reduction or performance consequences of any of these reforms. We don't know, for example, to what extent agencies with carryover authority consciously seek to become more efficient so as to be able to carry over funds or at least avoid wasteful end-of-year spending. We don't know whether or how trust relationships have developed between agency and central budget officials such that agencies feel confident that savings one year won't be deducted from their base the next year. There doesn't seem to be much recent research evaluating the consequences of separate capital budgets, which exist in most states and many countries outside the U.S.

A government that took seriously the reduction of perverse effects of traditional public budgeting practices would:

- Put budget reform issues on the public management performance-improvement agenda, and seek congressional approval for flexibility pilots.

- Learn more about budget reform experiences outside the U.S.

- Educate budgeters (in OMB and Congress) about the perverse incentives many current budgeting policies create.

- Move toward exercising congressional control over agencies less through managing budget inputs and more through performance targets.

Endnotes to Kelman Essay

1.   Its dominant status is somewhat more secure in the UK and Sweden.

2.   This is over and above notice and comment procedures for procurement rules that will be made part of the Federal Acquisition Regulation.

3.   This is a different contention from another one, also important to note, that even if the trends discussed here dominate public-management efforts over the next decade, the pace of improvement may well be slower than many of us would like.

4.   This section is based on Kelman (2007).

5.   In linear programming or economics, one often speaks of maximizing goals subject to constraints.

6.   A helpful way to think about the difference between goals and constraints, although it does not apply perfectly, is in terms of the common distinction in moral philosophy between "negative" and "positive" duties (Russell, 1980; Tooley, 1980), where the former are duties to refrain from some action (don't kill) and the latter to undertake some action (save people who are dying). Constraints can generally be respected if an organization does nothing—if an agency lets no contracts, it will not violate the constraint that contracting officials shouldn't award contracts to relatives; if it has no program to combat terrorism, it will not risk violating the due process rights of terrorist suspects. Meeting goals almost always requires action. Simons (1995:84, emphasis in original) is explicit about this when he states, "If I want my employees to be creative and entrepreneurial, am I better off telling them what to do or telling them what not to do? The answer is the latter. Telling people what to do by establishing standard operating procedures and rule books discourages the initiative and creativity unleashed by empowered, entrepreneurial employees. Telling them what *not* to do allows innovation, but within clearly defined limits. …[B]oundary systems are stated in negative terms or as minimum standards."

7.   More broadly, greater attention is paid in government to mistakes than to achievements. Even in the 1920s, White (1926:243–244) observed that public officials perceive that "[w]henever we make a mistake, someone jumps on us for it, but whenever we do something well nobody pays any attention to us. We never get any recognition except when we get 'bawled out.' " A half-century later, Derek Rayner, the CEO of Marks & Spencer brought into the British government under Thatcher, noted that in government (quoted in Hennessy, 1989:595), "Failure is always noted and success is forgotten."

8.   The bureaucratic form that has become so associated with government that, for example, Wilson's (1989) classic book on government agencies is titled, simply, *Bureaucracy,* and political scientists working on government agencies generally refer to them by the generic name "the bureaucracy."

9.   The phrases don't have the same connotation: *economy* and *efficiency* suggested strong emphasis on saving money, i.e., treating performance as a constant, while reducing the cost of producing it (e.g., White, 1926:103; Gulick, 1937b:192), while *performance* suggests emphasis on quality as a variable. However, one early author (quoted in Waldo, 1948:196) did argue that "[w]hen we say efficiency, we think of homes saved from disease, of boys and girls in school prepared for life, of ships and mines protected against disaster." Both the terms *efficiency* and *performance* are alternatives to emphasis on constraints.

10.   Bertelli and Lynn (2006:chap. 2–3) was extremely helpful in preparing this section.

11.   When I ask them whether increased use of performance measurement on balance is a good thing for their organization or not, strong majorities agree it's good.

12.   Of course, if overseers hold organizations accountable *ex post* for performance under a performance measurement scenario, that provides an incentive *ex ante* to improve performance to avoid punishment.

13. Now the "Performance and Accountability Report," which includes both GPRA and audited financial statements.

14. And sometimes—probably too often—prescribe particular practices.

15. It may be noted that this criticism takes the aphorism "what gets measured gets done" and turns it from a strong point of performance measurement into a criticism.

16. Though not always—e.g., short-term changes in crime.

17. This is one reason why firms usually use various output measures, rather than just an outcome measure (profit) in managing their own employees.

18. OMB in particular encourages agencies to develop outcome rather than input/output measures (Hatry, 1999; Gilmour, 2006).

19. Indeed, OMB's ratings have on the whole been relatively optimistic: 44 percent of programs scored to date have been rated "effective" or "moderately effective," only 4 percent "ineffective" (Weigelt, 2006).

20. I.e., choosing a contractor.

21. E.g., (UK Cabinet Office, 2003:5), "When civil servants concentrate more on due observance of processes, rather than the outcomes they are seeking to achieve, this leads to unnecessary bureaucracy and can cause government to miss out on opportunities for capturing innovation."

22. It would be misleading to draw generalizations about the overall quality of contract management from experiences in Iraq. The ability to deploy contract management personnel on the ground there is limited by collective bargaining agreements that prohibit the Defense Department from ordering civilian employees outside the United States, largely limiting contracting personnel there to volunteers. The security situation outside the Green Zone in Baghdad makes it difficult for contract monitoring to occur on-site. And contracting is occurring in a local culture where corruption is endemic.

