**Producing and Delivering Public Value:**

**Operational Management in Government Agencies**

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**Introduction: Government Performance Matters**

Many citizens would insist that the central challenge facing public agency managers[[1]](#footnote-1) is simple and objective: to achieve the publicly valued purposes assigned to the organizations they lead efficiently and effectively.[[2]](#footnote-2) To paraphrase a famous political slogan designed to focus campaign attention on key issues in a presidential campaign and here used to accomplish the same purpose for public managers: “it’s *performance* that matters, stupid!” On this view, while there is much else that public managers must consider and attend to, their primary *raison d’etre* is to ensure that government agencies deliver the results they were mandated to achieve – ideally, at the least cost to taxpayers and the least inconvenience to citizens. That is their most fundamental duty. Their success in accomplishing this task is the best testament of their professional knowledge, commitment and skill.[[3]](#footnote-3) Methods that can help them perform this essential task are the most important to be developed and learned.

***A Dominant Simple Concept: Performance Management as Tight Accountability for Compliance with Policies and Procedures***

To many, the important questions about what constitutes excellent government performance, and how it might best be achieved seem equally simple and straightforward. Indeed, any effort to complicate the matter is viewed as effort to obfuscate the issue and avoid the necessary reckoning. On this view, it is simple to define and measure operational performance. Government agencies ought to “stick to their knitting”, and perform the tasks they have been mandated to perform with both integrity and efficiency. They shouldn’t steal or waste public assets. They should follow established policies and procedures. They should be focused and energetic in doing their work. They should meet professional standards of competence in performing their individual tasks. They should be respectful and courteous in transactions with citizens. They shouldn’t stray into unauthorized activities. All pretty cut and dried – and the least we can and should expect from our government.

On this view, the path towards improved performance is equally obvious and straightforward: it begins (and perhaps ends!) with hard-nosed, strict and exacting accountability. The problem, many citizens believe, is that government performance suffers from too little accountability. The stricter accountability should begin *externally* with close scrutiny of government operations by citizens, taxpayers, and their elected representative – what we would call *democratic political accountability*.

That accountability should be supplemented by specially created “watchdog agencies” such as budget bureaus, auditors, and inspectors-general – the agencies that President Ronald Reagan hoped would be “meaner than junk yard dogs” in their pursuit of “fraud, waste and abuse” in government agencies. These agencies form what can properly be called the *bureaucratic system of accountability.*

In addition, to these relatively formal bureaucratic systems of accountability, citizens can collectively organize “watchdog” groups of their own to look after particular interests that groups of citizens or taxpayers might have. At a more individual level, citizens can take advantage of ombudsmen or individual complaint established by government to review individual citizen complaints of mistreatment. In cases where a particular individual, or a class of individuals, thinks their individual rights have been violated by government agencies, they can press their claims in court. Looming in the background of these diverse mechanisms that citizens (acting individually and collectively) can use to call government to account is the bright light of media scrutiny – now enormously quickened, animated, and diversified by the emergence of the new social as well as traditional media.

Taken together, these diverse structures and processes of political, bureaucratic, and public accountability create high voltage currents that run through government agencies threatening the exposure of both large and small incidents of malfeasance. As such, one might conclude that the problem in creating agency accountability is not that there is too little accountability, but that there is too much, and the wrong kind! On this view, the problem is that the demands for accountability do not cohere into the kind of sustained, consistent set of demands that would motivate and enable government managers to improve agency performance over time. Instead, the demands for accountability are unsteady and inconsistent, causing government managers shift this way and that in a vain effort to create a clear and accurate record of improved performance. As one agency manager with private experience described the difference between accountability in the private and public sectors: “managing in the public sector is like managing in a fish bowl, and every fish is a piranha!” In principle, we democratic citizens like this system of strong external accountability because it helps keep government managers and workers on “on their toes,” and ensures that they face the same kind of accountability that those in the commercial sector face.

But we have to worry about whether the complex, behaviorally powerful system of accountability that now exists is actually doing the work we want it to do: namely, to help us evaluate the overall performance of government agencies over time, and to provide incentives and an enabling pressure for managers to use in improving agency performance. To achieve that key substantive goal, the external demands for accountability have to be channeled into the detailed, daily operations of the organization, and motivate top level executives and mid-level supervisors in those agencies to set and enforce high standards for their workers. This, in turn, requires agency managers to be armed with information systems that capture the costs, activities, and outputs of government agencies at very detailed, disaggregated levels, and with powers that enable them to sanction lower level managers or workers for lax performance revealed in those information systems. If external demands for accountability can be aligned with internal administrative systems that distribute the pressure for performance to individual workers and managers, then the public can be assured of good government performance. If either external or internal performance measurement systems are weak, or if they are mis-aligned, then government performance will not be assured.

An important, unstated assumption in this line of thinking is that government’s performance problem lies primarily in getting the agencies to do what they know how to do, and doing it with vigor and commitment.[[4]](#footnote-4) Therefore, performance management consists largely of: 1) establishing clear policies and procedures (known to produce desirable results); 2) monitoring agency actions to see that the agency behaves as it was supposed to do: and 3) creating incentives for consistent performance through measurement, performance contracts, and sanctions for lax performance.[[5]](#footnote-5)

There is much to be said for this point of view. Sometimes government agencies lose their zeal, their focus, or even their sense of responsibility for doing the things they are supposed to do. In those conditions, it might well be that a determined effort to hold everyone in the organization strictly to account for doing the jobs in the way they are supposed to do them is both the first, and ultimately the best, way to improve performance.

This seems to be the explanation for how General Matthew Ridgeway was able to halt the disorderly retreat down the Inchon Peninsula in the Korean War. Ridgeway inherited the command of the UN forces in Korea when his predecessor was killed in a jeep accident. The situation he faced was desperate: the UN forces which he was commanding were streaming backwards from forward positions in Korea in a disorderly retreat, losing ground, taking casualties, and encouraging the enemy to press harder. Despite the desperation, Ridgeway was able to turn the retreat around in just a few weeks, and to begin marching back up the peninsula, reclaiming lost ground, and inflicting losses on the No. Korean forces and their Chinese allies. When asked how he had accomplished this feat, he explained that he simply moved to the front and began reminding the front-line commanders of their basic jobs, and the methods that were known to keep their positions safe and secure: ensure that officers knew where their troops were, retreat to places that could be supplied, put out pickets on their flanks, etc. All the basic stuff of infantry training. When those well-known and practiced techniques were applied – when the organization did what it knew how to do – the retreat turned around. Discipline and accountability was the answer.

This is also at least part of the ideas that now lie behind efforts to reduce errors in medicine through the extensive use of checklists and protocols. And there are many in the educational field who think that this approach holds the key to improving educational performance. And the private sector has found that disciplined adherence to standard procedures produce significant performance results in both service organizations, and in logistically or technically complicated production processes that demand high degrees of precision and reliability.

So, it would be wrong to dismiss this set of ideas as a path to improved performance – particularly since the government is often involved in highly repetitive processes that can, perhaps, be closely engineered to perfection as many commercial enterprises have shown.[[6]](#footnote-6)

***A Slightly More Complex Idea: Performance as Productivity Gains in Existing Operations***

Still, important as this simple idea is, it does not capture everything even about improving government performance.[[7]](#footnote-7) Suppose, for example, an organization is relying on an external and internal accountability system that holds the organization strictly to account for following existing policies and procedures. Those existing policies and procedures are sanctioned by both long tradition, and the consensus of existing professional knowledge as the best possible methods for achieving the desired results. Despite this, the methods are failing to deliver the goods, or unacceptably expensive. [[8]](#footnote-8)

As Albert Einstein once observed, the definition of insanity (and presumably poor performance as a result!) is doing the same thing over and over again while hoping for a different result. If current methods are not working to achieve the desired results, one has to change what one is doing to get a different – ideally, but not certainly, better. In situations like those described above, the path to improved government performance lies with adapting and improving the operational methods an organization is relying on to achieve its established mission not repeating what one has always done.

To stay with military examples a bit longer (but to bring them more up to date), consider the US Army’s response to the problem that came to be called the IED problem (improvised explosive devices.) This was a new weapon, developed by a new enemy, and deployed in a new tactic to frustrate the advance of the US Army in Iran by inflicting unacceptable casualties, and destroying materiel. What made the challenge particularly frustrating was that the devices and tactics were very simple, and very effective, though also very crude. And, they increased the costs (in both blood and treasure) of patrolling territory -- a standard military tactic that was at the core of much of the Army’s efforts to bring peace to Iran.

At the outset, there was little in America’s high tech army that could protect its patrolling vehicles and officers from these devices. The problem did not even have a name, but it was a painful reality. Gradually the forward commanders operating the patrols became individually and collectively aware of what was happening, gave the device and tactics a name, and began experimenting with methods that would keep them safer than they then were against the new and varied threat. This was aided and abetted by the exchange of information among low level commanders that kept the higher levels and staffs of the Army informed, but ran across rather than up and down the traditional hierarchical lines. Through this device, patrol practices changed rather quickly as good ideas surfaced and others were abandoned as failures.

Shifting to the realm of social policy, one could argue that the field of education is in crisis at least in part because the methods we have been relying on to achieve educational outcomes simply do not deliver the results we want at a reasonable price. Or, one could argue that the public continues to be frustrated by the imperfect performance of child protective service agencies because we simply lack a capacity to identify children who are at risk of severe abuse and neglect, to be able to diagnose and intervene in families in ways that reduce the risks to the child to a negligible level, and to make accurate and timely decisions about when a child should be removed to safer if less natural family contexts.

As in the case of the IED’s, these difficulties in education and child protective services may be occurring at least in part because the operational challenges facing schools and child protective service agencies changed in ways that made previous methods ineffective – for example, students were coming to school less prepared to learn the traditional subjects in the traditional ways, or more students were coming from households where the first language was not English, or it was becoming more difficult to ensure a safe environment in schools and on the way to schools. Or, child protective service agencies were encountering families whose cultural traditions in raising children differed significantly from those that had been acceptable in the United States. But the crisis could also come from the perception that current costs were simply too high, and that developments in information technology should be able to change our teaching methods so that we could get better results with less money no matter who the students or the threatened children were.

In all these cases, improving government performance depended not simply on continued, faithful compliance with existing policies and procedures known to work in all cases, but instead on adapting existing (or developing wholly new) methods that can produce better more and higher quality governmental outputs with the same use of public assets. This is an important form of innovation in government: the kind that has resulted in more and higher quality government services per tax dollar, and less inconvenience to citizens through the reduction of unnecessary red tape.[[9]](#footnote-9)

***A Really Challenging Idea: Performance as Impact -- the Achievement of Socially Valuable Results***

The challenge of improving government performance does not end with increased reliability in operations, or even steady productivity gains in the production of current outputs. Indeed, a huge – even overwhelming – challenge to the way we think about and seek to improve government performance has been driven by the powerful and widely embraced idea that government agencies should be focused on generating *impact*, or producing *socially desired outcomes* -- not just operating reliably and efficiently in assigned activities.

On this view, prior efforts to improve government performance have erred by focusing too much attention on the *internal production processes* of government agencies, and not enough on *the external social impact* they achieved through their activities. The failure to call government to account for outcomes meant that we could not be sure that the government was producing “value for money”; only “activity for money.” [[10]](#footnote-10)

Key to this conception was the development and popularization of an important conceptual distinction: the distinction between what we have described above as *government agency outputs* on one hand, and the concept of *socially desired outcomes* (often embodied in the mission statements of public organizations) on the other. Roughly, *government agency outputs* referred to the particular set of activities carried out by government agencies at the boundary of the organization where the organization makes direct contact with the concrete physical, economic, social, and political conditions in society that the agency has been assigned to change. The concepts of *impact*, or *socially desired outcomes* refer to the current conditions in the society that government had been charged with improving, and the degree to which government efforts seemed to have “moved the needle” on measurements of those conditions, or gotten conditions above a certain threshold that was viewed as “success.”

Once this key distinction was made, the whole concept of government performance changed. It became possible for citizens, elected representatives, and managers to see that government could perform efficiently in undertaking current activities and producing particular *outputs*, but still fail to produce the *desired results*. In one common criticism, “the government could do things right, but fail to do the right thing.”[[11]](#footnote-11) This criticism may have missed the mark when one was looking at the many routine activities of government where performance could be improved simply by increasing the efficiency with which government produced particular outputs or provided particular services. But in the many areas of government, where the government produced outputs were valued not only in themselves, but also as means for achieving significant changes in environmental and social conditions, the criticism was trenchant indeed. If the government could not be sure that the outputs being produced by government under the guidance of existing policies and procedures were not producing the desired social results, all the assets committed to that effort would be wasted.

At one level, this view is incontrovertible. If the value of government activity ultimately lies in improving the conditions in which we individually and collectively live, and if each government agency were given a mission to improve social conditions in a particular way, then government performance meant that each government agency should be responsible for achieving its mission – defined in terms of the environmental conditions it was supposed to improve.[[12]](#footnote-12) The mission of the military was partly to keep us safe from foreign aggressors, and partly to serve as an instrument for the advancement of security, political, and economic interests in the international arena. The mission of the public schools was to ensure that every child had an opportunity to develop their talents in a way that would allow them to be economically independent, and to learn to act as good neighbors and good citizens of a democratic society. The mission of child protection service agencies was to ensure that no child was subjected to serious abuse and neglect. And so on.

But the idea that government performance should be measured by *whether*, or the *degree to which*, government activities actually succeeded in producing desired social results, opens a vast new territory that has to be explored both in understanding what we mean by the idea of government performance, and what is required to produce it.[[13]](#footnote-13) Once one ventures forth from the comfortable confines of a concept of performance defined in terms of the internal operational processes of particular government organizations that turn inputs at one boundary of the organization to outputs of that organization at another boundary, and begins asking questions about how that government agency affects the material and social conditions in which citizens live, one enters a very complex maze that may have forever toppled the simplest views about what we mean by government performance, and how it might best be improved, and with that, many of the systems of accountability that we have long relied upon to ensure excellent performance. The incontrovertible idea that citizens should judge government performance by observing changes in social conditions beyond the immediate boundaries of a given organization and a given production challenge undermines the common ideas about government performance and how to get it in at least three important ways.

*Defining Government Performance as Social Impact Undermines Simplicity and Objectivity of the Concept*

First, the idea that citizens, taxpayers, and elected representatives knew what they wanted government to produce, and could define and measure that result in simple objective terms, was central to reducing the complexity of the idea of government performance, and the difficulty of devising reliable ways to improve it. To focus on domestic rather than international security, the value produced by police could be understood and measured in terms of reduced levels of reported crime.[[14]](#footnote-14) The value produced by schools could be understood and measured in terms of age adjusted tests of competence in mathematics, science and literacy. The value of child protective services could be understood and measured in terms of reductions in fatalities among children due to the abuse and neglect by parents. Confidence in these simple, straightforward, concrete ideas would establish the base for understanding and improving government performance in all its domains.

As soon as we began thinking concretely about the particular social conditions we hoped that agencies could produce with the use of public assets in particular missions, however, the variety of conditions that might have to be considered in any reasonable evaluation of what the agency had accomplished began to increase. We citizens could think that the police were trying to produce the subjective experience of security and reduced fear as well as reductions in crime, or that they were often involved in protecting public health through their regulation of drugs, alcohol, and speeding. We could think that schools should be valued at least in part the safety of children in school, the degree to which they were successfully preparing students for economic independence, and even the degree to which schools were inculcating good habits of nutrition and citizenship as well as academic knowledge. We could think that child protective services should be concerned about their success in keeping struggling families intact while providing adequate protection to endangered children.

The increased number of conditions in the world (or in different words, the proliferation of dimensions of value that were being affected by any given agency’s operations that seemed to deserve some recognition in the overall valuation of agency performance) occurs for two different reasons. First, once we citizens begin thinking about all different effects (good and bad) that an agency’s operations could have on the world, we find that the dimensions of value expand beyond the particular purpose that defines the agency’s core mission.[[15]](#footnote-15) Citizens’ and taxpayers’ attention will focus on financial cost as well as mission achievement, and will note some adverse side effects that come from agency operations and should also be viewed as costs. For example, police brutality and the loss of police legitimacy among particular groups of citizens might be viewed as important dimensions of value to be monitored along with reductions in reported crime. But there can also be side benefits of government agency operations as well. A safe, high performing school that is celebrated by local citizens as an important public institution can produce both effective supervision of children that allows their parents to go to work, and a rallying point for building social capital in a community that enables that community to take on other important public projects along with government agency activity.

Second, beyond the empirical fact that agency operations produce consequences (both good and bad) that register outside both the concept, and certainly the measures of their core mission achievement lies the political and philosophical fact that citizens, taxpayers, and elected representatives can change their minds about what particular values they would like to see achieved by, and reflected in agency operations. The most important of these involve the nomination of new values that emerge as new public demands on public agencies: the police might be called upon to do what they can to reduce fear and improve the sense of security in public spaces as well as to arrest offenders; the schools may be called upon to teach 20th century skills as well as the three r’s. Some of these new values will attach to new ends that the public wants government agencies to achieve, but some of them also attach to the particular means that government is relying on to produce the desired results. To reduce fear, citizens might call on the police to provide more information about the risks of crime, or more assistance in making themselves secure, or in expanded use of foot patrols to strengthen the sense of a reliable and known police presence. To teach 20th century skills, citizens might ask schools to change their pedagogical methods to encourage more creative individual and group problem solving.

