

Introduction

Uphill Battle, USA

..... *Every year they cut us. We've taken creativity as far as we can. The guy responsible for building repairs also has responsibility for parks and lots of other things. He's got so many hats; how many more can he wear?*

—Department head

You've got the go-getters, who are about 25 percent, and the do-nothings, who are about 25 percent, and the ones in the middle, who do what they have to do—the regular workers. Nothing happens to the do-nothings. It's just part of the system.

—Employee

The union is to blame for a lot that has happened here, because we fought management all the way, up until about '90, '91, when we realised we're all in the same boat. We saw what happened if management didn't do its job—the burden fell on the workers. So we want people out if they're not doing their jobs.

—Local union president

Call it Uphill Battle, USA. It is a midsize American city with an economy in transition. Its traditional economic base has been declining for 15 years, while a new base in high technology and tourism slowly replaces it. For over a decade, the city has taken a financial beating. First a statewide property-



[Click Here to order](#)

tax initiative put a lid on revenues. Then the state legislature passed an education reform bill that forced the city to shift revenues to the schools. Finally, the recession of the early 1990s hit too hard and stayed too long.

The result: a decade of budget cuts that sliced through the fat, through the muscle, and into the bone. Employees talk of the early 1990s as a time of deep troubles. Their unions went four years without contracts. The mayor and city council closed fire stations and laid off employees. Management centralized every function it could—supplies, maintenance, building repairs—and then slashed their budgets. “It’s got so that people won’t recommend anything, because money is so tight,” says one employee. “It stifles everything.”

In short, Uphill Battle is typical of many places where public officials decide they want to reinvent: it is desperate.

Several years ago a newly elected mayor read *Reinventing Government* and got excited by the vision it painted. He immediately assigned the book to all his department heads and held management seminars on it. But no one was sure just how or where to start. Meanwhile, more immediate crises demanded his attention: a bond rating near junk status; a major infrastructure problem; a desperate need to attract more jobs.

For two years the mayor made remarkable progress. He balanced the books, got the bond rating back up, pushed through a controversial solution to the infrastructure problem, and worked hard on economic development. In the process he took his lumps, but public perceptions improved, finances began to stabilize, and employee morale began to recover—particularly after he negotiated new contracts with the city’s unions.

Still, the mayor had not found a way to improve the performance of his frontline agencies. He had no money to invest. He had no time. And he had no spare management capacity. His department heads were running as fast as they could just to stay in the same place.

Finally he went to the business community and asked for help. He convinced three major companies to pitch in and hire a consulting firm to help the city develop a change strategy. This is how we came to know Uphill Battle.

Our consulting team interviewed several dozen employees, managers, elected officials, and citizens. As is usually the case, we could have been in any public organization under duress—a school district, a county, a state or province, or a national agency. The problems were all too familiar.

Productivity in Uphill Battle was low, and most employees didn’t seem to care. “It could be so much higher, and happily higher,” one manager told us. “So much of it is an attitude thing, particularly of the old timers: ‘I’m going to look out for me, my benefits, my pension, my turf, and that’s it, and I’m not



[Click Here to order](#)

going to extend myself for anyone else.”

Employee attitudes were reinforced by the working conditions: shabby offices, deteriorating facilities, and old equipment. When things got bad enough and something new was needed, the centralized purchasing operation picked the cheapest product. When the fire department needed new radios, for instance, no one asked the employees which kind to buy. “So now when the radios break, people just say, ‘Friggin’ chief and his radios,’” one employee told us. “Pretty soon people quit thinking on the job; they just figure someone else makes all the decisions.”

To managers it was the red tape that was most frustrating. Purchasing was a nightmare. Paying a bill could take 90 days. “It’s the toughest place I’ve ever worked, with all the red tape and roadblocks that are set up to stop progress,” said one department head. “The auditor’s mind-set is, ‘Keep the systems as tight as is humanly possible, so we don’t incur any abuse.’”

