Journal of Policy Analysis and Management
1982, Volume 1, Number 3
Pages 413-418

Group Mental Health Programs, Grant No. IROIMH3075103, March 14, 1981.
2. Howard, Dick, "Waste Oil: North Carolina's Recovered Resource." *Innovations*, Council of State Governments, 1980.
3. North Carolina General Statutes, 143B-440–143B-445. Replacement 1978.

POLICY MANAGERS NEED POLICY ANALYSTS

Mark H. Moore

In the last decade, professional training for public sector careers has been transformed by emphasizing the specialized skills associated with policy analysis. Students in both traditional programs of public administration and newer schools of public policy now routinely face rigorous training in economics, statistics, and operations research, as well as frequent demands to apply these techniques to the solution of particular substantive problems. In some schools, these techniques are the heart of the curriculum. To those primarily interested in teaching students to become public sector managers, this preoccupation with policy analysis seems misguided. The techniques are thought to have little relationship to basic managerial functions. Moreover, emphasizing policy analysis may repel students who have institutional (as opposed to substantive) concerns, and operational (as opposed to contemplative) temperaments. The net result is that these schools produce applied social scientists who make marginal contributions to the design of policies. The much more important jobs of leading institutions and making them perform effectively are left to others.

I have a different view. I think that the skills and techniques of policy analysis constitute crucial strands of technical competence that public sector managers must handle easily if they are to accomplish the important purpose of leading public institutions effectively. In fact, in my view, the techniques of policy analysis and program evaluation have approximately the same kind of importance for public sector managers that finance, accounting, marketing, and operations management have for private sector managers. A useful way to develop this idea is to ask a challenging question: If policy analysis is so important to effective management, why aren't there policy analysts in the private sector? The quick response to this question is that there *are* policy analysts in the private sector—they are simply called something else. That response invites us to consider how analytic activities support basic managerial functions in private and public sector organizations, to compare the tasks and current levels of investment in analytic activities, and to develop some intuitions about appropriate levels of investment in policy analysis for the government.

One important task for general managers is developing a forward-looking strategy that (1) defines the goals of the organization, (2) offers a normative justification for continuing the organization's activities, and (3) gives priority to specific investments and innovations required to position the organization to ac-

complish its goals and keep pace with a changing environment. In the private sector, this challenging task is reserved for top management. In making such decisions, the private managers are heavily dependent on advice from subordinate line managers in functional or product divisions. But they are also aided by staffs with special conceptual and analytic tools. These include (i) *corporate planners* who imagine alternative strategies, ponder financial statements, consider alternative competitive scenarios, etc.; (ii) *market analysts* who estimate demands for given products, keep track of competition, and try to spot new market opportunities; (iii) *financial analysts* who estimate capital requirements and rates of return for major new investments and monitor stocks of working capital to see how much can be expended without attracting special enquiries from creditors; and (iv) *new product designers and engineers* who seek to develop new or improve old products to maintain market position.

Comparable functions should be performed by public sector executives. Some notable differences exist, however, and mostly in the direction of making the public manager's task more difficult Of particular difficulty is the task of providing normative justification for the organization's continuing activities. Survival and a healthy return on investment are sufficient to justify the continuation of a private firm. For a public sector organization, however, mere survival carries none of the normative significance it has for a private sector firm. Moreover, there is no relatively simple indicator such as return on investment to summarize performance in a way that commands respect. The public sector executive finds it difficult even to *define* the terms in which he can usefully give an account of his organization's achievements, to say nothing of actually measuring performance in these terms. Similarly, although substantial uncertainty and technical complexity beset private sector executives as they try to imagine which goals and objectives to pursue in order to maximize returns, these difficulties are far greater for public sector executives. The demands that justify the activities of the public sector and the technologies for fulfilling these demands are even less well defined than for the private sector.

If the tasks of strategic planning are more difficult for public sector executives, then one might expect heavier investments in staff to assist in this function. What in fact we find, however, is that typically only a small portion of relatively small central staffs in Offices of Planning and Evaluation are committed to this task. These staffs sometimes do a little strategic planning and often have some responsibility for program development. But they seem relatively small and unspecialized compared with the experts employed in private sector firms.