The fact that our ideas about what constituted the value produced by a given organization could be defined in terms of many different dimensions of value, each corresponding to a particular social condition in the world that was being affected by government agencies, and each responsive to views held by citizens, taxpayers and their elected representatives, should not some as a surprise. After all, in the private sector, products and services produced for sale are also evaluated in terms of many different attributes or dimensions of value. A car can be evaluated in terms of its safety, its fuel economy, its driving performance, its style, or its excitement and its capacity to confer status on a consumer. A restaurant can be evaluated in terms of the freshness or tastiness of its food, the breadth of its menu and ability to meet many tests, the quality of service and the elegance of its décor, and so on.

Of course, the private sector has the great advantage that the judgment about the overall value of the diverse product and service attributes that are on offer in a particular product or service are all rolled up in a customer’s decision to buy that product or service. And, the supplier may not know exactly what attributes of the product and service are particularly valued by the customer.[[16]](#footnote-16) But, as soon as the customer buys, the supplier knows that the particular combination of attributes provided justified the purchase in the mind of the customer. Even better, the value of the particular bundle of product and service attributes being produced was at the moment of purchase, denominated in financial terms: namely, the purchase price. And that price, in turn, can be directly compared with the costs of producing that particular bundle of attributes to determine whether net value has been produced for the supplier.

The public sector, in contrast, has to carry on a political conversation among individual citizens, taxpayers, and their representatives to decide what particular attributes of publicly provided goods and services, and the social outcomes they produce, should be recognized as the value produced by government activity. That, in turn, occasions some complex philosophical and political discussions about whether we should value police efforts to reduce fear and provide emergency medical and social services as well as reductions of crime produced through arrests of offenders; or the value of school as a safe, supervised place for children that enables parents to work as well as place to learn “readin, writin, and rithmitic;” or the value of child protective service agencies in terms of their capacity to keep children safe in their own homes, or by finding new homes in which to live. This is functionally (but hardly practically) equivalent to an individual consumer thinking about how much fuel economy he or she is prepared to give up in an automobile to get style, status, and driving performance. In both cases, social agents are deciding how to value features of their world: what their elected government is producing with the use of government assets in the case of citizens and taxpayers; what commercial enterprises are putting on offer in the case of customers.

Moreover, once one has started to have the discussion about the particular dimensions of value that an agency is supposed to produce, and develops different concepts, each with their own operational definition, one then faces the problem of developing reliable measures of the degree to which those valued conditions are actually produced in the world.[[17]](#footnote-17) One can have a good general, abstract idea of what the mission of an organization should be; one can even have succeeded in capturing that general idea in a set of more particular operational definitions that fill out the abstract idea with the different concrete ideas captured by the abstract vision, but that still leaves the problem of developing the particular instruments that can reliably measure the effect that is considered valuable. Given that we would like to hold the police accountable for (among other things) reducing fear and promoting security, how, exactly, should we measure levels of fear in a community – through simple surveys of citizens or observations of behavior that indicate their level of fear? Given that we would like to hold publicly financed schools accountable for preparing students to be economically independent, how exactly should we measure a school’s success in doing so – by observing students’ academic knowledge, their competence in what are now described as 20th century skills, or in their ability to get a job? How should we measure whether a child protection agency provided the appropriate level of support to an “at risk” family, and whether was too slow or too quick to remove the child from a dangerous environment?

It would be great for the cause of improving government performance if we citizens, taxpayers and elected representatives could be clear about the particular dimensions of value we would like particular public organizations to achieve. And it would be great if those results could be accurately and objectively observed as they accumulated in the social conditions that were the focus of agency efforts. Indeed, this idea is so important that any suggestion that the very definition of government performance to say nothing of the measurement of improved government performance might be problematic is often seen by those determined to improve government performance as an excuse for not insisting on government performance and pursuing it through any measure that happens to be available. But if the reality is that the idea of government performance is philosophically, politically, and technically difficult, then there seems to be no choice but to figure out how to plow through that complexity, and make appropriate adjustments to the way that we citizens, taxpayers, and elected representatives think and talk about government performance, and how we use systems of accountability, measurement, and performance management to get the results we really want rather than movements in statistics that do not really capture the value we want our public agencies to produce.

*Viewing Government Performance as Impact Reduces the Behavioral Power of Performance-Based Accountability Systems to Drive Organizational Performance*

The second problem created for the hopeful idea that government performance can be improved simply by increasing the voltage running through established accountability systems focusing on the processes and outputs of government agencies by the adoption of the much more ambitious idea that government performance should be defined in terms of social impact is that performance management systems that create accountability for outcomes as opposed to outputs lose a great deal of their behavioral power to animate and guide managerial action. When asked to focus on outcomes and social results, agency managers face not only the philosophical and political challenges of providing an operational definition of how the world should be different as a result of their efforts; and not only the technical challenge of developing reliable empirical measures of whether the world has actually been changed in the desired ways; but also the managerial challenge of using outcome based performance measures to animate and guide managerial action, and evaluate organizational performance in ways that could actually improve performance in both the short and long run. Outcome based performance management systems lose their managerial force and power for three distinct but closely related problems.

Complexity, Conflict, and Ambiguity in Defining Value Undermines Urgency and Commitment in Producing Value

The first is closely related to the philosophical and political discussion above. In order for a performance measurement and management system to do its work to improve agency performance, there has to a reasonably strong social agreement and alignment about the important values to be pursued. This is true not only *among* the various political factions within the political environment that authorizes public action and calls agencies to account, but also *between* the political authorizers and the professionals and employees working within the agency. If the measures relied upon to measure and manage performance are not well anchored in the social and political environment, or if there is a continuing debate about the important values to be achieved or reflected in agency operations, then those measures will fail to produce the urgency and focus required to make them important in driving agency performance. Similarly, if the values defining improved performance in the political authorizing world are not closely aligned with the values that the professionals and employees who do the work of the agency hold dear, then the performance management system based on those values will be strongly resisted by those being asked to do the work. Of course, a strong consensus about the values to be pursued within the political world can, over time, force a realignment of the values held within those working in public organizations. But in the short run, the misalignment might well reduce performance as a result of alienation and disengagement of those being asked to do the work.

The implication of these observations is that, in order for a performance measurement system focused on outcomes to do its work, someone has to do a great deal of political work to build a strong consensus among both political authorizers, and between the authorizers and the organization’s employees about the operational definition of a good performance, and how that will be measured. Unless that work is done, the framework of accountability on which a behaviorally powerful performance measurement and management system can be built will be constantly undermined by argument, confusion, and uncertainty about the “real work” of the organization. The measures will become objects of dispute or simply irrelevant until they come to be meaningful to those demanding accountability for results, and those from whom accountability is being demanded.

Data about Outcomes Comes in Too Late to Motivate Action and Organizational Learning in Real Managerial Time

The second reason that a focus on outcomes undermines managerially powerful performance management systems is simply that the evidence on whether outcomes have occurred or not cannot usually be picked up right at the boundary of the organization at the time it is producing particular outputs and transactions. Instead, the anticipated valuable results that would justify government action unfold over time as the impact of cumulative government outputs register in the status and condition of individual government clients, and reveal themselves in transformed aggregate social conditions. Those effects can only be observed in individual and social conditions remote in both space and time from the particular governmental actions that might have produced them.

To take a simple example, the desired outcome of a school – to produce individuals who can be economically independent and good neighbors and citizens – does not show up at the end of each school day’s encounters with an individual child. It doesn’t even show up even at the end of each school year! We cannot see the desired result until one student, and many students, have gone through the entire process of schooling. To observe these effects, one has to look beyond the effect of individual transactions at a particular moment in time, and observe how (single or multiple) transactions have produced effects on particular individuals and how those have accumulated within the life of the individual, and spread outward to affect other individuals.

One can, of course, observe important features of the educational process and the outputs being produced by the educational system at many points along the way to the ultimate result. And one can use observations of those features as markers of educational performance. But the markers, or “way station outcomes”, are not real measures of ultimate value; they are only connected to the production of real value and mission accomplishment through a theory or value proposition that links the outputs of government agencies to outcomes in the wider social world through some plausible claim about how government outputs can accumulate across individuals and over time to produce the desired results.[[18]](#footnote-18)

The fact that valuable outcomes show up both late and beyond the boundaries of the government organization has two important consequences for efforts to build strong performance accountability systems based on outcomes in government. On one hand, measurement systems focused on outcomes that occur remote in space and time from current agency operations become expensive not only to develop, but also to maintain. Unlike the commercial sector where the evidence about value creation comes right at the point where a customer plunks their money down, government has to go outside the organization and its transactions to see what the organization actually produced of value. This means the cost of measuring value is much higher in the public than the private sector. And, in a world where government is rightly concerned about excess administrative costs, it is often very difficult to set aside enough money to track the outcomes of government agency activities.

On the other hand, the behavioral power of a performance accountability system focused on impact and outcomes is undermined by the fact that too much time elapses between the actions taken and the evaluation of the results. Just as managerial motivation to work to achieve outcomes is undermined when there is argument and confusion about what they should be trying to do, so it is undermined when the results happen in the future when little can be done to change them. Real time for a manager is measured in years at most, quarters more often. If the results I produce today will not be visible until several years from now, there are many things that will attract my attention before I can focus on that long term result. Given the time lag between actions and outcomes, it is hard to generate a sense of urgency about outcomes. It is much easier to generate a sense of urgency about activities and outputs which we hope but do now know are connected to the achievement of social impact. [[19]](#footnote-19)

Because Operating Managers Cannot Control Many Factors Influencing Outcomes, It is Hard to Hold Them Strictly Accountable for Producing Results

The third problem associated with tying outcomes directly to managerial and organizational behavior in powerful performance management systems is that agencies rarely have effective, direct control over all the causal processes that influence the social outcomes they are responsible for improving. The military is supposed to produce security and peace at a low cost in blood and treasure. But whether it can succeed in that depends a great deal on how foreign nations act. The public schools are responsible for insuring economic opportunity and independence for all children, but that depends crucially on the endowments that children bring to schools, and the ways in which the schools prepare them for an economy whose demands for skills and workers changes rapidly in response to economic conditions. Child protection service organizations are accountable for ensuring that no children suffer from abuse and neglect, but that depends crucially on how those responsible for the day to day care of children decided to meet their responsibilities.

A core principal in management (particularly when we are discussing the management of hierarchical organizations) is that the responsibility and accountability accorded a particular manager should be closely aligned with the control and resources required to do the job. If the manager is not given adequate understanding of the job to be done, adequate resources for accomplishing the task, and adequate control over the use of the resources provided, the manager cannot properly be called to account for observed failures in the desired results. The fact that government agency managers are now routinely called to account for achieving outcomes which have not been clearly defined, for which adequate resources have not been provided, and where they cannot control many of the factors that are shaping the outcomes they are called upon to produce violates these basic tenets. The response of public agency managers is to tacitly or openly resist efforts to hold them strictly accountable for outcomes since they know that it will be hard to guarantee the results with the resources and methods at hand. They can become quite cynical about a system that rewards individuals for outcomes when they know that whether particular outcomes were achieved or not is primarily a matter of luck. The cynicism, in turn, can create an atmosphere in which the important task of staying focused on and measuring performance becomes a game to be played rather than a professional and moral commitment to improving performance. And this, along with the fact that the outcomes are disputed and hard to measure, and the data comes in late, tends to weaken the power of an outcomes based accountability system when it is brought into managerial practice. [[20]](#footnote-20)

***A Silver Lining to the Focus on Outcomes: Increased Incentives for Co-Production and Collaboration in Government Operations***

So far, it seems that the incontrovertible value of defining performance in terms of impact cannot easily be realized without significant changes in the way we think about what constitutes excellent performance. More specifically, in changing from the idea that government performance means producing governmental outputs reliably and efficiently to the idea that government performance means achieving impact in the form of collectively desired results, one must recognize that both the conceptual definition and measurement of government performance has become considerably more difficult, and much less straightforward and objective.

Similarly, the simple remedy for failed performance that depends on demanding strict accountability for compliance with established procedures and the efficient production of a fixed set of outputs will not work if the established procedures and the prescribed set of outputs fail to produce the desired results. To improve performance with respect to outcomes, we may have to change not only the processes that produce outputs, but also the mix of outputs that are required to achieve desired outcomes. Again, this adds uncertainty, complexity, and contestability to what we were hoping would be a straightforward task.

Before we get too pessimistic (and in our disillusionment, insist that we were right all along that the problem was both simple and amenable to simple solutions and to give up our enthusiasm for focusing on impact and outcomes!), we should note that the shift to a focus on outcomes and impact as the measure of government operational performance opens up a vast new terrain to explore in seeking to improve government performance. As noted above, the fact that government managers running particular organizations with broad missions are called to account for achieving goals they cannot achieve alone can produce a kind of “learned helplessness” among managers. If chance determines their fate; if there seems to be little they can do directly to accomplish the goals they are being asked to achieve; they may just give up thinking and acting to get desired results and simply endure whatever consequences result from inadequate performance. The important alternative, however, is for agency managers to recognize that there may be other social actors in the world who are in a position to help them control the factors they cannot now control, and therefore to help them achieve the desired results.

*The Challenge of Managing for Results Across Organizational Boundaries*

To explore this set of possibilities, agency managers have to begin thinking beyond the boundaries of the organizations they lead, the assets they directly control, and the production processes that occur within the boundaries of their own organizations. They have to think, instead, about the wider set of assets and causal systems external to their organization that might be used to leverage the organization’s direct efforts to produce the desired results.

In the case of education, for example, the recognition that public schools do not control all the factors that lead to the creation of an economically independent, and socially tolerant individual might motivate a public school principal to go beyond the standard curriculum, and beyond the boundaries of the school to reach more deeply into the learning processes of individuals, or the intimate social context in which the learning is taking place. They might decide that the standard curriculum and pedagogy should be altered to include some practical exercises as well as book learning, and that the practical exercises should help to establish connections with potential employers. Or, they might imagine establishing important linkages with parents designed to motivate and equip them to be “co-producers” of the educational outcomes the school is responsible for teaching. In each of these cases, the government organization is looking for improved methods of achieving outcomes trying to take advantage of the fact that it might be able to use resources in the organization to achieve outcomes by leveraging capacities outside the direct control of the organization to produce the desired results. To do this, however, the organization has to change the particular character of its encounters with students (one particular set of outputs), and perhaps to add some critical activities, processes and outputs focused on parts of the student’s environment that could add a great deal to the school’s ultimate performance (a new set of organizational activities and outputs focused on individuals in positions to encourage student learning who are not the students themselves.)

From one point of view, the efforts described above to improve outcomes (per unit of cost) are similar to the productivity innovations that reduce costs per output described above. Both kinds of changes focus on changing some parts of the production process that links costly inputs to valued results. The key difference, however, is that the changes described above require the organization not simply to reduce costs in producing existing outputs, but to *change the mix of outputs being produced by the organization in ways that produce a larger, more valuable result for the same level of cost.* The organization, now focused on achieving impact and outcomes as well as outputs, thinks about producing new outputs designed to slice into the causal system that lies beyond the boundary of the organization in a different way – one that will tap additional assets, and mobilize different actors to make bigger contributions to the achievement of the desired results. The school principal described above is not simply supplying producing the standard outputs of a safe environment, high quality textbooks, quality teachers, and a certain number of student contact hours; she is imagining a set of activities that goes beyond the production of these particular outputs to efforts to mobilize a wider social system of parents, neighbors, religious organizations, potential employers, local libraries, parks and recreation departments, even police departments, juvenile courts and child protection agencies to create and sustain an environment in which many local children will find easy and interesting paths to independent citizenship and good lives. Figure \_\_\_ illustrates the possibilities of improving performance by changing government outputs, and engaging a wider set of causal factors shaping outcomes than previously considered.

These ideas about how to use organizational assets to improve performance by leveraging the potential contributions of those beyond an organization’s boundaries have been variously described as “co-production” or “collaborative governance,” and they have become a staple of government efforts to improve performance. The core idea, again, is that instead of trying to produce socially desired results directly through the operations of a single government agency, desired social results might be better achieved if managers of government agencies government agencies recognized their dependence on other social actors, and found ways to use their own assets to leverage the assets of other social actors well place to help them achieve the desired results.

Note, however, that this idea of performance management creates an apparent paradox – particularly when combined with the simple view of operational management. If we define operational management narrowly in terms of deploying assets under a manager’s control to achieve desired results, it seems like we have abandoned this simple when we turn to the necessity of trying to shape the behavior of social actors who are not under the direct control of managers. How can the subject be operational management when there are factors beyond managerial control? On the other hand, if we define operational management to be doing what is required to achieve desired outcomes, and some of the capacity to achieve the desired outcomes seems to lie outside direct managerial control, then the idea of operational management with respect to outcomes has to include the important question of how we use assets we can reasonably tightly control to affect the way that other social actors whom we cannot directly control use their own independently held and deployed assets to help, hurt, or be irrelevant to our cause. As we stretch the definition of operational performance out to achieving desired results, the unit of analysis can remain an organization and a mission. But if we are to achieve the outcomes defined by our mission, the organization charged with that mission has to find ways to mobilize and push the work of other independent actors towards its mission. It cannot be limited to the effective control of the assets and processes held within the boundaries of an existing organization. To cope with this apparent paradox, it is useful to look a bit more closely at what particular kinds of independent actors are important for outcome oriented agency managers to engage.