Another described the problem in more graphic terms:

In this environment, if something is bought and there isn’t a purchase order in place, the auditor will take that error to a public flogging before the city council. There was one manager who bought a sink for \$60 out of his own pocket, in an emergency, and at a big savings to the city. When he asked for reimbursement they publicly flogged him over it. I said to myself, “What a terrible thing to do, when that’s exactly the kind of behavior you want from people.”

In many departments, middle management was weak. “Seniority has reigned on promotions,” explained a union official. “Not quality or qualifications, but seniority. It’s not the rules, it’s habit. It’s easier for management to do it that way.” Managers “don’t fire people, and nobody ever gets demoted, even if they can’t run the equipment.”

To make matters worse, there was a history of favoritism: if you knew the right people, you got better treatment. Some employees seemed to get away with anything. When employees were found falsifying time records, no one was disciplined or fired. Every employee in town knew that one unit padded its overtime, but no one did anything about it. Like most elected officials, the mayor “has difficulty confronting people and telling them they have to go,” said one manager. “He has trouble firing people—especially his friends.”

The result was an organization with no accountability, in the eyes of most employees. “From the bottom to the top, people have to be held accountable for their actions,” one employee almost pleaded.



[Click Here to order](#)

If you destroy a vehicle, you should be reprimanded—across the board. It happens to some, not others. Managers should be the same: account for how you spent the money. Explain the overtime. Explain why you're mowing grass in cemeteries in October to use up money. Somebody needs to be in charge of everything, so people are accountable. And there need to be consequences: if the guy at the bottom is not working, he should be gone.

Yet there were hopeful signs. The new union contract had lifted morale. The city had always had enormous community spirit. The schools were making significant progress. Some of the other managers and employees, after repeated seminars on reinventing government and total quality management, were eager to begin implementing new ideas. Finances were getting a little better. And the city's most important union was desperate to help management improve performance and reach financial stability, because its members had suffered so many layoffs in the early 1990s. "We used to fight management as a union," said one official.

Now we go and say, "This guy is abusing sick leave, what are you going to do about it?" We've got it down from 18 days average three years ago to single digits. We have a good core of union officers that do want to work with the mayor. We really need good managers, and the union will back them.

There was clearly some low-hanging fruit, some opportunities for quick victories. Cutting the red tape in purchasing and accounts payable would do wonders for morale, and one major department was ripe for a labor-management partnership. But there were also some daunting obstacles. The civil service system was not only archaic, it was embedded in state law. And most department heads, overburdened already, wondered where they could possibly find the time for a change initiative.

More important, however, was a deep-seated feeling that Uphill Battle didn't have what it took to reinvent. When we asked about performance measurement or customer surveys or competition between internal service units, managers and employees alike sounded wistful: That would be nice, but "our problems are so much more basic than that." Said one top manager:

This system is not sophisticated enough yet. We're provincial. You need well-trained technocrats who are highly professional and paid quite well to do that. That's not [Uphill Battle].



[Click Here to order](#)

Managers were frustrated, in other words, but they also felt powerless. A sense of hopelessness pervaded the organization.

Uphill Battle's leaders were grappling with some of the classic issues reinventors face. They were struggling to get a purchase, to find a strategy that could actually make a difference. Where should they start? How could they create enough urgency to get people to embrace change? How could they get some leverage? How could they make sure they started a process of change that built on itself—that gained momentum rather than lost it?

Some governments are further along the reinvention path than Uphill Battle, and they ask different questions: How can we speed up the process of change? How can we get more employee buy-in? How can we make sure every organization and employee feels compelled to improve?

Even battle-scarred veterans of reinvention have questions: We've changed the incentives, we've changed the structure, we've changed the administrative systems—but how do we change the *culture*? And how can we institutionalize reinvention? How can we make sure the organization doesn't slip back into old ways when we leave?

This is the world reinventors inhabit, a world of many unknowns. There are no easy answers in a city like Uphill Battle. Leaders must struggle to get traction on very slippery terrain, often with very few resources other than their own wits. Like the pioneers, they must find pathways through the wilderness, discover water holes, and pick out mountain passes. But they have one advantage those pioneers did not have: they have access to maps.