I should hasten to point out, however, that if policy analysts were employed to assist in overall strategic planning for a public sector organization, they would have to do a different kind of policy analysis than they now do. They would have to retain the policy analyst's traditional commitment to the accomplishment of the ultimate rather than the proximate purposes of government

programs. But to be helpful in strategic planning, policy analysis would have to be concerned with describing objectives as themes broad enough to encompass the full array of programs and policies incorporated within a given institution. Moreover, the analysis would have to take account of the institutional setting within which the institution was operating. The strategic planner would have to know which goals could command support from those who superintended the institution's operations (e.g., political executives, legislators, interest groups, and the media), and which objectives could actually be accomplished with the existing capacities of the organization. In short, policy analysis would have to become more thematic and political, and less precise and scientific.

A second important task for general managers is to monitor performance against established objectives. This task is importantly related to the first since strategic objectives create the terms in which performance and accomplishment are defined. Moreover, by revealing strategic errors early, good monitoring can go some way to correct errors in judgement made in setting strategic objectives. Finally, monitoring may itself create the conditions necessary for achieving strategic objectives by motivating subordinate managers to make successes of bad strategic decisions. Thus, a capacity to monitor performance is a key instrument of managerial influence and control.

In a private firm, monitoring can be accomplished fairly simply. A rudimentary accounting system assigning costs and revenues to specific products or operating units of a private firm can yield important summaries of performance. The "bottom-line" quickly tells a high-level executive whether a subordinate unit is making a contribution to the firm. By itself, of course, this information is probably insufficient to decide whether a given product should be continued or whether a product manager is doing a good job. It may be that a given product is still developing a market, or that a manager had some bad luck, and that these observations excuse a temporarily poor performance. But still, balance sheets and profit-and-loss statements capture a great deal of useful information and provide a useful starting point for any more detailed conversation. Moreover, the facts represented in a balance sheet are fairly easy to validate through independent audits, and both laws and tradition legitimate such audits in the eyes of subordinate managers. Thus, high-level managers can routinely expect a high degree of truthfulness in the performance reports they receive.

Monitoring performance in the public sector presents a striking contrast. In principle, public sector organizations can collect cost information as easily as private firms. In practice, their accounting systems are much weaker in terms of their capacities to assign costs to operating units and programs. But the real difficulty comes in trying to develop an equivalent for revenues in private sector firms. Without something like revenues, there is nothing to balance against observed costs, and little opportunity to motivate subordinate managers to make wise allocation decisions. Part of

the difficulty in this area comes from the previously mentioned problem of establishing widely agreed upon goals for public sector organizations. If we do not even know the terms in which organizational accomplishment should be recorded, it is impossible to define something that could serve as an analog for revenues.

But even if we could agree on the goals, the remaining problems would still be significant. The reason is that the important effects of public programs typically register far from the point where the government delivers the service. Thus, the benefits of a hypertension program show up in reduced fatalities; the benefits of education show up in reduced dependency and more effective citizenship; the benefits of investments in defense show up in a reduced probability of war or defeat. Because the important effects occur far down a chain of causation, remote in place and time from the point at which government production occurs, special (and expensive) efforts must be made to capture the required information.

To see the importance of this point, all one has to do is imagine what a private sector firm would do if it were denied information concerning its revenues. Pretty soon it would have to conduct surveys of its customers or construct other indirect methods of determining public satisfaction with its products. Such efforts would inevitably be more expensive and less satisfactory than relying on revenues. Thus, revenue information is valuable not only because it is a direct expression of value to the intended beneficiaries, but also because it is generated as a byproduct of a transaction with the firm and is easily captured in the firm's internal records.