*Co-Production as Effective Engagement with Clients*

An important and obvious first step is to see that the success of many government activities – particularly those that are designed to improve the welfare of individuals in society, and in doing so, help to create a better, more prosperous, civil, and just society at the aggregate level --- depend critically on the clients of particular government agencies responding in particular ways to what the government agencies produce.

In the case of schooling, for example, the government can compel students to attend school and can require them to demonstrate how much they have learned through exams and tests, but they cannot really compel the students to use their time in school to learn. They need effort from the students to achieve that result. Similarly, in the case of government financed welfare to work programs, the government can require welfare recipients to search for work as a condition of their continued eligibility for welfare payments, and it can insist that the participants enroll in programs designed to help them make this transition. But, again, success in achieving the desired results (both in individual cases, and in enough cases to “move the needle” on levels of structural unemployment) depends a great deal on whether the welfare clients can and do take advantage of what the programs offer, as well as the quality of the programs. The same is true in many other government organizations that are generally viewed as “service delivery programs.” The *outputs* of such programs often look like services delivered to particular clients, and both the clients served, and the citizens who have authorized and provided the financing for the program, might well be interested in whether those services are suited to and valued by the individual clients. But the *outcomes* of such programs that served as the justification for public financing and provision often depend on clients using those services to change their condition in ways that we hope they the clients would want for themselves, but are in any case, changes that we citizens and taxpayers would like them to make in our interests as well as theirs. Because the individual clients of government financed service agencies are independent social actors, they have both the *de jure* and *de facto* discretion to use the services in ways that are more or less aligned with the social outcomes that we the citizens and taxpayers had in mind when we agreed to tax ourselves to provide the services. Because we citizens and taxpayers hope to engage them in an effort to improve their condition, they become important “partners” in producing the desired results.

What seems true on reflection in the provision of government financed social service provision is even more obvious in the case of the many government organizations that impose duties on citizens rather than provide services. Tax collecting agencies are not primarily in the business of providing services (though they do provide information to citizens about their obligations under the tax laws.) Their principal business is ensuring that citizens pay the taxes they owe under the statutes created by their elected representatives. But the cost of collecting the taxes owed depends crucially on whether the taxpayers are willing to pay as well as their knowledge of their particular liabilities. The willingness to pay can be encouraged by the threat of prosecution and fines for failures to do so. But the fact remains that tax collectors depend crucially on “voluntary compliance” with the tax laws to achieve their mandated results.

A similar process occurs in the encounters between private companies and government regulators. In those conditions, government, acting at the behest of citizens, taxpayer and elected representatives, has imposed duties on companies to accomplish important public purposes such as ensuring that the food supplied to consumers is healthy, that the buildings in which we live and work are safe, that the jobs we take are safe and healthy, and that no toxic materials are being spread about the environment. Government agencies are responsible for ensuring that these obligations are faithfully honored through surveillance and enforcement activities. But, as in the case of tax collecting, the success of government regulatory agencies in achieving the health and safety objectives they have been mandated to achieve depends critically not only on what the government agency does – the regulations it writes and the ways in which it deploys its enforcement resources – but also on how those being regulated – the social actors whom I will describe as “obligatees” respond to the particular outputs produced by the regulatory agencies. Just as it might be desirable for service agencies to find ways to remind their client beneficiaries of the duties that come as part of the package of government financed services, so it might be valuable for government enforcement and regulatory agencies to find ways to help obligatees understand the nature of their duties, and why they are important to help motivate if not wholly voluntary compliance, then at least a grudging willingness to come into alignment with social aims.[[21]](#footnote-21)

*Co-Production as Effective Operational Engagement with Citizen Partners*

Clients of government agencies – those individuals that government agency managers see on the other side of their bureaucratic counters – are perhaps the first and most important co-producers of desired social outcomes. Government cannot succeed in producing collectively desired outcomes at low cost unless the clients can be brought along to take the actions that will align them with socially defined purposes. Therefore, making sure that the outputs of government are well designed to engage them, and nudge them towards the social purposes that lay behind the provision of government services on one hand, and the imposition of government authority on the other, is a key element of improved government performance. But closely connected to the client as co-producer is the idea that there are other well positioned private actors – both individuals and groups – who are connected to individuals or groups of clients that could be mobilized to increase the influence of government on both individual client beneficiaries and client obligatees.

The school is, again, the most obvious example. It seems very clear that schools cannot accomplish much in helping students learn the basics, to say nothing of become responsible, resourceful citizens of the society, unless they get a great deal of help from the parents and other caretakers of the children. This is so obvious and so important that many innovative charter schools are now creating working relationships with parents by requiring them to sign agreements about what they will do to support their children’s learning, and to attend adult learning programs so that they can better support the experience of their children at school – this even when the parents are already struggling with several marginal jobs. This represents a direct effort to mobilize co-productive activity from private actors over whom the school has no formal control.

Policing is also a clear case where co-production is a necessary element of successful performance. Over several decades, the police developed an extraordinary capacity to patrol cities, and to respond quickly to calls for assistance. They also dramatically improved their forensic capacities to solve crimes that had been committed. These successes have been dramatically portrayed in television shows and they are something of which the society can be proud. But what research has revealed about these particular methods of policing is that both rapid response to calls for service, and the successful solution of crimes that have been committed in the past depend critically on a hidden “force multiplier:” namely, the willingness of citizens to call the police when crimes occur and aid them in their investigations. None of the expensive apparatus that exists within the boundaries of the police agency has much value unless citizens are prepared to take the time, run the risks, and have the faith that the police will take their calls seriously. To a degree, the police were able to take such “citizen co-operation” for granted. But as the distance between the police and important segments of the community grew, and distrust filled in the gap, the real capacity of the police to control crime went down rather than up. The antidote was to re-discover the operational importance of the bond between community and police.

One can go on with examples of how individual citizens, or voluntary associations of citizens are often in a strong position to help government agencies achieve their purposes. To some agency managers, what is broadly called “public support” for them and their mission is important primarily in political terms since it provides it guarantees the flow of public assets to them that allows them to survive and accomplish their mission. But what all agency managers should understand is there is an important kind of public support that is not political, but is *operational.* It is the kind of public support that occurs when citizens and voluntary associations supplement the operational work of the agencies – when parents and volunteers read with students after school, or teach them valuable job skills, or when citizens join with other citizens to insist on civility in parks, and come to the aid of fellow citizens who have been victimized by criminals. A healthy democracy has always depended on citizens to embrace their role as co-producers of desired social conditions not only through engagement in political discussions about what the state should or should not do, but also through active engagement in efforts to create prosperous, tolerant, and just communities.

*Co-Production as Collaboration Across Government Agencies*

Insisting that government performance should be focused on impact and outcomes in a world where government agencies control only part of what is required to achieve the outcomes can also draw agency managers’ attention to other government agencies -- both those working in the same domain at different levels of government (either higher or lower), and government agencies working in different domains with apparently different and independent objectives. The reason is simply that once agency managers are focused on mission effectiveness, and the missions are defined in large, abstract, and general terms, then the achievement of the desired outcomes may depend critically on the help that one agency manager can get from other agency managers in the pursuit of the first agency manager’s mission. This situation occurs when the outcomes that form the mission of an agency either are now, or could be, importantly influenced by the actions of other government agencies. Consider the following examples.

A police commissioner is responsible for using the resources devoted to a municipal police department to reduce crime and enhance feelings of security in the community. She understands that part of the crime comes from domestic violence, another part from gang violence, and a third part from drug addicts robbing and stealing to support their habits. She also understands that the fear in the community is associated more with the disorderly conduct and sad conditions of homeless men who often have some serious mental illness. When she looks at what her organization can do about any of these problems, it becomes quickly apparent that while these problems are within her mission, and citizens are looking to her to solve, her ability to deal with these problems alone is very limited.

To deal with domestic violence, and knowing that when a homicide occurs in these situations the police department will have been called to the scene an average of three times before the homicide occurs, she understands that the immediate police response which is to “restore order” and arrest the aggressor only when the victim is willing to press charges, is not enough. She has to change what her officers do in the face of domestic violence complaints, and she has to find a response from outside her agency to deal with the looming threat that the violence will get worse without some kind of intervention.

To deal with gang violence, she has to establish a rapport with community residents, and even the gangs themselves, to understand the “beefs” that create the context of the violence, and to figure out who the next victims and next shooters might be. In order to halt the next several shootings, she may have to directly threaten the likely future aggressors with extraordinary efforts to build a case against the shooter through co-operation among many parts of the criminal justice system beyond the local police. She may also have to build support for her actions to stop the shootings by engaging the schools and public health professionals in a campaign to make violence unacceptable in the teen community that is both close to, and a bit further away from the violence.

To deal with drug related crime, she can arrest the offenders. But to make that effect last in an effort to control crime, and to do so at low cost to the community, she might recognize that arrests often represent the moments when drug users “hit bottom”, and find new motivation to rid themselves of their addiction. That, in turn, means that she might be able to leverage her impact on drug related crime by pushing users towards treatment programs, and join with the treatment programs in the kind of surveillance and support that might help them get their lives back on track.

With respect to fear, and knowing that a great deal of fear in a community is driven not by objective risks of criminal victimization but by disorderly conditions, she might take steps to reduce the appearance of disorder. But that means she has to have some way to deal with those who are drunk and disorderly, and those who are homeless and mentally ill. That means turning to the agencies that regulate the sale of alcohol on one hand, and those that can provide treatment to both the acute and chronically mentally ill.

One can go on with these examples. But the simple point is that almost any agency manager who has the broad responsibilities typically described in a mission statement will soon find that he or she could benefit from the help of other government agencies. This interdependence can occur for several different reasons.

First, it is quite possible that an external government agency’s actions – taken in pursuit of its mission – are producing effects – either positive or negative – on the focal agency’s mission. For example, a decision by the mental health department to “de-institutionalize” the mentally ill, and “care for them in the community,” may have sent many troubled individuals onto the street where their erratic behavior frightens the other citizens with whom the mentally disturbed citizens come into contact, creating a problem for the police.

Second, it is possible that an external government agency is in a position, and has some capacities to help deal with a problem, but they have not yet used those capacities in the potentially useful ways. For example, drug abuse treatment programs may have policies against accepting individuals into treatment who have been recently arrested for property crimes, and therefore might miss a chance to intervene at an important moment in the addict’s life, with a population that might be particularly important to encourage to abandon their drug use.

Third, it is possible that the missions of the two agencies are intertwined in both conceptual and empirical ways. The mission of the police to protect life and property overlaps significantly with the mission of the fire department and the public health department, which explains why the police are often engaged in efforts that can reduce injury and death from fires, or traffic accidents, or sudden deaths from heart attacks.

Once we citizens, representatives, and managers are thinking about performance in terms of the achievement of desired social outcomes, the direct link between agencies and outcomes begins to come apart. The simple reason is that few government agencies define their missions in ways that do not invite contributions from other government agencies in the production of the desired results. On this view, it would be a mistake to view government performance as depending solely on improving government agency operations to achieve their own particular mission; it would make much more sense to see that government agencies were tied closely together in efforts to achieve broad social outcomes, or to solve social problems and improved social contexts that cut across government agencies.

This basic insight threatens the idea that the best way to improve government performance is to focus on the performance of single agencies, and call them to account for the achievement of their mission through the efficient production of outputs focused directly on the problem. It seems that if we citizens were after social impact, we might want to create a form of accountability that focused on social conditions or problems (rather than agency missions), and that called government organizations to account not only for their performance as independent agencies, but also as parts of a larger system of governmental effort in which their efforts combined with the efforts of other agencies to produce an bigger, more sustainable, more valuable result than any agency on its own could produce.

This is the key opportunity for improving government performance that has attracted those who are focusing determinedly on improving the *collaboration* of government agencies. On this view, the problem with government focus is that government efforts are siloed, and that to meet the demands accountability as an agency, they lose sight of the larger problem they were meant to solve, and could only solve if they found ways to collaborate with other agencies.

But to enable this to occur, we citizens, elected officials, and managers have to create an accounting system that makes an exception for organizational level accounting, and shifts to one that recognizes the value being produced in joint activities, and requires agencies to work together in specific ways to achieve these results. There are means for accomplishing this goal in government, but they often run up against resistance caused by the reluctance to abandon the established forms of bureaucratic accountability: those that focus on organizations, and call agency managers strictly to account for activities, processes, and outputs carried out within the organization without enough attention given to organizational missions or particular social problems that are best handled by collaborative networks of government agencies.

*Co-Production as the Mobilization of Three Sector Problem Solving*

There is one additional step to be taken in seeing opportunities for improving government performance once our attention has been focused on the social impact of both individual government organizations pursuing their missions, and collaborations of government organizations seeking to ameliorate problems and improve social conditions that cut across the boundaries of many different government organizations. And it is a very big and important one. That last step focuses on the potential of government – working through the vision and initiative of agency managers, or government policy makers, or elected executives who preside over general government jurisdictions – to address themselves to social problems that cut across not only government organizations, but *also across organizations and enterprises distributed across the three major sectors of liberal democracies – government, the commercial sector, and the voluntary sectors of society.* On this view, the opportunities for improved government performance lie not just in improving the operational efficiency of government organizations in producing current outputs, and not just in finding ways to increase the impact they can have on society in pursuit of their organizational mission, and not just in imagining collaborations among government agencies that could tackle social problems that cannot be handled by individual agencies acting alone, but also in *spotting and exploiting the opportunities to engage the assets and capacities of all three sectors of the society to improve social conditions.* This is government performance writ large – not because government is financing, directing, and producing everything that matters in achieving improved social results, but because it is using a variety of policy instruments unique to government to orchestrate a society-wide response to problems that the society deems important to solve. In this conception, government performance is not limited to the performance of government organizations, but is, instead, tied to the use of government as a particular institution in the wider society that uses its distinctive capacities to help the society as a whole identify and solve the big, important problems that we citizens would like to have solved. To see the potential, we can go back to the familiar examples of educating children for resourceful and responsible citizenship, or using the money and authority of the state to produce security in our cities.

Imagine oneself as part of a strategic team responsible for educating children in a given city that included for example a mayor, the mayor’s policy advisor on education, the superintendent of schools, the head of the local teacher’s union, local businessmen who were concerned about educational quality to ensure they could attract quality workers to the area, and representatives of taxpayers and parents from different neighborhoods. The problem before you is how the overall quality of educational performance could be improved. At the outset, a variety of opportunities would present themselves. One might start by observing that while most children were being educated in publicly financed, and publicly staffed and operated schools, the city-wide system of schooling included many other kinds of schools. Some could be seen as part of the voluntary sector in that they were sponsored by nonprofit enterprises such as religious organizations, or other voluntary associations that chose to organize and pay for the education of their children without relying on public funds. Now, there might also be some for profit educational enterprises that provided extra education around the edges of public schools to children whose parents were willing and able to pay for it. And in some cities, there would be schools that were supported financially by public tax dollars, but were independently established and operated.

This complex set of educational service providers was importantly influenced by government. It was government that required children to attend school until a certain age. It was government that promised (often in state constitutions) to provide quality education for all. It was government that regulated the private schools (religious, independent, for profit) to ensure that the public’s interest in having all citizens be educated were met even when the parents of the children had opted out of private schools. And it was government that still provided most of the educational services to most of the school-aged population in the city.

Note that government is playing an important role on both the demand side, and the supply side of the “market” for educational services. On the demand side, government creates demand in part by using its authority to require parents to provide for the education of their children, and in part by paying for the provision of educational services to the largest portion of the students. On the supply side, the government is itself a provider of educational services, but is also an authorizer and regulator of other private actors who would also like to provide the service.

Presumably, the various suppliers in this market – both public and private – are buffeted, and their actions shaped by the demand conditions. The publicly financed, and publicly operate schools, are importantly influenced by what we citizens, taxpayers and our elected representatives want the public schools to do, by the expectations of the parents who send their children to these schools, and by the wants, needs, and rights of the children who are the direct clients of these schools. The privately financed and operated schools are importantly influenced by government regulations that accredit them as suitable schools to meet public responsibilities.

But these schools are also affected by the independent views held by their private founders, sponsors and governors about what a good school would try to produce, and by the views of parents whose voice is amplified in these schools by the fact that they are making direct payments to the school for the services provided, and can take their custom elsewhere if they choose to do so. Schools that receive public funding, but are independently created and managed, stand somewhere between the purely public and purely private. The government’s influence is strong not only because it is regulating and accrediting, but also because it is paying. But the private schools often have the freedom to govern themselves and manage their own activities that allows them to advance somewhat different purposes and rely on somewhat different methods for achieving their educational objectives. (To the extent that both the pure public schools and the publicly funded independent schools are operating in a policy environment in which parents and students are allowed to choose the school they would like to attend in this system, and in which the public dollars that support the schools move with the students as they decide which school to attend, one can see that the voice of the parents is amplified in these schools to the same degree and in the same way that the voice of parents and students attending schools in which they pay tuition is amplified.)