Reinventing Government drew a rough map of the new world of twenty-first century governance. This book begins to put routes on that map, to make it easier for reinventors to follow the pioneers and stake their own claims. In this book you will learn the strategies that have worked for the pioneers of reinvention—not only in the United States but in Canada, the United Kingdom, Australia, and New Zealand. You will not only see the dramatic results they have produced, you will learn *how* they did it—and some of the lessons they learned along the way.

The Pioneers' Progress

In Indianapolis, for example, Mayor Steve Goldsmith created urgency by forcing his departments to compete with the private sector. He put more than 27 services out to competitive bid, with public agencies bidding against private businesses. In the process, he saved more than \$100 million over seven years and trimmed his nonpublicsafety staff by more than 40 percent—while maintaining service levels, forcing agencies to improve, and keeping peace



[Click Here to order](#)

with the unions.

In Hampton, Virginia, a city of 130,000 that was losing population, losing businesses, and struggling with debt, City Manager Bob O'Neill and Mayor James Eason began by developing a new vision and selling it to the community and the employees. They redefined the mission of city government, from providing services to brokering the community's resources. Then they aligned city operations with that new mission, using performance contracts with managers and a concerted campaign to change the culture and values of the organization—the habits, hearts, and minds of employees. Over the next ten years downtown development surged, property taxes fell, debt payments were cut in half, citizen satisfaction with city government reached 90 percent on annual surveys, and the city earned a reputation as the leading public innovator in Virginia.

In Minnesota, a group of civic and business activists convinced the governor and legislature that the best way to improve schools was to take away district monopolies, give parents their choice of public schools, and force the districts to compete for both enrollment and dollars. Within a few years, districts were scrambling to attract students by improving their programs. They doubled the number of advanced-placement courses offered by high schools and almost tripled the number of “alternative” public schools in the state. Public approval of school choice rose from 35 to 86 percent.

In the U.S. Forest Service, reinvention began with a “pilot test” in three national forests and a research station. Headquarters gave managers flexibility to spend their budgets as they saw fit, waived regulations that stood in their way, and encouraged them to push decision making down to frontline employees. In two years, productivity in the four sites soared 18 percent. Seizing on this victory, the eastern region headquarters eliminated many of its own bureaucratic controls and gradually trimmed its staff by a third. As performance climbed throughout the region, regional office overhead fell to nearly half that of the nation's other regions.

In Australia, reinventors minimized managers' frustration with red tape by carving 13 business enterprises out of the mammoth Department of Administrative Services, taking away their monopolies, and making them earn their income by selling services to other government agencies, in competition with private companies. In five years these enterprises shrunk their staffs by 32 percent, turned a \$100 million annual loss into a \$46.7 million annual profit, and increased their productivity by 5.6 percent a year. (We are using Australian dollars, which were worth about 75 American cents at the time.)

In Great Britain, Prime Minister Margaret Thatcher sold £20 billion (roughly \$30 billion) worth of public activities—with more than 600,000



[Click Here to order](#)

employees—to private owners. She then broke the massive departments that remained into more than 100 semiautonomous agencies, giving them enormous flexibility in return for rigorous performance contracts. Her successor, John Major, forced most government organizations to publish customer service standards and “market test” many functions, letting private companies bid against public units for work. While trimming its staff by a third, the British civil service dramatically improved its performance.

In New Zealand, the Labor Party and a cadre of top civil servants were even more radical. They scrapped nearly all civil service rules, reshaped the core public sector into dozens of small departments operating under performance budgets, and sold more than \$8.2 billion in publicly owned industries (about \$5 billion in U.S. dollars). They converted other public industries into state-owned enterprises (SOEs), free to operate as businesses. In their first five years, the SOEs increased their revenues by 15 percent, quadrupled profits, and cut their workforces in half.