23. *Program* managers are the program customers for what is being bought; *contract* managers are the procurement officials responsible for business (and to some extent legal) elements of the contract.

24. Less than half of even those with six or more years of experience as a COTR had received each of these kinds of training.

25. The activities of government program managers for weapons systems or for major agency projects that establish a program management organization come closest to the kinds of executive-type functions described above, although there are special features of the Defense Department weapons-system program management

environment that make it difficult for the program manager to get sufficiently involved in these executive functions. Program managers are typically military officers on relatively short (two- or three-year) tours of duty, which makes it difficult for them to set and execute a program strategy. Weapons programs are in such competition with each other for budget funds that program managers often have an interest in presenting wildly optimistic plans at the beginning of a project and, later on, downplaying problems rather than confronting them, especially given their brief tenure. The enormous hierarchy of the military services and the Office of the Secretary of Defense produces a situation where inordinate time is spent "briefing" superiors and preparing for reviews. Until recently, the culture of program offices paid relatively modest attention to cost control. And, of course, there are inherent problems in keeping work on new weapons systems to cost, schedule, and performance targets. See generally Fox (1988).

26. Also often included as examples of collaborations are policy networks, both informal and formal, among those working on policy making in an area, and dispute-resolution efforts that try to bring stakeholders (e.g., in the environmental arena) together to work out consensual solutions. These kinds of activities would seem to have little in common with either interagency or public-private collaborations aiming at some sort of joint service production.

The topic of interorganizational collaboration is not fully new. There were extensive discussions as far back as the 1960s and 1970s about creating integrative social service delivery across agencies serving disadvantaged, multi-problem populations, and these kinds of collaborations have been a common category of winners of the Ford Foundation/Kennedy School Innovations in American Government awards (Borins, 1998).

27. I certainly notice this phenomenon among many of my students, who decide they wish to work in the private sector and then look for some private-sector endeavor that smacks of collaborative governance to which to attach themselves.

28. Hammond (1990) rescued Gulick's quite insightful work from the oblivion to which Simon (1947) had consigned it.

29. Of existing general literature, Bardach (1998) comes closest to providing empirical tests of hypotheses; the work of Milward and Provan (e.g., 2003) is the empirically most sophisticated of existing work, though it tests only a limited number of hypotheses about the importance of centralization for network effectiveness and the collaborations tested are very contracting heavy.

30.   This is the case in systems such as the UK, where healthcare is government provided and people traditionally have been assigned "neighborhood" primary and hospital care providers the way people are assigned neighborhood schools.

31.   The Netherlands has had such a system for a long time.

32.   Schools may give preference to siblings and those from the local catchment area.

33.   The older Dutch system is an exception and represents an abandonment of hope of providing a common educational system for Protestants and Catholics.

34.   Significant switches would make things better for the Hershey loyalist in the short run, since the price would drop, though in the longer run, if enough people switched, Hershey production might stop, despite the continued loyalty of a few.

35.   It should be noted that public schools don't pay their capital costs, a significant part of fixed costs.

36.   Disputes over the results of these studies also serve as a reminder of potential controversies that might exist—dogs that don't bark—of evaluations of other management reforms if these other reforms had the same societal visibility and acrimony associated with them as do school choice systems.

37.   New Zealand has lacked national student testing, making it difficult to research the performance impacts of their system (Fiske and Ladd, 2000).

38.   Furthermore, in the view of people in agencies, savings will tend to get reflected in a lower base for expenditures in the area during subsequent years, meaning double punishment for savings.

39.   The simple bunching up of spending, especially procurement spending, toward the end of the year does not necessarily imply that late-year expenditures are necessarily wasteful, since agencies typically hold funds "in reserve" during the fiscal year to guard against unexpected needs, and some end-of-year spending merely reflects reserves that didn't need to be used. Nonetheless, some portion of such spending is surely for low-priority needs.

40.   And some non-members as well.

41.   Interestingly, New Zealand, in other areas a budget reform pioneer, does not allow funds carryover (Schick, 1997:96).

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A B O U T   S T E V E N   K E L M A N

Steven Kelman is the Albert J. Weatherhead III and Richard W. Weatherhead Professor of Public Management at Harvard University's John F. Kennedy School of Government. He is the author of many books and articles on the policy-making process and on improving the management of government organizations. His latest book, *Unleashing Change: A Study of Organizational Change in Government*, was published in June 2005 by the Brookings Institution Press. His other books include a study on how to improve the government computer procurement process, entitled *Procurement and Public Management: The Fear of Discretion and the Quality of Government Performance* (AEI Press, 1990), and *Making Public Policy: A Hopeful View of American Government* (Basic Books, 1987).
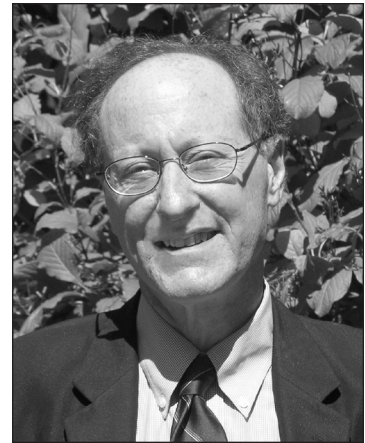
In 1996, he was elected a Fellow of the National Academy of Public Administration. In 2001, he received the Herbert Roback Memorial Award, the highest achievement award of the National Contract Management Association. In 2003, he was elected a director of the Procurement Round Table. He currently serves as editor of the *International Public Management Journal*.

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