This complex system of different kinds of schools providing educational services, different forms of financing educational activities across the school aged population, and different social actors positioned to oversee and evaluate what is actually being produced by the system as a whole is presumably generated a varied – probably highly varied – educational service to the students. It is also probably producing very different educational results for students coming from different social contexts. And those different results are accumulating among the individual students in ways that do or not achieve what the public as a whole – citizens, taxpayers, elected representatives as well as parents and students – would like to have our mixed private and public educational system to produce.

It is also likely that the different educational suppliers, with their varied approaches to their varied student populations are, in effect, experimenting with different educational approaches to see “what works” with their particular students, and their particular ideas about what education should achieve. The different educational suppliers may be doing this on their own to advantage their own position in this complex production system. But their efforts may be importantly influencing the actions of other educational suppliers. That influence could come through competition as educational suppliers compete for students that carry money with them. Or it could come through collaboration as education professionals shared information with one another about what methods worked in general, or with particular populations of students. Or, it could come from pressures to look legitimate in the eyes of parents, regulators, and other professionals, and to produce pretty much what everyone else is producing.

The variety stimulated by the existence of different educational suppliers facing different systems of accountability, different sources of funding, and different client beneficiaries (parents and students) could result in a very high performing educational system – one that operated within the financial envelope for the system that consisted of both private payments and public tax dollars, that met public aspirations for a good educational system that could advance both prosperity and equal opportunity, that satisfied individual parental and student desires to secure the education that most satisfied them, and that continued to improve over time as the system experimented with and embraced or discarded new operational methods for educating children. Note that the fact of variety plays an important role in this story. Variety in educational suppliers is at once the method that allows educational suppliers to adapt their activity to the potentially highly varied and heterogeneous wants and needs of particular parents and children, and the feature that allows us to find better ways of accomplishing educational objectives that are better for all students no matter their particular condition.

But in order to be sure that that variety meets the objectives of producing a high performing, continuously improving educational sector, there has to be some way of defining and measuring the performance of the system as a whole. That includes the impact that the system has on the satisfaction of parents and students with the education they receive. It includes the impact that the system has on whatever society as a whole has decided it wants to see produced at the level of individual student development. It includes the total cost of the system to the wider society. And it includes the degree to which the individual student level effects produced by the system accumulate to what the society wanted to use the educational system as a whole to accomplish – including perhaps the degree to which the system promoted economic growth in the country, but also the degree to which education served the purpose of encouraging goals such as equal opportunity, and the acceleration of intergenerational upward mobility.

It should be clear from this discussion that the idea of government performance has moved to a whole different level when one is examining government performance in organizing very complex social production systems that use production capacities, financial capacities, and judgments about the value of results from many different sectors of the society. The educational system is private in many ways. It is private in the way that students do or do not make use of what is offered to them in schools. It is private in the way that parents and other caretakers voluntarily support educational processes carried out in schools. It is private in the sense that parents can decide, subject to their desire for schooling and their ability to pay, whether the students will go to private or public schools. It is increasingly private that parents who are not willing or able to pay for schooling on their own can now often choose which publicly financed schools they would like to attend (subject to some complex rationing system that prevents the most popular schools from being overwhelmed). It is increasingly private in the sense that education is increasingly seen as a private consumption item to be chosen, used and evaluated by individual students and their parents.

Yet, the educational system is also importantly public. The vast majority of the educational services delivered to students are delivered by public employees. The vast majority of the costs of education are paid for with public tax dollars. The importance of education to the public as a whole – the idea that the overall level and distribution of educational services should not be decided by market forces alone – is enshrined in state constitutions which give parents and students a right to receive an equal and high quality education (with quality presumably being decided by citizens, taxpayers, and elected officials as well as by parents, students, and professional educators). It is also embodied in state statutes which require parents to provide for the education of their children, and students to attend some kind of educational program until they have reached a certain age, or can demonstrate a particular level of educational achievement (with that also being determined by the public working with professional educators.)

One might think that this analysis is limited to the field of education. But a little reflection reveals that many of the governmental functions whose performance we as citizens and taxpayers would like to improve, are grossly similar to this. It doesn’t take much to see that efforts to improve the performance of the health care system look much like education. There, too, we have a system of production that includes commercial, nonprofit, and government suppliers. There, too, we have a system of financing that includes individual payments for services and significant public tax expenditures to ensure a basic level of coverage to all. There, too, we have used the authority of the state to support a public and professional commitment to treat those who are ill without regard to their ability to pay if they can get to the front door of a hospital.

Perhaps more surprisingly, it doesn’t take much reflection to see that the production of personal security has many similar elements. Most people think that the state has a monopoly on the legitimate use of force, and that that monopoly is embodied in public police departments supported by tax dollars and staffed by public employees. But it has long been true that much personal security has come from the voluntary and commercial sector as well. Publicly financed and staffed police departments are less than 200 years old. Prior to their establishment, personal security was left to voluntary action by citizens, nudged by a law that required all citizens to come to the aid of their fellow citizens if their fellow citizens raised an “alarum.” That tradition has been carried on in laws that give individuals significant rights to act in their own self-defense – rights that sometimes seem even wider than those enjoyed by strictly regulated public police officers. The commercial sector has also appeared on the scene. There are now four times as many privately paid security personnel than public police officers. And sales of locks, guns, dogs, and home security systems are reaching new highs as individuals assume the responsibility for their own security.

Perhaps we should have always understood that government performance in dealing with important social conditions was always going to depend a great deal not only on what government did to deal with the conditions directly, but also in how government as a convenor, and government as a mobilizer of all parts of the society, performed in engaging society as a whole in the identification and solution of public problems.

This is not to say that government is the only answer to important public problems. Far from it. There is plenty of room for business not only to create jobs, but also new products and services that can deal more effectively with important social problems in areas such as health and education. There is plenty of room for the voluntary sector to make its important contributions to both the nomination of social conditions that deserve public attention, and to develop innovative methods of dealing with both the new emergent problems, as well as the older problems that have resisted past solutions. And much of this action can go on with nothing more than private initiative and private dollars backing it.

But it is to say that if government is going to improve its performance in dealing with some of the larger problems faced by local communities or nations or even the world as a whole, it will have to do so by finding effective ways not only to produce the results directly, but also with the use of the various tools it has as its command to engage and facilitate the work of organizations from all sectors of the society. Those tools include using its financial resources, using its authority, using its moral authority. The result is a larger, more varied, smarter social effort.

***The Most Important Idea: The Path to Improved Government Performance Depends on its Capacity to Innovate and Learn in a World That Does Not Allow Government to Try Uncertain Ideas***

The argument so far has pushed in the direction of widening our concept of what constitutes government performance, and our ideas about how we might be able to get it. It has moved from single government organizations looking for efficiency gains in current operations, through the idea of ensuring that government agencies have a real impact on the problems they were asked to solve, through the idea that some social problems or conditions could only or best be solved if individual government organizations could collaborate with one another to produce the desired results, and ultimately to the idea of government performance could be seen and evaluated in terms not only of what government agencies did that focused directly on the problem at hand, but also on how government being influenced by, and influencing other sectors of society, could mobilize efforts from producing organizations distributed across all three sectors of the society.

This journey in search of the potential for improved government performance has stretched the concept of government performance in both scale and complexity: from single organizations making adjustments in existing operational procedures to multiple organizations organized in complex networks to deal with the “wicked problems” that government is often asked to solve.

The level at which government performance is being managed and evaluated has changed from mid-level managers trying to produce lower cost, higher quality organizational outputs, to elected executives managing general purpose governments who are expected to deal with the largest and most difficult problems facing the society: how to protect us from foreign aggressors; how to get the economy to grow and to do so in a way that ensures that everyone has a chance to participate in economic growth; how to protect us from the hazards of both natural and manmade environmental problems; how to reduce crime and enhance both civility and security in the society at large; how to protect our health from new viruses and our own bad habits; and so on.

The instruments and tools that government relies on to produce the valued results have changed from simple command and control devices adequate for insuring consistent reliable performance in particular organizations, to all the more indirect tools that government can use to orchestrate a social response to a problem in which direct government activity is a small component. Those indirect tools include the use of government financing to reduce the risks to businesses undertaking important public purposes, or the use of government tax dollars to contract for performance with commercial and nonprofit producing enterprises, or even the use of government tax dollars distributed as vouchers to individuals to both increase and even out the aggregate financial demand for goods and services such as security, health, and education that are quasi-public in that the public as a whole might be interested in shaping the overall level, and the overall distribution of consumptions of those goods and services. The tools also include the use of government regulatory authority which is used not only to raise the financial resources that were being deployed above, but is also used to nudge (or bludgeon if necessary) individuals into refraining from actions that would harm the public interest, or taking actions that would advance the public interest. The tools can also use whatever convening power or moral authority the government has with its citizens to mobilize both attention and voluntary action to deal with an emergent or chronic problem.

*Improved Performance in Government in All Forms and Scales Depends on Innovation*

While much has changed in this journey, there is one thing that has remained constant: the idea that improved performance inevitably depends on innovation. This is true by definition. If we want to improve, we have to do something different. That is true not only when we are facing the threat of having our soldiers killed by improvised explosive devices as discussed above, but also when are trying to improve the overall performance of our national, but highly decentralized, educational system.

The need to change what we are doing in order to improve does not mean that we always have to invent something wholly new. In many cases, a better solution may already exist. The only problem is that it is not being widely or universally used. The problem is not to create the innovation, it is to spread it. Or, it could be that the important, performance increasing innovation is simply an adaptation of an existing method, or the permission to use various small adaptations of a general method to improved performance in somewhat idiosyncratic individual cases.

Nor does the need to change mean that the only innovations that matter are the big ones – the changes in mission rather than existing procedures, or the changes in policies rather than programs, or the changes in governance arrangements and organizational structures rather than the creation of large numbers of operational agreements that help operating managers and front line workers do their jobs better than they could under the old systems of accountability. It is quite possible that the largest, most reliable, and most durable changes in performance occur as the accumulation of many new operational practices that are suddenly recognized as an important change in how individual government agencies, and governments as a whole do their work in collaboration with the rest of society.

But what it does mean is that government managers and organizations will have to reflect on current operations, and consider new options that they have not tried before. This is not just a problem for individuals who would prefer not to change. It is a problem in the way that we call government leaders and managers to account. The idea of change, of innovation, of experimentation, even of learning do not naturally fit within our expectations of government, and are not well handled in the systems we use to call government to account for performance. All change involves a risk, and in particular, a risk that the change will produce worse results than we could have gotten if we had stayed with our old methods. The public reaction to a government initiative that was taken experimentally and produced a bad result would be swift, loud, and punishing. “The government shouldn’t gamble with the welfare of its citizens and limited tax dollars. If it is not certain something will work, it should not do it.” That predictable reaction is enough to deter most managers from even considering a change. But if managers do not experiment with new methods for dealing with new problems that arise or old problems that persist, government performance cannot improve.

*Innovative Pressures in the Governance and Government*

But perhaps the charge is overdrawn. There are, after all, some important forces in politics and government operations that could stimulate and drive innovation. Frequent elections, for example, can easily be seen as a force for innovation. The way that the out part challenges the in party is to claim that they have better ideas about how to use government to improve the quality of individual and collective life – including the notion that society would be better off if the size and scope of government in that society were reduced. The ideas that elected officials campaign on are essentially bids to authorize and legitimate innovations in government. That list becomes an agenda for innovation. And if the ideas are substantively valuable, and if the incoming administration is successful in making the changes for which they campaigned, innovation in government is enables.

Innovation in government can also occur when crises occur – both real and imagined. By definition, a crisis is a widespread perception that something bad looms imminently, or has already occurred. Something must be done to ward off the problem, or deal with it consequences NOW! Of course, the fact that the crisis is upon us can be taken by many as a failure of government since one of the things that government is supposed to do is to protect us from such occasions. The crisis may or may not have been the focus of attention in a recent election. But, regardless of that, now that the crisis is here, an important test of government is how well it can cope.

A crisis tends to create occasions for innovation in two quite different ways. On one hand, it increases the overall sense of urgency and effort that will be applied to the problem. That is not the time to think about the future, it is the time to act using whatever resources one has in hand, deployed in whatever method seems appropriate to the circumstances. On the other, a crisis tends to knock down bureaucratic walls, and force all organizations to deliver their assets to the solution of the crisis rather than hold them in reserve to deal with their assigned problems. The combination of these factors – urgency and the suspension of bureaucratic boundaries – may produce a new and more effective response to the crisis than at first seemed possible.

Many interesting in improving the performance of government have noted the potential power of crises to shake up bureaucratic government and focus its attention on the real work at hand. As a result, they have often worked hard to create crises out of social conditions that are really less shocking new problems than the re-discovery of chronic old problems that seem to have languished without attention, or urgency, or a capacity to collapse what we have been doing in the past in search of a much better approach. If we can make a crisis out of a drug epidemic, or a rash of shooting, or the appearance of a new disease, or the death of a child who was known to the child protective service system, it is quite possible that the governmental response that could be produced would be different – more urgent, more collaborative, more imaginative, more effective – than the response that emerges from business as usual.

In many ways, social crises are to government what bankruptcies are to private companies. A badly managed private company can go along for years doing what it has done in the past while the world around it is changing dramatically. The evidence shows up in the financial statements, but perhaps it is just a blip, and things will turn around in the next quarter or the next year. But instead of improving, the financial performance grows worse, and “tough choices” loom. Management makes a few of the easier “tough choices” but not the really hard ones that would strike at the core operations or the identity of the firm. Eventually, creditors get nervous about whether they will get paid and force the company into bankruptcy.

That event, like a crisis in government, forces action that in normal times would be hard to execute. Urgency increases. The need to find an answer means that old answers are no longer good. But the biggest thing that happens is that all the resource commitments that existed inside the organization before bankruptcy – the entire structure of financial support and operational accountability that had guided the organization’s activities, and focused the managerial work – is collapsed. All the resources are pooled, and their reallocation considered in light of the fact that the organization could not go on as it had before.

There is lots of really bad news in this – for shareholders, managers, employees, suppliers, customers, etc. But the good news is that all the resources that were previously locked up in activities that were not generating profits, are now available for re-allocation to new activities. It may take some time for the company to adapt successfully to its environment, but it is aided in this by the sense of urgency, by the need to face up to the reality that had long been ignored, and by the possibility of moving assets from unproductive but traditional to productive but non-traditional activities.

Beneath the world of political campaigns (but hardly immune from its influence), and well before something is claimed to be full blown crisis, there are forces for innovation and change within government agencies themselves. There are many political appointees and senior civil servants leading public organizations who understand that their job includes being able to respond to changing political aspirations and new social circumstances. They are motivated by a sense of professional responsibility to continue thinking about how they might best use the assets that are entrusted to them. Often, these executives are members of professional communities that have developed the ideas that are currently legitimate and widely used in their organizations. The best among these executives are always worried that the methods are not working as well as they should, or that there is a better way to perform their operational tasks, achieve their mission, co-operate with other agencies, and mobilize help from the wider society. They risk innovations of varying sizes and types, to see if they can improve the performance of their organization in achieving their mission. They are aided in this to some degree by academics and policy researchers who function a bit like market researchers and production engineers do in the private sector. They act a bit like market researchers by describing the social conditions that “demand” an effective government resource in terms of its size, its components, its causes, its dynamics, its likely future trajectory, and so on. This is, in an important sense, the market in which government managers are operating – the place where they can go to produce value. They act like product designers and production engineers by imagining the particular government outputs which could improve the social conditions, and how they could be produced at a low enough cost to make the change produced worthwhile.

While we citizens, taxpayers, and elected officials have benefitted a great deal from public leaders and managers with such value seeking imaginations, we have not really found a way to help them with this important work. And that is because we have not yet figured out how to construct a demanding and exacting accountability system for government managers that holds them to account not only for operational efficiency, and not only for significant social impact, but also for innovating in ways that lights the path forward to improved performance in the achievement of social results. The existing systems of accountability – the political system that demands accountability to elected representatives, the bureaucratic system that demands accountability to watchdog agencies, even the public system of accountability that exposes government managers to demands for performance from any self-appointed “accountability agent,” do not even allow, let alone encourage and support the innovative efforts of managers to learn to improve their own performance, and that of their agencies. This may be the single greatest risk to improved government performance over the next several decades which will surely demand a great deal of intelligent innovation and learning by the government as the tasks change before it, and citizens aspirations change around it.

***The Path Ahead***

In the rest of this book we will move along the path we have already bushwhacked in a more systematic, detailed, and comprehensive way. The survey has been done. The main paths have been laid out. It is time for the engineers and bulldozers to show up and lay down the tracks and the gridlines for each of the promising avenues for improving government performance.

I want to emphasize that there is value to be found in pursuing each and all of the paths laid out above. I don’t see any particular reason for imagining the most dramatic forms of improvement lie in “getting back to basics” in the routine operations of government organizations, or in “exploring the potential” of organizing cross sector problem solving efforts. Both represent promising ways forward, and there is plenty of work to do along each of these paths.