The public sector has tried to solve the problem of monitoring and evaluating performance through program evaluation. Policy analysts and their ilk are commonly assigned this duty. A successful program evaluation draws heavily on analytical and statistical skills. Moreover, program evaluations are time-consuming and expensive. It takes time to wait for the relevant effects to appear, and money to go out and observe them. Because the program evaluations are both delayed and spotty in their coverage, they fail to empower managers concerned with promoting effective performance throughout the organization. The subordinate program managers can escape responsibility by offering plausible excuses or claiming that the situation has changed since the evaluation was completed.

Given the importance and difficulty of the task, one might expect the public sector to make large investments in program evaluation. In fact, they seem to spend very little. My bet is that they spend less than a private sector company spends to maintain a rudimentary accounting system that performs the same function for a simpler problem. The result of inherent difficulties and modest expenditures on program evaluation is that, in most years, most programs produce nothing analogous to revenue figures that might help motivate subordinate managers or guide public sector allocation decisions. The plain implication of this observation is that public managers are "flying blind" in budgeting for their

agencies: They do not know what things of value are being produced by subordinate units and neither do the managers of those units.

In fairness, however, the current failure to produce information about the outcomes of government programs routinely is only partly the result of insufficient investment. It is also the result of poorly conceived efforts to organize and apply the program evaluation approach. For the most part, we have conceived of program evaluation as an elaborate inquiry relying on an arcane methodology. It has been done largely by social scientists seeking definitive answers to the question of whether a program "worked" (i.e., produced the effects whose anticipation originally justified adoption of the program). Because the inquiry must be "scientific," it has been considered important to ensure objectivity in the collection and analysis of the data by hiring "outsiders" to do the analysis, and important to use quantitative rather than qualitative data. In effect, routine monitoring has been combined with independent auditing, and both have been rather elaborately done. With such expensive baggage, it is not surprising that program evaluations have been expensive and rare.

What is really needed is for public sector program managers to feel obligated to report information on program outcomes as frequently and objectively as private sector managers report on revenues. This requires each subordinate manager to do his own program evaluations, and to have those monitored for reliability by a central office. Such deployment has not yet occurred partly because of the expense, but also because such efforts would make program evaluations less special and would reduce the power of central evaluation staffs and the social scientists who contract with them. As the analytic skills associated with program evaluation become more familiar and widespread, it is plausible to hope for more frequent and more useful program evaluations.

A third important function of managers in both public and private sectors is to figure out ways to increase output and improve productivity. In the private sector this function is performed by production engineers and by operations analysts. Typically, many people are employed to design new machines or new production processes. Moreover, the production processes are continually reviewed and reorganized on the basis of past operating experience, new inventions, and new ideas about the organization of production. That approach has been common in industrial plants for many decades. In recent years, the techniques have also been usefully applied to such operations as banks and restaurants in which machines play a relatively minor role.

Again, the analogous task in the public sector is more difficult and less reliably performed. Typically, it is performed by policy analysts, systems analysts, or management analysts. But the staffs are small and often have other duties. Moreover, the production processes to be analyzed consist of procedures intended to determine the conduct of human beings—a process that may be inherently more mysterious and in any case much harder to observe and

measure than the operations of a process producing physical objects. Whether a particular operation is being performed reliably, and how different operations link together (for example, the education and recreational programs of high schools), are much more inscrutable for public sector production activities than for the activities of the private sector.

To do their jobs well, managers need analysis. Public sector managers need more analysis than private sector managers, but get less. This suggests that people who want to be effective public managers must develop a capacity to initiate and use analysis to help them set goals, monitor progress, and improve productivity. Moreover, the overall investment in policy analysis in the public sector should probably increase. To be useful, however, policy analysts must change their practices and their favored positions in public sector organizations. When they are working at the center of large organizations to support strategic planning functions, they must become broader and more eclectic in their approach. But they should also be willing to get their hands dirty at the operational levels of an organization where they can do routine program evaluation and analysis of production systems as well. Where markets are lacking and technologies are not well developed or well understood, policy analysts and the managers who can use them are our best hope for improving public sector performance.

MARK H. MOORE is Guggenheim Professor of Criminal Justice Policy and Management.