We will look in detail at these and other efforts in the pages that follow. They have many labels: “reinvention,” “redesign,” “public sector reform,” “the new public management.” But whatever the label, a process of profound public sector restructuring is sweeping the developed world. In March 1996, the 24-member Organization for Economic Cooperation and Development (OECD) held its first ministerial-level meeting on public management. Alice Rivlin, then director of the U.S. Office of Management and Budget, chaired the meeting. In her OECD summary report, she explained that most of the 24 governments were facing the same fundamental pressures for change, including a global economy, dissatisfied citizens, and fiscal crisis. “Equally startling to me and, I suspect, to many of my colleagues,” she added, “countries are responding in remarkably similar ways.” She then ticked off a list that read like the table of contents of this book:

- a. decentralization of authority within governmental units and devolution of responsibilities to lower levels of government;
- b. a reexamination of what government should both do and pay for, what it should pay for but not do, and what it should neither do nor pay for;
- c. downsizing the public service and the privatization and corporatization of activities;
- d. consideration of more cost-effective ways of delivering services, such as contracting out, market mechanisms, and user charges;
- e. customer orientation, including explicit quality standards for public services;
- f. benchmarking and measuring performance; and
- g. reforms designed to simplify regulation and reduce its costs.



[Click Here to order](#)

As we approach the twenty-first century, reinvention is like an adolescent striving for adulthood: full of energy and enthusiasm; fueled by ideals; stumbling often but learning in leaps and bounds. It was born almost two decades ago at the margins of public life, with the American tax revolt that began in 1978 and the British election of Margaret Thatcher in 1979. It spread throughout the 1980s, with the election of Labor Party governments in Australia and New Zealand in 1983 and 1984 and the development of Thatcher's "Next Steps" agencies in 1988.

With the exception of New Zealand, this process unfolded rather quietly, far from the public eye. In the U.S., four events converged to thrust it into the spotlight: the recession of the early 1990s; a painful fiscal crisis at every level of government; the publication of *Reinventing Government*; and the election of a president who promised to reinvent government. Mayors and city managers from Philadelphia to Seattle and Milwaukee to Portland, Oregon, joined the parade. By 1995, for example, New York, Boston, Philadelphia, Chicago, Milwaukee, Charlotte, Dallas, Indianapolis, Phoenix, and Portland, Oregon, were all measuring performance and using that information to improve their management.

States such as Florida, Oregon, Texas, Ohio, North Carolina, Iowa, Utah, Minnesota, and Wisconsin also made significant strides. By mid-decade, 39 states reported quality initiatives, 29 indicated at least some efforts to measure performance, 28 said they were seeking customer feedback, more than 30 were simplifying their personnel systems, 10 were experimenting with eliminating budget line-items, and 10 were testing competitive public-versus-private bidding for service delivery. Meanwhile hundreds of counties embraced reinvention. In 1993, the Clinton administration weighed in with Vice President Al Gore's National Performance Review.

Whatever you call the phenomenon—"reinvention," "postbureaucratic government," "the new public management," "entrepreneurial government," "high-performance organizations"—it is clearly here to stay. The contrast between 1992, when *Reinventing Government* was published, and today could hardly be greater. The changes sweeping through public institutions in the developed democracies are vast and deep. Ideas that were controversial in 1992—customer choice, competition, accountability for results—are now commonplace. Reinvention is well under way in a dozen different countries, from the U.S., Canada, the U.K., and Ireland to Australia, New Zealand, and Singapore; from Sweden, Norway, and Finland to Denmark, the Netherlands, and Germany. Even in developing democracies such as Chile, Argentina, Brazil, Costa Rica, South Africa, South Korea, Malaysia, Thailand, and the Philippines, serious initiatives are underway. Consider just a few of



[Click Here to order](#)

the signs of change:

- Governments around the world have sold off more than \$500 billion worth of assets since 1985.
- The U.S. government has trimmed its labor force by more than 300,000, creating the smallest federal workforce since John F. Kennedy was president.
- Canada's national government has driven its program spending, as a percentage of gross domestic product, back to the lowest level since 1950.
- Twenty-seven American states have adopted some form of statewide public school choice.
- In the U.S., nearly 1,700 charter schools—schools of choice created to be independent of school districts and exempt from most rules and regulations—enrolled some 350,000 students in 32 states and the District of Columbia during the 1999–2000 school year.
- In England, 20 percent of all high schools have seceded from their districts to operate independently, like charter schools in the U.S.
- Every state in the U.S., save one, has some systematic effort under way to measure performance, and a handful of states are operating performance budgeting systems.
- In a 1997 survey of city managers in American cities with more than 10,000 people, 80 percent said they trained employees in customer service, 75 percent said they recommended partnering with third parties to provide services, and 62 percent said they surveyed their citizens.