What does seem clear is that improved government performance will come not in one fell swoop. Nor will it come from only institutional position, or one sector. Government performance (like the performance of the commercial sector), is likely to improve through the accumulations of many different innovative initiatives of widely varying sizes and shapes launched to deal with different problems in many different ways. It will also depend on the ways in which government, at different levels and in different ways, learns to encourage, quickly evaluate, and rapidly exploit the innovations that are launched and seem to work. Indeed, if there is one major change that could help the cause of improving government performance, it might well be an innovation in our expectations for government performance, and how those expectations are realized in the systems of governance and accountability we use to deploy public assets to produced publicly valued results. The challenge is not to learn once about one problem, but to able to learn many times about many problems.

This book can readily be seen as part of the series of books I have been writing about public leadership and management in democratic societies. This book, too, is about “creating public value.” But this book is about the *delivery* of public value. And that subject includes both the successful *implementation of public policies* that have been authoritatively embraced, but also the successful *strategic management of public organizations* within which public assets are held, and through which the political aspirations to improve the quality of individual and collective life can be realized through the intelligent deployment of those public assets. The relevant public assets include not only tax dollars to pay for the production of social results that the market will not produce on its own but also the regulatory and moral authority of the state which can require or encourage private actors to contribute to publicly valued purposes.

Figure 1 places the focus of this book in the context of what has come to be called the public value strategic triangle. At the diagram indicates, the focus of this book is less on the definition of public value (though one must depend on some concept of public value to be able to define, measure, and recognized whether performance is improving or not); and less focused on the mobilization of public legitimacy and financial resources (though, one cannot make rational choices about how assets should be deployed without knowing how many and what kinds are available for use); and much more focused on precisely how flows of resources guided by those with executive authority, responsibility, and accountability can be deployed to produce material changes in the world in which we live.

The great virtues of the strategic triangle as a guide to managerial thought and action is that it: 1) directs the attention of public leaders and managers to the key pieces of the environment in which they are operating, and encourages managers to carry out detailed analyses of each element in their strategic environment; and 2) to keep searching for ways to produce an effective alignment among the parts that were often held apart. The individual parts include: 1) a calculation about where the public interest lies (the public value circle); a calculation about the degree to which the political forces at play are aligned with any particular conception of the public interest (the legitimacy and support circle); and a calculation about what would be operationally required in the use of government assets to produce the desired results – either directly or indirectly (the operational capacity circle. The arrows connecting these pieces emphasize the critical importance of aligning each part of the triangle with the others in search of the best, politically authorizeable, and operational feasible use of public assets – given current circumstances. By naming each particular calculation, and encouraging public leaders and managers to go deep on each, and at the same time, insisting that these distinct calculations, often made by different kinds of experts, be integrated and aligned around a particular purpose, the diagram helps to create an intellectual discipline into the world of practical action.

Despite these notable strengths, experience has suggested that there are three key weaknesses in the concept. The first is that the concept may unwittingly reduce the critical importance of operational management – the actions that leaders and managers take to invest in and deploy the operational capacities needed to produce the desired results. For more than a century, the focus of those who have thought and taught about public administration and management has put government administration, operational management, and effective policy implementation at the forefront of its concerns. The philosophical and political work of defining the purposes of government that were to be achieved through operations was left out of the remit of public managers as beyond their pay grade – matters of policy to be decided by political processes in which the professional government managers were supposed to remain neutral.

More recently, as pace of government has quickened as a result of both changing conditions in the world, and an widening and intensifying citizen engagement with government, that neat distinction – the one that divided the world between policy and administration, between ends and means, between the allocation of resources and the use of resources in operations, and between those who carried the legitimacy of having won election (or being appointed by those who did) and those who carried the legitimacy of expertise rooted in their substantive knowledge of a field, or their administrative skills—seems less sustainable and less useful. There are more decisions to be made. The decisions come in different sizes. Each is surrounded by a different set of stakeholders with interests. Yet, each, no matter its size, has to generate political legitimacy and support for successful implementation. Each has to be successfully implemented through operations.

The implication of the increasing scope and pace of government is that what could be described as government policy-making and successful implantation has spread down and out through the governmental system. The agents who can contribute to successful government performance include those operating at national, local, and grassroots levels, and those on the political side as well as the administrative side of government. The efforts that seem to be most successful are those that create a kind of strategic team that crosses all the boundaries that were previously sacrosanct The real policy apparatus of government is not just a few top level political figures deciding what it to be done. It is thousands of public officials of various kinds facing public problems by trying to decide and produce together something that is publicly valuable, authorizeable and doable in their particular context.

If effective public leadership and management is seen in these strategic terms, and the public leaders and managers who find themselves in these positions are invited to enter the heady realms of philosophy in defining government purpose, and the engrossing tasks of politics in forging a more or less rational, and more or less sustainable agreement both the ends and means of using government assets to deal with one problem in one way rather than another, it might be hard to get folks focused on the operational tasks. To the degree that the concept of strategic triangle seemed to diminish the importance of operational management as a key focus of public leadership and management, that was a major error. To no small degree, this book is an attempt to mitigate the effect and correct the error.[[22]](#footnote-22) Yet, while it is an important error to understate the importance of operational management, I do not think it is an error in our contemporary times to point to the importance of philosophy and politics in improving the performance of government. To a degree that this insistence adds to the strategic calculations of government leaders and managers, it will inevitably reduce the relative importance of operational management, since operational management was everything in the traditional paradigm. I do not think this is a mistake. What is a mistake is to not give operational management its due in the strategic, value creating capacities of public leaders and managers.

The second serious problem is that the diagram does not give adequate emphasis to the point that all three points of the triangle are in flux. At any given time, one can describe one or more ideas about important public purposes to be achieved, and to check them against the current political forces at work in the environment, and the existing operational capacities, and determine the degree to which a given purpose seems authorizeable and doable. But this does not take into account the fact that any part of this calculation can change over time. The ideas about important public purposes can change as unanticipated effects of government policies and operations come into view, or as a previously ignored constituency reminds of a value that had been neglected in our earlier calculation. The political support can change as citizens and their elected representatives change their minds about what problems are important, what values ought to be given priority in government action, and what particular classes of citizens ought to be given benefits, and which given obligations in the pursuit of a good and just society. The operational capacity can change as a result of the emergence of new conditions in the world that seem to require a response, or the emergence of new technologies that seem to offer a solution superior to the ones being produced.

Note that some of these changes can occur autonomously without particular public leaders or managers playing an important role in producing the changes. In this case, the skills of leaders and managers lie in spotting the significant changes, and working out the implications of those changes for their initial ideas about what would be valuable, authorizeable, and feasible to do. But other changes can come about as a result of strategic action by public leaders and managers. They can become more powerful and persuasive advocates for some particular values they would like to see realized by and reflected in government the government operations they lead. They can engage citizens more widely and deeply in helping them build the legitimacy and support they need to authorize their actions, and create a context in which many private actors might be inclined not only to authorize the activity, but to directly support it through their own voluntary efforts. They can become the operational innovators who search for the improved operational methods that improve the current performance of government, or bring some purposes that used to be beyond the capacity of government within reach of government operations. Figure 2 seeks to correct for the “too-static” picture of the context of public leadership and management by showing movement over time the different elements of the triangle

The third important weakness is that the identity and position of the “actor” is often left ambiguous. That problem can be handled if we write and examine a case from the point of view of a single individuals in a particular position. But one of the things that should be clear is that the identity and character of the strategic actor changes as one imagines the different paths to improved government performance. The idea quickly leaves individuals working alone on the sidelines. But it does not give up the idea of individual agency. The individual agency is often deployed at the outset in the development of a strategic team, that within itself would have the capacity to make the changes needed to improve performance. That is a task in political mobilization and sustaining in the small, as a necessary condition for making something important happen in the larger. But it is also a task of learning how to work in that group to define the important pieces of work that have to be done – not only in general, but in the concrete particular, and to ensure that those tasks occur at the required scale, and with the desired impact.

This seems to me to the path towards improved government performance. But we start with the basics.

Cutting Room Floor

[Discussion of Creaming as a Response to Pressure to Achieve Outcomes

On the (potentially) negative side, one response that government agencies could make to their lack of control over outcomes is to develop improved methods for distinguishing which projects and which clients represent would be relatively easy to manage, and which would be much harder, and to concentrate on doing only with those projects and dealing only with those clients that were easy to handle. This practice is well known and described as creaming or cherry picking. And it is not always available to government agencies who are supposed to be responsible for dealing universally with all “comers.” But it is often true that government agencies can, to varying degrees, pick and choose the particular pieces of the social world, and the particular clients with whom they will deal. To the extent they have that discretion, they can develop the methods that allow them to use that discretion to focus on the easy projects rather than the hard.

Note that while the practices of creaming and cherry picking often seem wrong in public agency performance because they seem to violate the principles that government services should be universal, or at least not discriminatory, if one were to look at government agencies only in terms of their efficiency and impact, the capacity for creaming and cherry picking might not be so harshly judged. The principle of “triage” in medicine makes it a virtue to focus very scarce emergency medical care on those who might benefit most from it: we give care to the trauma victims who are very badly injured but could survive as a priority over those who are not so badly injured, and also over those who are so badly injured that they are unlikely to survive even with the best possible emergency care. Economic theory extends this idea of triage to a more general principle that advises those interested in producing the most observed results within a particular budget constraint, to start with the easy cases and to proceed towards the hardest cases until resources run out. That will produce the most successes for the least use of resources. This is one of those important places where our ideas of cost efficiency and cost effectiveness in producing results contrasts sharply with our ideas about what is just and fair. The principle that we should do the most good for the greatest number would seem to countenance and even encourage creaming and cherry picking. The principle that everyone should get the same treatment as a matter of fairness and justice conflicts with the economic principle. The principle that the greatest effort should be made on behalf of those who are in greatest need contrasts even more sharply with the economic principle, and introduces a notion of justice and fairness that differs from the idea that everyone should get the same.

Keep in mind that this discussion of creaming and cherry picking began with the problem that if we want to call agency managers to account for performance against desired social outcomes, and the managers cannot control the factors that are shaping social conditions, then one of the moves an outcome oriented manager could make is to pick the particular projects and conditions in which all the factors necessary for success seem present, and to avoid the projects and clients where success seems much harder to achieve. ]

***An Even More Challenging and Exciting Idea: Government Performance as Learning to Produce Socially Desired Results***

Innovations in government and governance.

Innovations to improve effectiveness in existing missions.

Innovations that involve changing organizational mission (or taking account of side effects)

Innovations that Enable Government as a Whole to Solve Cross Cutting problems and Engage in prevention as well as Response

Innovations that Enable Government Working Across Sectors to Deal with Problems

Innovations that Enable Society as a Whole to Use Government Better for its Varied Purposes

Third, it pointed to important ways in which government performance could be improved (and maybe could only be improved) if we looked beyond the boundaries of individual government organizations. Had to constructe either organizational structures, or other kinds of managerial structures and processes to effectively engage and use various social actors. Opened up a world of operational innovations that involved collaboration. But also suggested a world where new systems that could drive performance and accountability would be required – ones that allowed for innovation, and worked across boundaries.

Collaboration

Forced us to realize that there was not a one to one correspondence between a given agency and a given social condition, setting the stage for having to reconsider not only the existing structure as ineffective, but also as one that was not able to deliver either the operational performance or the accountability that we thought was easily available to us.

If the tidy view that government performance could be improved through a simple process of pushing a tighter demand for accountability through government agencies that had well defined, easily measured and independent missions, and enabling a cumulative number of productivity improvements is toppled by the observations made above, then we have to take a further step. That focuses on Innovation.

INNOVATION

*Proliferating Opportunities for Innovation and Change*

Change character of existing outputs to have a bigger impact on the outcome.

Change number, distribution and mix of organizational outputs

Change part of the world one seeks to change by segmenting and prioritizing.

How many changes can happen at the same time? Who authorizes them? How are They Evaluated? When does it seem that the changes have become so substantial that the mission of the organization has been changed?

*Performance as Increasing Responsiveness to Citizens’ Values*

Operational difficulties could also emerge not only from significant changes in conditions that government organizations faced as they tried to do their work (what we will call the organization’s task environment), but also because we citizens changed our mind about that the mission, goals, and objectives of a particular public organization should be.

To continue with the case of education, operational problems could develop not simply because the students showing up in the classrooms were different, and because we had a new tool for delivering educational services virtually as well as face to face, but also because we citizens, taxpayers, elected representative, and professionals decided we wanted different results from the educational system: we wanted to set the bar higher for educational achievement; we wanted to tie education more closely to potential jobs and careers that would allow students to be economically independent in an increasingly competitive world; we thought it was important to shift away from the goal of teaching basic skills in reading, writing and arithmetic to the more complex goals of developing skills in 21st century skills such as creative problem-solving and teamwork; we wanted to use the schools to achieve additional purposes such as improving the health of the children through health screening, immunizations, and better nutrition; or, we wanted to use the schools as instruments of social policy to ensure that all children had an equal opportunity to succeed in life, and that we successfully created a culture of democratic tolerance towards the diverse groups that constituted modern society.

Returning to organizations focused on providing security, for the last several decades police departments have struggled with the question of whether or not they should take fear reduction as an important, distinct goal in the mission of policing – not simply as a by-product of reducing objective risks of criminal victimization. This problem became urgent and particular when the Baltimore County Policy Department faced the challenge of restoring a sense of security to a community that had been traumatized by two vicious murders. In that particular case, the Baltimore County Police Department did exactly what it had been designed to do: within a short period of time, it had identified and captured the offenders, and built a case against them that would send them to prison for many years. Job well done. Yet, this did not reduce or alleviate the fear in the community. It remained fearful and upset. This raised the important question of whether the police had any responsibility for reducing the subjective level of fear in the community they were policing. It was clear that they were responsible for enhancing the security of the community as part of their mission. But the question was whether security was an objective state measured by the likelihood of a citizen being victimized by one of the FBI’s seven crime categories (murder, robbery, rape, burglary, aggravated assault, larceny from the person, and arson), or whether it was a subjective state that could be measured both by citizens subjective accounts of how afraid they felt, backed up by behavioral actions such as not going onto the street at night, or avoiding certain neighborhoods, or buying locks, guns, and dogs to increase their individual sense of security. Equally important was what it was that caused citizens to be (subjectively) afraid, and what if anything the police could do about the level of fear in the community and the impact it was having on the character of individual and collective life. In the particular case, the Baltimore County Policy embraced the challenge of developing a response to citizen’s fears that dealt with the fears as a subjective experience – not simply as an objective fact that could be changed by lowering the crime rate. In doing so, it changed the mission of the organization in a particular way, and forced the development of both methods for measuring levels of fear, and for dealing with fear when effective law enforcement itself did not seem to solve the problem.

Privatization and Marketization

Sometimes the problems in government performance seem so severe that the only way to solve them seems to take the performance problem out of the hands of government agencies, and turn it over to private sector enterprise in the commercial or nonprofit sectors. Government did this long ago with the effort to ensure that we had the most effective armaments to use in dealing with foreign aggressors. The last government owned armament factories disappeared before the first world war, and since then we have been relying on commercial enterprises under contract to government to provide our guns, planes, ships, and missiles. It has done this more recently with prisons, detention centers, and foster homes for children without suitably families or homes of their own.

These actions are often described as the “privatization” or “marketization” of public activities. (One is tempted to say “public goods and services”, but that sounds a bit strange when we are talking about building weapons and locking people up!) But it is important to keep in mind that in the cases mentioned above, the money that is used to sustain the activities that produced the desired social results (e.g. powerful armaments, control over those convicted of felony offenses, and care for endangered children) comes from government tax dollars – not individual consumers, nor private investors. Government, acting as an agent of the public at large in its pursuit of collective agreed upon purposes, is the payer for the goods and services. The amount and distribution of the goods and services to be produced remains a collective decision executed by government. The only thing that has changed is that the supplier of the required “public goods and services” are private entities operating under contract to government rather than government owned agencies staffed by civil servants.

In the case of education, our thinking about how to improve government performance has been even bolder. It is easy to forget that a durable strand of private education runs alongside the behemoth that is the nation’s public educational system, and also that for much of our history, the private strand was much larger than the public. Today, the private strand consists of home schoolers who eschew the availability of free public schools to assume the privilege and responsibility of teaching their own children. (These are “financed” typically by the voluntary labor of parents, or small groups of parents.) It also consists of the large number of parochial schools created whose curriculum has particular religious ideas woven into it, and takes the development of the students’ religious commitments as an important part of its purpose. (These are financed in part by religious organizations, in part by members of the religion who do the teaching as paid employees or volunteers, and in part by tuition fees paid by parents.) It also consists of many “private” but “not for profit” schools that are financed by some combination of endowment, voluntary contributions, and tuitions, and compete with the other providers for students. The sector also consists of many private, commercial enterprises that provide specialized services to students such as test preparation or enriched curriculums whose parents are willing and able to pay for them. This system operates largely independently of government money, but is often regulated by the state. One could also say that its size is importantly influenced by the fact that school attendance is mandatory for children, and that provides a government guaranteed flow of students looking for educational opportunities either in public schools or some other alternative.

The

***Setting the Bar and Defining the Scope Government Performance***

My goal in this book is to set out a framework to be used not only by public managers, but also by citizens, taxpayers, and their elected representatives, to understand the challenges and evaluate the performance of government agencies to produce and deliver public value through the agencies they manage, and the enterprises they lead.[[23]](#footnote-23) I take that to be the principal challenge of operational management in government, and success in that task as a necessary (if not always sufficient) condition for creating public value.

But the first difficulty we confront in that task is that we citizens could have quite different ideas about what constitutes performance in government, what standard for performance we ought to set, and what we need to do to improve the performance of government. Indeed, the examples set out above suggest quite different ideas and expectations about what constitutes an appropriate level and kind of performance in government.

At a minimum, the challenge is to guarantee that the government can perform its simple everyday tasks reliably, consistently and efficiently. Setting the bar a bit higher, we could expect government to find lower cost ways of performing their existing tasks. Setting the bar still higher, we might ask government managers to check on whether their current activities were actually having the desired positive impact on the individual and social conditions they were assigned to produce, and if not, to find better ways of producing the desired results. Even more ambitiously, we might hope that government was capable of responding to complex problems that not only cut across agencies of government, but also across private sector entities such as commercial enterprises, non-profit organizations, or even individual citizens who might be called upon to help produce collectively desired social results. At the apex of standards for government performance might lie the hope that government would be able to orchestrate very complex social processes that enabled citizens – either individually or in voluntary associations -- to identify, size up, and deal problems or opportunities at the social level that would be aided by some kind of government intervention.

Obviously, there are important differences among these different standards for government performance. The expectations seem to run the gamut from the idea that the government ought to be able to perform its routine, simple tasks consistently and efficiently to the far more demanding idea government should be able to find the highest value uses of the resources entrusted to it in our particular circumstances.

One can reasonably argue that citizens’ ideas about, and managers’ practices in, managing government operations are geared more to ensure reliable if mediocre performance on grounds that such a standard is good enough for government work, and perhaps the best we can expect rather than shoot for the far more demanding standard that government can find and exploit the highest value use of the assets entrusted to it. This may be true even when we embrace the new focus and methods of performance management as described above.

But if we citizens, taxpayers, elected representatives, and public agency managers really want to use our government to help create a prosperous, secure, sociable, and just society, then it might well be that we should to learn to think and act in the domain of operational management in terms that are more similar to the expectations we have of managers and operations in the commercial sector: namely imagining the particular social conditions we would like to inhabit, and finding the best possible ways to produce those conditions using the unique assets of government. In saying this, I do not mean to imply that society will necessarily be better along any of the dimensions described above if the scope of government is expanded. It is only to say that government will inevitably play some value creating role in improving the quality of individual and collective life, and the operational challenges facing governments is to spot and perform well in those roles. My principal concern in writing about operational management in government is that we will not be able to escape fully from the ideas about performance management that have guided us in the past, nor those that promise simple, quick, self-evident answers that turn out to be wrong, and actually prevent government from improving its performance rather than enabling it.

The path to that ideal moves up the standards described above. A close read of those standards reveals a complex progression of ideas both about whose performance is being assessed, and what expectations of performance we have for that entity. It is useful, before we plunge into our work, to understand that progression of ideas.

***Performance as Operational Efficiency in Producing Government Outputs***

The narrowest and simplest version of government performance focuses on the capacity of government agencies to carry out mandated activities at low cost. Let’s call this *operational efficiency* and measure it by the cost of producing the routine activities and outputs of government agencies: e,g, renewing driver’s licenses, conducting the census, mailing out social security checks, registering voters, providing medical care to veterans, and so on. In this frame, improved government performance means decreasing cost for the same level of organizational output.

This is *narrow* in the sense that the performance under scrutiny is very closely circumscribed: it is the performance we can observe within a single government organization as it deploys its resources in policies and procedures that produce outputs at the boundary of the organization. It is *simple* partly because it is focused on a very narrowly bounded causal process, all elements of which are within the boundary of a particular organization, but also because the key elements of performance – cost and output – can be readily defined and measured.

***Performance as Impact and the Achievement of Collectively Desired Outcomes***

A wider vision of performance focuses on the important question of *impact;* is the government agency achieving the collectively desired results it was mandated to achieve. In this conception, government performance depends not only on executing prescribed activities and producing the predicted outputs at low cost, but also ensuring that the activities and outputs of an organization are producing the desired social results – that the organization is actually achieving the mission it has been assigned. Let’s call this concept “outcome effectiveness” to distinguish it from “operational efficiency.”

In recent decades, much has been made of this distinction as citizens, elected representative have grown tired of what came to be viewed as “process measures” of government activity. Such measures continued to be important, of course, since they offered assurances that government assets were not being wasted, and were being deployed in a fair and reliable manner. But an increasingly demanding (and skeptical!) public wanted more: they wanted to see the *impact* of their public supported government activities on conditions of the world that they sought to improve. They want to know that police departments were actually reducing crime, not just patrolling the streets, and that schools were teaching students skills that would enable them to become economically independent in the future not just providing a place where children gather to be supervised by those other than their parents.

This concept is a wider and more complex concept of government performance than the concept of operational efficiency for two reasons.

First, the concept encompasses a wider and more complex causal system of production than that involved in using inputs to government agencies to produce agency outputs at the boundary of the organization where it meets the social conditions it seeks to change. As soon as one starts talking about impact or outcomes as the important concept in government performance, one must attend to a causal process that includes the organizational transformation of inputs to outputs, but then goes beyond that particular, circumscribed causal process to include a second causal process that transforms agency outputs into agency outcomes. That causal process is both more complex and less under the direct control of agency managers. If we set the bar for government performance on outcomes rather than outputs, then agency managers will be called to account for their skill not only in producing outputs at low cost, but also for producing outputs that are well designed to influence the complex causal processes at work outside the organization that will lead to favorable outcomes: the police have to find ways to intervene in social and community life in ways that will allow them both to catch offenders, and perhaps to prevent crimes before they occur; the schools have to find ways not only to get kids into the classrooms, but also to surround them with adults, peers and employers who want to support and give meaning to education rather than undermine it.

Second, the concept of outcomes is not only wider and more complex as an empirical reality that must be confronted as one seeks to produce desired results; it is also wider and more complex as both a philosophical concept, and as a result that can be easily measured. While the idea of “socially desired results” and “impact” rolls off the tongue as one speaks of government performance, the concept raises two key questions before the concepts can be put to practical use: who is that is doing the valuing (the arbiter of value in government action), and what is it that they want (what dimensions of value will they use to assess changes in current conditions)?

*Individual Citizens as Arbiters of the Value of Government Operations*

One’s answer to this question is very important since it provides the touchstone for defining impact and value, which in turn, is fundamental in defining government performance. Yet, today’s discussions of government performance gives two quite different answers to this question. There is widespread agreement that the correct answer to this question is that the arbiter of value should be the individual citizens of a society. This answer is prompted by a strong liberal commitment to the individual as the only proper arbiter of value in a free society. That commitment expresses itself in the political idea of liberal democracy which grants individual citizens significant rights (and responsibilities!) in directing their own lives, and in influencing the scope and character of governmental action. It expresses itself in the economic idea of a free market which establishes the principal of consumer sovereignty – the idea that consumers ought to be able to shape the productive activities of the society through choices they make about how to spend their money.

*Individual Citizens as Customers of Government Agencies*

It is this confluence of ideas that allows many observers of government performance to conclude the proper arbiter of value in government performance are individual citizens viewed in market terms as the “customers” of government, and to see those individuals who are engaged with government agencies in specific transactions as the customers of government who are in the best position to define what government should be producing, and how well it is performing. As one business school professor explained to me, “Government is simply a large service providing organization. What it needs to do to improve its performance is to learn to satisfy its customers.”

There is surely wisdom and useful practical guidance in the idea that government should treat those individuals it sees on the other side of bureaucratic counters with a certain amount of respect and courtesy. We have all had our fill of rude or officious bureaucrats. But a bit of reflection can quickly undermine any simple equation between the general notion that individual citizens should be the arbiters of value in government performance, and the particular notion that the goal of government should be simply to satisfy those individuals it encounters in individual transactions.

The view that individual citizens are closely analogous to customers in markets may work best with individual citizens in their role as beneficiaries of government programs. They look like customers in the sense that they are receiving a government service, and that resembles the market transaction when an individual customer steps up to the counter and buys a particular good or service. But on reflection, these encounters between government agencies and what I will call individual client beneficiaries, seem very different than the usual customer transactions in the market. For one thing, the client beneficiaries do not typically pay for the service they receive at the time they receive the service. Perhaps even more important, to get the benefit, instead of paying for it directly, they have to demonstrate that they are eligible for the benefit they seek, and that determination is made not by whether they have the money to pay for it, but whether their particular status qualifies them for the benefit. And perhaps most important of all, the government benefits often come with strings attached. Of course, consumer goods also come with strings attached: one has to pay for what one has bought. But often government services come with different kinds of prods to change one’s behavior: one gets free access to education, but one is expected to stay in school and learn; one gets welfare payments to enable one to live, but one is expected to get a job within a reasonable period; one gets access to drug treatment, but is expected to give up drugs, stop committing crimes and get a job.

Even more different are the transactions that government has with individuals who are under some specific obligation to the society as a whole, with government acting as the enforcing authority. More than half of government activities can be viewed as regulatory or law enforcement activities. These agencies have transactions with individual citizens, but they are not typically providing services designed to “delight” the client. At best, they are providing some service and assistance that allows individuals under obligation to the government to come into compliance with their duties. More often, they are engaged in imposing obligations on those who would prefer not to comply. It is clear, I think that the social purpose of these obligations is not to make the customer happy, but instead to induce the obligatee to comply with the rules, and to ensure that the laws that create the obligations are fairly enforced.

What is apparent both in the case of client beneficiaries and client obligatees is that their preferences and desires and not the only things that are shaping the character of their encounters. If they were, the client beneficiaries would prefer much less “red tape” in gaining access to the benefits to which they think they are entitled, and the client obligatees might prefer to escape the encounter all together. In both kinds of transactions with individual citizens, there is a “third party” whose values and preferences seem to be doing a lot to shape the nature of the encounter. Well, who is that “third party” that seems to an important arbiter of the value produced by government agencies?

*Individual Citizens as Participants in Democratic Processes that Collectively Defines Desired Outcomes*

The answer to that important question is that when government assets in the form of tax dollars or regulatory authority are deployed to accomplish a purpose, a collective that consists of individual citizens, voters, taxpayers and their elected representative show up as an important arbiter of the value that is being produced by government. In principle, individual citizens lie at the base of that political processes, and it is presumably their desires in the role of citizens of the wider society rather than their roles as client beneficiaries, client obligatees or taxpayers that are expressed in the democratic political process and provide the required direction and legitimacy for public action. That is what it means to be a government of, by, and for the people. And in this important sense, a citizen, voter, or taxpayer has different interests and values than an individual client whether a beneficiary or an obligatee.

But as a practical matter, the processes that actually give direction and legitimacy to government action – that define and guarantee the value – are the familiar, messy and discouraging processes of democratic governance. Ideally those processes would help individuals holding different positions in society come to an agreement about what needs to be or could usefully be done with the collectively owned assets of government and produce clear guidance to government in public policies. In reality, we know that the process is generally far from the ideal.

Despite this sobering fact, both a democratic polity that deliberates and decides about public policy, and the public agency managers tasked with implementing the agreed upon policies, have to accept the idea that the collective voice that has somehow defined the purposes to be pursued with government assets, and guided some of the important means to be used, has to be accepted as the appropriate arbiter of value in government operations. It is not the client/customers of government who define the value to be produced by government, it is citizens acting through the messy and unsatisfactory processes of democratic governance that define the value to be be produced by government. That is that hand that shapes the burdens on taxpayers, and constructs the encounters between government agencies and individual citizens in their roles as client beneficiaries and client obligatees.

*Performance as Innovation and Responsiveness in* ***Governance***

So far, the concepts of performance we have discussed begin with a particular government agency and its mission as the appropriate unit of analysis. That seems natural because the idea of performance, and the idea of calling managers to account for performance are both indelibly linked to the idea that we are looking at discrete organizations, endowed with certain assets, performing in certain ways, to produce desired results. The organization is at the structural center of both operations and accountability, and the manager who holds executive authority over the organization is the individual responsible for guaranteeing performance.

That is where our analysis has begun: with the idea that performance at least begins and might end with the important question of whether government agencies are doing the works assigned to them reliably, well, and at low cost. But at the risk of complicating both the conception and the work associated with improving the performance of government, we have followed contemporary thought about what we should expect from government by widening the scope of analysis to embrace the more complicated challenge of understanding, managing, and evaluating the *impact* of government agencies on the social conditions that citizens, acting through the processes of democratic government, had agreed to tax and regulate themselves to produce. That move complicated the analysis of performance at both the empirical and the philosophical level. But the bedrock remained the focus on individual organizations and their performance in achieving their mission.

Unfortunately for our aspirations to keep the analysis focused on a nice, simple concept of performance that could be easily managed and measured, contemporary discussions of government performance have challenged the idea problems with government performance lay only in the difficulty of getting particular organizations to perform well against their mission. Commentators point to the difficulty that siloed government agencies have in dealing with social problems that cut across different levels and agencies of government, and plead for the creation of more collaborative governmental operations that can combine capacities from different government organizations to produce better results than can come from focusing on the independent operations of the several different agencies that might be in a position to help deal with a problem that could not be solved by either working alone. They also point to the possibility that government might be able to take advantage of the private sector in dealing more efficiently and effectively with the problems government has been assigned by its citizens to solve. This includes the idea that government could contract out some of its work to commercial or nonprofit organizations, or that it might use its regulatory authority to require private organizations and individuals to contribute to public authority, or it could use its powers simply to convene private organizations and individuals to figure out how a particular social condition might be effectively addressed using both public and private assets and capacities.

These ideas about government performance change the relevant unit of analysis in evaluating government performance. Instead of looking at a single government organization with a particular mission, these ideas about how to improve government performance begin with certain social conditions nominated as problems that require social level action, and then focus on how government could act not to solve the problem on its own through single organizations, but how to create a network of capacity that included many different organizations drawn from different sectors in society to deal effectively with the problem.

If we look at government as a device that citizens and elected representatives can use to improve the quality of individual and collective life, then the idea of government performance might extend to an idea about the capacity of government to identify and act on social level problems where the problems cut across levels of government, particular agencies of government, and a so-called private sector, which includes not only commercial enterprises, buy also voluntary associations and individuals acting in their capacities as citizens to help nominate and solve what they more or less idiosyncratically view as social level problems. This wider frame escapes the architecture of existing government agencies with particular missions as the only way to think about government performance, and allows a perspective in which two additional ideas of government performance come to the fore: its capacity to orchestrate an effective operational response to social problems that can only be solved by effective action across levels and sectors on one hand; and its capacity to help the society as a whole notice, size up, and decide whether to treat existing or changing conditions in the society as a problem requiring a social response.

On this view, government performance does not lie simply in the performance of single organizations in operating efficiently and producing the collectively desired social results defined in their mission, but in the capacity of government to help create and respond to a social and political process that monitors social conditions, nominates some for social level attention, produces a collective decision whether and how the social condition might be addressed through private and public action, and then deploys the assets of government to take the actions that are required to make an appropriate and effective response to the problems that have been nominated and vetted through the democratic process.

Getting the Right Size and Scope of Government

*What Happened to: “It’s Performance, Stupid!”*

One can argue that opening up the concept of government performance in these ways may end up distracting us from the main point of focusing on government performance at all. Remember: it is performance that counts, stupid! Keep your eye on the ball and don’t let things get too complicated.

That is always a wise caution, and advice that I will take seriously throughout. But we could imagine that the wider frame for thinking about government performance – one that could properly be viewed as “**governance** performance” rather than “**government** performance” – is the challenge that we really need to face. Given the difficulties we see in our contemporary world, and the opportunities that are afforded by the advance of knowledge and technology, our capacity for governance, and our ability to continuously improve in that complex activity, we ought to aim high when seeking to improve government performance. We ought not to be satisfied with mere reliability in existing government operations (though that is important and notoriously hard to achieve); nor should be satisfied with lower cost actions to produce outputs whose real ability to produce desired outcomes is unknown (or known to be low!); nor should we be satisfied with a government whose organizations are pursuing their missions, but somehow failing to deal with some of society’s most urgent problems due to silo mentalities.

This subject, and the way it will be framed and discussed, is closely tied to other work I have done with the goal of improving public leadership and management, particularly from senior managerial positions in government. Indeed, as a conceptual matter, this book settles neatly into the “strategic triangle” framework that I developed in *Creating Public Value*, and used again in discussing how to measure government performance in *Recognizing Public Value*.

The key difference between this book and the others is that this book focuses very closely on how to visualize, analyze, and improve what I have described as the “public value chain;” the structures and processes that guide the resources that come to public agencies from their political authorizing environment on one hand, to the production of the politically mandated changes in individual and social conditions in their task environment on the other. As such, this work focuses on the practical task of “getting results” – leaving aside (to the degree possible) all the complex distractions of democratic politics on one hand, and the abstractions of political philosophy that have been part of the other work. Figure 1 shows where this book on operational management fits into the broader concept of strategic management. The figure suggests that the politics that surround the definition of the public value to be achieved through government operations sets the context in which operational managers must do their work. But the diagram also makes it clear that no value will actually be created unless operational managers find efficient, effective, and fair means for using the flow of public dollars, regulatory authority, and moral suasion unleashed by political commitments to achieve the desired results.

What Has Changed: Different Units of Analysis

What Remains Constant: A Focus on the Political and Task Environments

I have two principal concerns in writing this book. The first is that the discussion will not give appropriate emphasis for getting the basics right. As I have repeatedly said, there is wisdom and value in ensuring that the government does what it has promised to do, and does so in an honest, efficient, effective, and fair manner. But my second concern is that I will not be able to lift the discussion about performance management from a traditional focus on performance as organizational compliance with policies and procedures and the avoidance of fraud, waste and abuse, through the much more complex idea that government agency performance has to be concerned with achieving collectively desired social impacts (including but not limited to concerns about the experiences of citizens as they encounter government as clients), to the really hard problem that performance is really about creating a government and a wider capacity for governance that can be responsive and continually innovative in noticing and responding to the physical and social environment in which we are living. That doesn’t mean that the government should take responsibility for everything in society. Far from it, a private sphere has to exist,……….. But it does mean that government should be available to its citizens and taxpayers as a unique institution that has special capacities capacity to be used with the capacity of other sectors to spot, size up, and effectively deal with both chronic problems and emergent threats to the individual and collective quality of our lives.

To be sure we give adequate attention to both the simplest and most fundamental ideas of government performance, and the larger more complex ideas, the book is organized in the following way.

In Chapter 1, we set out an analytic framework that descsribes what we will describe as the value chain that is the focus of managerial efforts to improve performance. This begins as a simple description of organizational production, and then widens out to include

In Chapter 2, we focus on the concepts and practices that are closely tied to the simplest ideas of government performance: reliability and efficiency in the execution of established activities, how these are ensured, why they are important, etc.

In Chapter 3, we take up the considerably more complex task of the concepts and practices that have been used and are now being tried to increase impact. The impact of concern is impact on individual citizens in their distinct roles in government and gov but also on outcomes. (Remember voter registration as a production and customer oriented activity!) ernance.

In Chapter 4, we take up the difficult subject of innovation, but do so in the context not only of organizations pursuing established missions, but also organizations that are changing their missions in large and small ways, and even in larger polities that are making important changes in the size and scope of government, and the ways that government can be used as part of a larger, more complex social production process for dealing with complex problems.

In Chapter 5, we turn to the important question of public accountability, and how the structures and processes of government accountability can support and undermine improvements in government operations. (Auditors. Three different systems of accountability. Getting the right balance)

In Chapter 6, the conclusion, we set out some ideas about how democratic societies might best use government, its assets, its managers, and its agencies, to create strong, prosperous, sociable, and just societies.

***Topics Relevant to the Analysis and Improvement of Government Performance:***

In pursuing this goal, I follow many others who have been working on this subject from different angles.

Bureaucratic Accountability: the Avoidance of Fraud, Waste and Abuse

Performance Management: Accountability for Results

Assessing Impact: Recognizing Value in Public Sector Operations

Creating a Customer Oriented Government

Learning Organizations

Innovations in Government and Governance

Democratic and Public Accountability

**Cutting Room Floor**

**Clients and Citizens**

[The first answer that focuses on individual citizens is on the right track. But where it goes off the rails is when it equates individual citizens with the idea of customers, and then finds the analogy to customers in client beneficiaries of government. The simple fact is that individuals in democratic societies have many different relationships to government operations. Think for a minute about all the different relationships a citizen might have to government in a world in which public dollars and public authority were being used to promote individual and aggregate health in the society. The could be person who was unwell, needed medical care, and was unable to supply it – therefore a potential client beneficiary of a government subsidized health program. They could be a drunk and a reckless driver, therefore a client obligatee in government policies and programs to reduce drinking, and particularly drinking and driving. They could be a co-producer of health care by providing different kinds of health care to family members, friends, neighbors, and fellow congregants with needing to by paid either by the sick person, or the government. They could also be taxpayers who are asked to foot the bill for providing a level and distribution of health care that the voters have decided is consistent with a collective vision of a good and just society.

These different individuals are all engaged in financing, resourcing, producing, and valuing society’s efforts to produce high levels of health and longevity in the society. In democratic systems, they all have both interests in how that system is financed, organized, and performs. Importantly, their interests are often quite different. A desperately ill person’s desire for expensive treatment may not be precisely aligned with a taxpayer’s desire to keep medical costs under control. A person who is asked to care for a chronically disabled person, may find their interests opposed to both the client who wants and needs even more than is currently being supplied, and the taxpayer who worries about paying for the supplemental support that could provide relief to the caretaker. The drunk driver who is forced to surrender his driver’s license may feel as though his rights to live free have been violated in the interests of guarding against something that may never happen. As importantly, there may be individuals who occupy all these roles simultaneously: the sick person may also be a taxpayer; the caretaker can be a grandparent who is aging, on social security, but also a taxpayer; the indignant drunk driver believes he is a citizen with rights.

An important question, then, is how are all these different individually held ideas about what they would both owe to and want from a socially constructed health care system to be resolved? The answer in democratic societies is through the messy processes of democratic politics. At the bottom of this process is individual citizens – not customers, but citizens – who are responsible for organizing society using the instruments of government when those seem appropriate and relying on other mechanisms when the instruments of government do not seem to work as well. On this view, a citizen is not an individual in a particular self-intrested role; it is an individual who is thinking about the kind of society he would like to inhabit, and how that society can be created. He can be a libertarian or a social democrat. But a citizen is an individual who is holding a view about what he owes to society and what he can afford to contribute, and what society owes to him, and how much society can contribute.

Above the level of citizens are voluntary associations of individuals who join together for many different purposes, but sometimes their purposes are to give a push to government. This includes polticl

 . seen in their role as individuals engaged in particular transactions with government. Using market concepts that view , is individuals transacting with government who look most like the customers who are the proper arbiters of value in the private sector. – most often as individuals who are beneficiaries of some government program, but also as individuals who want have to petition the government from some kind of license or permission, or who want to complain about government performance to them, or maybe even those who would like to participate in some way in government decision-making. It is individual citizens in these roles who look most like those we would identify as customers in the private sector, and given the importance we attach to the idea of customers with choice as the key to high performance in the market sector, it might seem equally wise and appropriate to think of individual citizens acting as customers of government as the important arbiters of value, and to think that what they value is their own material welfare and convenience.

Yet, these individuals who have individual transactions with government – those that I would call clients of government rather than customers – do not have the same relationship to government as customers do to commercial suppliers. One critically important practical difference is that the client beneficiaries of government are rarely paying the full price (or indeed any price) to be able to enjoy the government supplied benefit. The individual citizens who pay for the benefits to government clients are best described as taxpayers, and though they may often be the same individuals as the beneficiaries, they do not have the same interests in their role as taxpayers as in their role of client. If I am a medicare client with a serious illness that requires both expensive drugs and 24 hour service, as a client, I would like to have the government provide as much service to me as it can. If I am a taxpayer, I am less sure that that is the right thing for the government to do. I might ask whether there might be some way that the government could shift some of the costs of care back to you and your family. I might be particularly inclined to think this way if your disability was produced by failing to wear a seat belt and driving under the influence of alcohol. If I am both the disabled person and a taxpayer, I would be tempted to think more like the disabled person than the taxpayer. But my neighbors might remind me of my civic duty to keep medicare costs in line. In doing so, on governmenperformance. is that it is citizens and their elected representatives (and perhaps the courts as well) who are the proper arbiters of the value of government activities, and that they write down what they value in proposed and enacted public policies (sometimes evaluated against constitutional principles as well as legislative agreement). Importantly

**Performance as Impact and Innovation**

PERFOMANCE AS IMPACT AND INNOVATION

The examples cited above describe cases where particular government organizations, or members of a class of government organizations, confront problems in the pursuit of their mission that challenge their capacities to accomplish the purposes they were asked to achieve. Its old methods no longer seem to work in achieving the old objectives. Or, the old objectives themselves have been called into question because there was something important that was left out in the way that the organization defined its purposes, and developed the methods for achieving its aim.

These may seem like unusual cases, but in my experience, the governmental world is shot full of situations where organizations are called upon not just to do their daily work in the prescribed manner, but to adapt and innovate – that is, to develop both new ways of doing their current work, and new ideas about what their important work might be and how it could be accomplished. This is particularly true if we are prepared to acknowledge that the environment in which public organizations work is like the environment of private sector organizations – namely highly varied and highly dynamic in its demands for performance.

 The Complexity and Dynamism of Public Agency Environments

To test this idea, consider the environments in which government agencies work. From their point of view, the must respond effectively to two critical parts of their environment if they are going to be *seen as* successful, and actually *be* successful in accomplishing what the public wants them to do. One part of their environment is what I have called their “political authorizing environment” – the group of authorizers and stakeholders who collectively define the values they would like to see advanced by and reflected in the organization’s operations, provide them with the authority and money they need to do their job, and call them to account for their performance. A second part of their environment is what I have called their “task environment” – the material conditions of the world observed at both individual and aggregate levels that they have been charged with improving.

If the political authorizing environment were simple (in the sense that it wanted only one thing, or that its multiple aspirations had been organized in a coherent whole), and if it were steady (in the sense that the particular values to be advanced remained constant and in the same priority), then the managers would not have to worry too much about politics, and could concentrate on solving the operational problem of deploying their assets to accomplish the desired goals. If the task environment representing the problem to be solved was also simple (in the sense that even though the aggregate problem was large, it was essentially the same problem over and over again) and steady (in the sense that the nature of the problems did not change much over time), then the agency manager could concentrate on perfecting the techniques he and his organization had learned to trust in the past to do the job.

Unfortunately, the authorizing environment is both complex and dynamic, with different political values struggling to be recognized, and gaining ascendancy or fading in unpredictable ways. Sometimes we want high performance; other times low total cost. Sometimes we want client satisfaction; other times we want to be sure that government benefits are going only to those who are entitled, and whose eligibility must be closely examined before benefits to which they are entitled are delivered. The task environment is similarly complex and dynamic with the work of the organization taking on many different shapes and forms with the balance among the old and familiar and the new and strange changing with the times. For example, in earlier times, public schools taught English in an environment in which there were perhaps 4 different foreign languages in the classroom. Now there can be as many as 29 different languages.

In this world, public agency managers have to be able to innovate quite often to meet both the changing political aspirations, and the changing conditions they encounter in their task environment. In these circumstances, it is by no means clear that performance is best achieved by insisting on the reliable performance of practices that were never very good for the mission, and have become increasingly outmoded by changes in the political and task environment and new opportunities that are latent in new technologies, and emerge in experimental practices. It seems likely that high performance would be associated more with the ability to deal with many different problems, and to keep inventing new methods to deal with the variety and novelty that was showing up in their task environments.

This discussion suggests that the subject of performance management – understood as the effort to improve performance by creating strict accountability for compliance with existing policies and procedures – has to share the intellectual ground we want to explore with those who are interested in both the ideas of impact and innovation. Of course, the broadest (and most useful) ideas about performance management would seek to incorporate both the idea of impact, and the idea of innovation within their frame. On this view, performance is not simply creating accounting and control systems that can guarantee that public employees will follow policies and procedures that produce a predictable and consistent set of government outputs at the boundary of the organization; it is focusing on the important question of whether the agency outputs produce the desired impact on individual states, and social conditions; and engaging in searches to find better ways of producing the desired results.

But this view – one that incorporates concerns about impact, and the search for innovations that can produce greater impact – complicates both the idea of performance, and the methods necessary to produce it a great deal. At the simplest level, if we want to hold managers to account for social impact rather than the execution of a specified set of activities resulting in predictable and consistent agency outputs, then we have to develop the means for measuring these effects. That is hardly a trivial task since it involves observing individual statuses and social conditions that appear farther down a chain of causation, and further in the future than can be easily observed at the boundary of an organization on a real time basis. At a more complex level, the concern about impact requires government managers to understand the wide range of factors that could be influencing the conditions they seek to change beyond their own activities, and to consider how their activities – the outputs they produce directly with government assets – can be effectively leveraged (or at least not sabotaged) by forces that they might be able to influence, but cannot directly control. In effect, the real production process that is producing social results is only partially within the boundaries, and under the direction and control, of the agency. This does not mean that a public agency cannot be effective, nor that it cannot be called to account for its performance. But its task is to keep thinking about how its interventions are intersecting with both large and small social processes outside its boundaries.

And at an even more complex level, performance requires government to have a continuing capacity to monitor environmental conditions for threats and opportunities, and to organized effective public deliberations about the importance of these emergent challenges and how they might best be met.

These concerns carry us beyond a concern for ensuring accountability for compliance with existing policies and procedures, through a concern for achieving impact in a world that is dynamic and requires innovation in both means and ends, through a concern with the part of the social production process that is held within the boundaries of a particular government organization to a wider concern on how the particular outputs of government organizations engage other social actors in a combined effort to deal with individual problems and social conditions that cut across the boundary of organizations.

INNOVATION

If impact is what we want in government performance, and if the task environment is complex and dynamic, then it is clear that government performance will depend on the capacity of government agencies to adapt and innovate – in both small and large ways, and with respect to both methods and purposes. But the problem then is that the systems we have developed to ensure accountability in performance (which is both a good thing in itself as well as an important potential driver of effort and performance), are not particularly well designed to create room for the risks of innovation, and to allow operating organizations to recognized and respond to successful innovations they introduce. If one asks a public sector executive how much of their funding is reserved for a “risk portfolio” that can be used to experiment with new methods for dealing with old problems, or new methods for dealing with emergent problems, or new ideas about how to use their capacities to serve purposes that are potentially valuable but have not previously been part of their mission, they will stare at you as though you were crazy. Yet, in the private sector – much praised for the innovations that bring productivity gains and lower prices to old goods and services, and allow them to spot and develop new products and services to meet demands in emerging markets– it is taken for granted that a significant amount of current spending must be devoted to efforts to innovate in processes, products and services, even if that means branching out into products and markets that have not traditionally been part of the firm as it existed in the past. The challenge that business has faced and government has not is how to construct an accountability system that retains tight control over an organization’s assets, ensures efficient reliable performance in activities that have been valuable parts of the enterprise in the past, and yet finds ways to motivate, support, and develop the new processes, products, and services that will keep the old organization responsive to changing market opportunities.

MOVING BEYOND THE BOUNDARIES OF THE AGENCY AS THE UNIT OF ANALYSIS

One last problem in analyzing performance in government: it is not exactly clear where one might best draw the boundaries of the firm or the enterprise whose performance is to be improved. The natural starting point, of course, is a particular government agency or organization. These are the structures that have been established to receive and take responsibility for using the resources that citizens and taxpayers are prepared to provide to accomplish some purpose through the organizations. These are the structures around which financial accounting and performance measurement systems have been constructed. These are the structures over which particular structures and processes of accountability have been established to ensure that they perform well. Consequently, when we think about performance, we think about the performance of particular organizations in terms of carrying out their planned activities and achieving or failing to achieve desired social results.

The appeal of using government agencies and their missions as the basic unit of analysis is further strengthened by the simple fact that this approach corresponds closely to the way that we think about performance in the private, commercial sector. There, too, the unit of analysis whose performance is of concern is the firm. There, too, the administrative systems that create both external and internal accountability – the cost accounting system, the income statements that measures revenue flows and compares them with costs, the financial statements that present a picture of the overall financial health of an organization to its shareholders and owners – are all organized around particular organizations.

This alignment between organizational boundaries and accounting structures and processes that simultaneously guide, reveal, and evaluate performance with structurally defined units called organizations whose officers and managers are named is hardly an accident. It is the result of a core management principle which insists that authority to act ought to be aligned with accountability for the actions. Hence, the authority to use the public assets of the state, or the private assets of investors, ought to be aligned with the accountability for using those assets for the purposes for which the public and private enterprises were established. If these elements are not aligned, incentives for performance by managers deploying assets will fail to work, and performance will be degraded.

These are excellent principles. But they depend on the idea that the responsible authority actually has control over a bundle of assets, and that by deploying those assets in a particular way, the responsible authority can reliably achieve the desired result. And, as noted above, this condition rarely applies in the public sector.

This is true partly because many of the factors that influence the status of individuals or the conditions of social aggregates that have attracted public interest lie outside the control (if not the influence) of those who manage government organizations. But it is also true because many of the social outcomes that government organizations are called upon to achieve depend not only on private actions at individual and collective levels, but also on the actions taken by other government and public actors.

To produce important social outcomes, government agencies often have to operate across levels of government – from the national, through state levels, to local levels. Government agencies focused in one area – say public health or education – often find that they have to work with other government organizations that have different missions, but have capacities that would be in dealing with problems that seem to lie outsider their mission – say crime prevention.

It is also true that government agencies often depend on getting private actors to take actions that are aligned with public purposes. The private actors can include commercial firms of various kinds and sizes, or nonprofit service delivery organizations of equally diverse kinds and sizes. The private actors could also include individual citizens who are called upon to contribute to a public purpose.

In seeking to engage these private actors in the achievement of public purposes, the government can use various instruments. It can use money to contract with commercial or nonprofit firms. It can use its regulatory authority to compel private firms, nonprofits, or even individuals to behave in ways that are consistent with the public good. It can use what moral authority and appeal to the public spirit of commercial firms, voluntary associations, and individuals to mobilize production.

These observations suggest that the production processes that will lead to excellent government performance, and the different social actors that might have to be organized in this effort will often stretch well beyond the organization whose performance is the focus of attention. Instead of managing a production process that occurs within the boundary of a single organization using material and labor that is directly under the control of the managers of that organization through ownership of the material, hierarchical organizations, and binding contracts with workers, often government managers are asked to organize and exploit complex networks of capacity that run across and through many other social actors over whom their control is much less precise and perfect. Government managers can muster some muscle for controlling these social networks through the use of tax dollars (in grants, contracts, and subsidies), the use of regulatory authority (that prohibits or requires private actors to behave in ways that contribute to public purposes), and the use of moral suasion designed to take advantage of what public spirit exists among private actors for acting voluntarily to achieve public purposes. But the structural walls that distinguish an organization whose performance is being assessed from all those other social structures who control resources and take actions that affect the conditions that the focal public agency is trying to accomplish inevitably diminish the control that government agencies can exercise over outcomes, and with that, the reliability with which demanding performance from a given agency will result in improved results.

This may sound like a problem that is unique to government, and to a certain extent it is since government is so often engaged in changing individual statuses and social conditions over which it has relatively little influence – such as the democratic commitments of those living in current regimes of the middle east, or the pace at which society can answer the threat of multi-resistant bacteria, or ensure the life chances of individuals born in poverty. Yet there is an interesting and important analogy in the world of business.

For a long time, business strategists have focused on the potential advantages and disadvantages of drawing their organizational boundaries around different kinds of activities. They focus attention on the ideas of both horizontal and vertical integration as strategies for increasing the profitability and flexibility of firms. Horizontal integration refers to the practice of trying to incorporate as many other suppliers of the particular products and services one supplies into a single organization. Vertical integration refers to the practice of incorporating more or less of the supply, production, and distribution system into the ownership structure of the firm. Generally speaking, horizontal integration was discouraged by anti-trust regulation on grounds that such actions would tend toward monopolies that would end up charging higher prices and being slower to innovate than competitive markets. Vertical integration, however, has been less the focus of regulation, and has led firms to experiment with many different ways of organizing their supply, production, and distribution systems. At the extreme is a company that has only a brand name contracts out all its activities to varied suppliers. That allows the company a great deal of flexibility in what it produces how it produces it and how the product is distributed with many potential participants in the enterprise hoping to get the contracts from the firm center. It also creates some highly leveraged revenues on a modest equity base. But the company sacrifices some of the control and some of the security that comes from actually owning and operating a single company rather than a network of contracts. It may also leave itself vulnerable to its contractors if an alternative company with a different brand show up to buy the materials, the products, or the distribution system that the first company was relying on.

The only reason to mention this private sector analogy is to point out that the public sector, like the private sector, has choices to make about how to set the boundaries of its various firms. On one hand, there is a great deal of pressure for government to integrate horizontally, and to provide clients with more integrated services to reduce the burdens on citizens, and to increase the impact that government can have on their condition. In a different field but a similar vein, it is often said that the government faces serious problems in co-ordinating its intelligence services, with its diplomatic activity, and with its military operations in the pursuit of particular foreign policy objectives – an argument for more horizontal integration across these different “products and services. On the other hand, there is also a great deal of pressure on government to disintegrate (!) vertically by using contracts and privatization to engage a wider, more competitive set of suppliers in the interests of reducing costs, increasing variety, and increasing innovation in the form of government services, and the way in which they are supplied.

In a world in which the government is expected to solve complex problems, and where the factors that are either exacerbating or ameliorating those problems are multiple, and lie outside the direct reach o government agencies, the issue of whether we can continue to rely on a model of accountability and performance that focuses only on the performance of particular government agencies in their assigned mission becomes an urgent one. If that is no longer adequate, what is the alternative?

Even more distant from the specific work of improving the performance of single organizations lies the important question of how government could act to help society as a whole become increasingly responsive in spotting, and increasingly innovative in dealing with social problems that crop up, and seem to demand public action.

As one moves across this increasingly complex terrain, one can feel the simplicity and focus of the idea of operational performance slipping away towards a confusing and debilitating morass – the exact opposite of what we hoped we could accomplish by focusing on operational management. The nice, simple, straightforward idea that government performance could be dramatically improved simply by using improved management control systems to ensure the reliable execution of established policies and procedures within each government organization is challenged by a world at is both highly varied and very dynamic (which requires high rates of operational innovation); in which social problems can no longer be handled effectively by single government agencies (which requires both operational and institutional innovation), and in which governments, acting on behalf of societies are finding important ways to take advantage of the private and voluntary sector to accomplish their goals (which requires innovations in governance arrangements for managing an effective social response to social problem)..

Yet, while each of the steps described above adds some complexity to the subject of operational management, each also may carry us closer to the realities we must face in using government to help society deal with urgent social problems. After all, the common concern that unites each of the diverse intellectual and practice fields described above is that each focuses on, and is concerned with the broad goal of finding practical means for improving government performance in dealing with publicly nominated social problems. What differs is the definition and scope of the social production system that is the focus of the diagnosis, and the target of an intervention to improve performance.

In this book, we will start with the simplest conceptions of performance and accountability – namely, those concerned with agency level performance in assigned missions, but then gradually enlarge the scope of our inquiries to embrace wider and potentially more important (but also more difficult) academic and practice domains. More specifically, as we go along, we will relax various assumptions about what we mean by improved performance, and what particular operational units are the focus of our attention.

The narrow view of improved performance – and the one that may well be the *sina qua non* of all the other more complex views – is that government agencies should get better at performing their assigned task. That means that they maintain control of their assets, and deploy them efficiently and effectively to produce particular activities and outputs they are authorized and required by law to do. This means that our focus is on a single organization, with a fixed mission with easily measure results, adequate control over the processes that would allow them to achieve their mission, a well-defined set of operational procedures that actually work to achieve the mission, and a good system of measurement that allow them to respond to external demands for accountability, and use those external demands for accountability to drive internal performance.

The more complex view of improved performance – and that one that might well be necessary to get the performance of government that citizens and their elected representatives would truly value – might well be one in which these various assumptions are relaxed in the interests of more accurately identifying and responding to the real conditions in which government agencies operate. For example, it might be important to relax the assumption that government agencies already know what works best to accomplish their complex missions, and have encoded these in policies, procedures, equipment, training, measurements, incentives, and so on. Perhaps they have to experiment a bit to see if there are better methods available than those they now use.

Similarly, it might be important to relax the assumption that they control enough of the production process that is needed to produce desired results, or that the results can be easily measured by the organization responsible for producing them.

Or, it might be important to relax the assumption that their mission is fixed. If a mission is defined in terms of political aspirations to achieve particular changes in the conditions in the world at a certain cost, using a particular set of policies and programs to achieve the desired results, then if the world changes – if the organization’s political authorizing environment changes its mind about the relative importance of the mission as a whole, or the weight to be attached to different dimensions of performance entailed by the definition of the mission; or if the task environment changes in ways that make the organization’s mission harder to achieve; or if new technologies emerge that allow the organization to pursue its mission more efficiently and fairly – then the mission will change be definition. But an organization’s mission can also change if its political authorizing environment, and task environment change in ways that allow it to make a significant contribution to a different purpose than was originally included in the definition of its mission. This may sound unlikely, but I think it happens a lot as political aspirations and social conditions change what we want from public agencies and what we expect them to deliver. Years ago, we had an idea of libraries as mauseleums with books and lights for reading. Now we see them as vital community centers in which individuals can come to learn not just through books, but also the internet, where they can borrow pictures for their walls and tools as well as books, and where young and old alike can hang out in an indoor park that is warm in the winter and cool in the summer. Or, to take a really extreme example, when the cold war ended, the federal agency that had overseen the production of nuclear weapons, and had been insulated from environmental regulations to ensure we could produce lots of weapons very quickly, found itself out of the business of building nuclear weapons, and in the business of cleaning up the environmental mess they had created when building the weapons under pressure for national security reasons.

Organizations can also be recruited into efforts to achieve multi-agency results

This broader range of subjects will be covered in subsequent Analytic Notes on Operational Management. Here, we take the first step in understanding operational management in government. We will concentrate on a single government agency as the appropriate unit of analysis. But much of what we say will have applicability to more complex operational contexts in which public managers are trying to manage networks of capacity that reach across several organizations to solve a public problem, or trying to manage complex multi-sector public industries such as education, health, education, and infra-structure development through the use of a bewildering complex set of “tools of government.”[[24]](#footnote-24) Indeed, we will see that *even if we limit our focus to a single organization with a well-defined purpose and mission, we will find that it is often important to beyond the boundaries of a single organization to achieve the operational objectives of the organization.*

**Changing Expectations of Government Performance**

***Different Ideas About Government Performance (and How to Improve it)***

The difficulty is that our ideas about what constitutes government desirable government performance and how best to improve it have been changing. The change is due in the first instance to rising expectations about what the government should be able to deliver to its citizens. We understand better than ever perhaps the limitations of government in improving the social conditions in which citizens live their individual and collective lives, but that has not stopped citizens from wanting the government to do more to protect them from hazards, and exploit the opportunities of contemporary life.

The change is also due to the nature of the challenges government now faces. There remain stubborn, gnawing problems which have resisted sustained efforts over time, and have even begun to worsen. But there are also new problems that emerge, and many of these apparently cannot be easily handled through existing institutional structures.

Finally, even though citizens want more help from government, and even though the problems we face are more complex and demanding, citizens are less willing to give up either their freedom of action, or their hard earned money to public purposes. This all puts government in the position of not only having to do more with less, but also having to invent and risk more in efforts to find solutions to apparently intractable or newly emergent problems.

These forces have naturally combined to produce a much sharper focus on government performance, and that, in turn, has produced different ideas about how performance could be improved.

1. Definition of public manager as individual with executive responsibility for the performance of a government agency, or the execution of government policy, or some combination of the two. [↑](#footnote-ref-1)
2. There is an important but oft neglected analytic problem in discussing government performance that concerns the unit of analysis. When talking about performance in the private sector, it is natural to always refer to the performance of a single organization or a firm, and to think of performance largely in financial terms. In government, in contrast, the unit of analysis can be more varied, and the terms in which performance is evaluated more complex and disputed. To be sure, there are government agencies, and those agencies have been assigned particular missions supported by particular legislative authorizations and appropriations. And the most straightforward way to think about government performance focuses on the degree to which government agencies achieve their objectives, and the degree to which the achievement of narrower objectives accumulate to the successful pursuit of their broader mission. But sometimes the unit of analysis in assessing government performance is the success or failure of a given policy, and the policy may encompass the activities of several different organizations. We can say, for example, that government has an environmental policy, or a drug policy, or an economic development policy, or a policy towards the elderly, or even an digital technology policy. But when we use the word policy in these terms, and ask how well the government is performing, we are often talking about a complex set of activities, outputs, and results generated by many different government organizations, to say nothing of the non-government organizations that are, ideally, engaged as part of the operational system for producing policy results through the use of government contracts or regulatory authority. We can also refer to the performance of whole-of-government jurisdictions operating at national, state, or local levels, and that concept, too, draws attention not to a single organization, but often to many different government organizations that may be working to achieve a shared result in a more or less co-ordinated way. In a more sophisticated treatment of the subject of government performance, we would have to take account of performance of government policies that cut across different government agencies, as well as government jurisdictions operating at given levels of government that also rely on producing results through the co-ordinated action of several government agencies. But for our purposes in this basic introduction, we will keep things simple and focus on only one unit of analysis: single government agencies. That subject is hard enough. We will take up the issue of performance across agencies in policies, or as parts of a general purpose government in a different presentation. [↑](#footnote-ref-2)
3. Many citizens would also quickly add that the government should act *fairly* as well as efficiently and effectively. But often the concern about government fairness -revealed both in the degree to which government operations are fair in themselves and instrumentally helpful in advancing an idea of economic, social or political justice in the wider society - seems an afterthought when the practical question of government performance is on the table. As we will see, the concern about fairness in government operations will create some significant conceptual, operational, and measurement problems. [↑](#footnote-ref-3)
4. There is, of course, the possibility that the government is engaged in a task that it doesn’t now know how to do, or doesn’t know how to do it very well. In that case, getting the government to do what it thinks works but does not, would not necessarily improve efficiency or effectiveness – just more of the same. If this is true, one could argue that the government shouldn’t be engaged in the task at all. And there is wisdom in that as well. But many times the tasks that citizens assign to government are tasks where the solutions are not obvious, and that it will take some time to learn what to do. This requires innovation as well as reliable performance in established methods. We discuss this below, but is important to note here. [↑](#footnote-ref-4)
5. Harkens back to the theories that guided management in the early days of industrial production and scientific management. Summarized as Theory X. Doubts about the power of such methods for producing excellent, reliable performance began to spread as researchers found that morale was undermined, people cheated etc. There was a strand of this kind of thought that stayed alive in the literature on learning organizations. This focused constantly on process improvement, and used scientific methods to interrogate and improve. But a big difference was that the responsibility for improving performance was invested in the workers as well as the supervisors. Another strand of managerial thought was described as theory Y. and It went to the idea of creating more discetion and having more trust in workers. Apotheosis is in professional organizations. This debate continues as one will see as one reads through this book. [↑](#footnote-ref-5)
6. Use of Quality Assurance methods. Note, however, these often involve making important changes in processes, and using the individuals on the line to suggest and make those improvements. That style of management is more in line with theory y than theory x and involves a different kind of internal accountability. [↑](#footnote-ref-6)
7. What portion of government operations could benefit simply from more discipline in pursuing existing policies and procedures, and what portion depends on more complex improvement efforts is uncertain, and depends to now small degree on the environment in which government is operating. The more complex and the more dynamic, the more government operations will depend on innovation. These ideas are developed more fully below. [↑](#footnote-ref-7)
8. Note on the threat of Institutional mimesis. [↑](#footnote-ref-8)
9. In thinking about how governments can improve productivity through process innovations, one should keep in mind that developing innovative operational processes also depends on an organizational process: the processes that allow, encourage, or demand a continuing search for improved operational methods. In order for the army and the schools to invent new, more efficient operational methods to deal with problems they encountered in carrying out their standard activities (patrolling captured territory, providing instruction to students in school settings), there had to be some kind of process in the organizations that allowed or directed individuals in the organization to experiment with the new and uncertain methods. Moreover, there had to be a process that would allow the organization to quickly and reliably evaluate those efforts to see if they worked better than existing methods. And there had to be a process for rapid adoption of the new methods once they were known to be superior. These processes that stimulate, evaluate, and disseminate operational innovations in a particular organization represent a kind of meta process in the organization that sits on top of existing operational production processes and either allows, or demands, or provides the means for helping the organization to experiment, learn and improve in its operations. [↑](#footnote-ref-9)
10. One solution to this problem was customer oriented government. We will discuss this problem later. [↑](#footnote-ref-10)
11. Interesting formulation. Introduces deontological language in the context of utilitarian concerns. Raises the question of the “proper size and scope of government” in a liberal society. [↑](#footnote-ref-11)
12. Link between mission and outcomes is a bit of a problem. Have to do down levels of abstraction, distinguish logics connecting top and bottom. Also have to distinguish all valued or disvalued effects those that lie within the conceptual range of the words that are used to define mission. [↑](#footnote-ref-12)
13. Success as a dichotomous or continuous variable. [↑](#footnote-ref-13)
14. Have to shift away from example of military since outcome is actually very difficult to define and measure. Insurance policy measured by what doesn’t happen. Has to be guided by theories and guesses not cumulative experience. When we use, can be measured more accurately, but would prefer not to use. Make connection to prevention in the world of social policy. [↑](#footnote-ref-14)
15. Note on what makes a mission core, and how long that status lasts [↑](#footnote-ref-15)
16. Role and value of market testing in product design and production engineering. [↑](#footnote-ref-16)
17. Technical, as opposed to philosophical or political challenges. [↑](#footnote-ref-17)
18. Accountability for a story of value creation. Tests of that story. [↑](#footnote-ref-18)
19. Also problem that effects that can actually be produced by individual managers working in limited time frames might not be big enough to see. Even the private sector has this problem. Example of McDonald’s and its management control systems. [↑](#footnote-ref-19)
20. Note. I am not aware of many managerial systems that are based primarily or exclusively on accountability for outcomes. Examples of Welch and COMSTAT [↑](#footnote-ref-20)
21. Importance of negotiating and adjusting claims to individual circumstances. [↑](#footnote-ref-21)
22. There is an equally great action problem on the political side. The action here is building legitimacy and support the coaltion. This is a different kinds of action than unleashing money and channeling it to individuals doring the work, and co-ordinating their work through policies and preocedures and adaptations made when things are not working to get the desired esults. But it is action and it is important and continual. Focus of last book I hope to write, finishing the work of looking more closely at the challenges posed at each point of the triangle. [↑](#footnote-ref-22)
23. Foreshadows the unit of analysis question. [↑](#footnote-ref-23)
24. Salamon, Tools of Government [↑](#footnote-ref-24)