These changes are clearly bearing fruit. Many of these governments and education systems are demonstrably more efficient and effective than they were when the reforms began. Deficits are lower, workforces are leaner, and in the U.S., surveys show that public confidence in government at all three levels has begun to rebound.

In many developed democracies, the 1980s and 1990s will be remembered as a watershed period in the evolution of government. The last time we reinvented government—when we constructed the bureaucratic model (in the U.S., during the Progressive Era and the New Deal)—the effort spanned roughly 50 years, from the first stirrings in the late 1880s through about 1940. It may take just as long this time. If the first stirrings of the current reinvention were in the late 1970s, with the tax revolt in the U.S. and Margaret Thatcher's election in the U.K., the year 2000 finds us close to the halfway point. The new paradigm described in *Reinventing Government* is now fairly widely accepted, and a significant minority of governments in the U.S. and Canada (and a majority in centralized parliamentary nations such as the U.K.



[Click Here to order](#)

From *The Reinventor's Fieldbook*, by David Osborne and Peter Plastrik. ©2000 by Osborne and Plastrik.

and New Zealand) are working hard to implement it. We have passed from the pioneering stage of the 1980s through an exploratory stage in the 1990s, during which the new paradigm was recognized, named, vigorously debated, and gradually accepted by more and more public leaders. Now, as we enter the 21st century, a third stage of serious implementation is well underway. The percentage of jurisdictions in the developed democracies that have succeeded in building postbureaucratic governments and public institutions may still be small, but the percentage that are working on the challenge is not.

Make no mistake, reinvention is still a work in progress in all these countries. Most reinventors are still operating without a road map, making it up as they go along. *Reinventing Government* offered some clues about how to proceed. Some readers used its ten principles to assess their own governments and develop change agendas.

But *Reinventing Government* was not designed to help readers figure out how to proceed. It described the characteristics of entrepreneurial governments—how they act and what they do—but it did not discuss how to create them. It did not lay out the strategies by which bureaucratic systems and organizations could be transformed into entrepreneurial systems and organizations.

These books do. A few of the principles of *Reinventing Government*, such as “customer-driven government,” also define key strategies you can use to leverage transformation. But not all do. *Reinventing Government* was primarily *descriptive*, while these books are *prescriptive*. They provide practical know-how you can apply, whether you are a politician, a public servant, or a citizen.

Reinventing public institutions is Herculean work. To succeed, you must find levers that can move mountains. You must find strategies that set off chain reactions in your organization or system, dominoes that will set all others falling. In a phrase, you must be *strategic*. These books lay out the five strategies that have proven most effective—and describe how the world’s most successful reinventors have used them.

What Reinvention is Not

Before we move on to the strategies, we should revisit what we mean by “reinvention.” *Reinventing Government* laid out a clear definition, but one price of popular success has been a loss of clarity. Like “reengineering,” the term “reinventing government” has been used so often by so many people to describe so many agendas that it has lost its meaning.

To make our definition clear, let us start by explaining what reinvention is *not*.



[Click Here to order](#)

Reinventing government is not about change in the political system: campaign finance reform, legislative or parliamentary reform, term limits, and the like. In the United States, political reform is critical if we are to achieve significant policy and governance reform—but it is not what we mean by reinvention.

We do not mean reorganization, either. Reinvention is not about moving boxes on an organizational chart. As we will explain in chapter 1, it is about restructuring public organizations and systems by changing their purposes, their incentives, their accountability, their distribution of power, and their cultures. As one does this, it sometimes makes sense to alter the organizational chart. But if you start with the chart, you will exhaust yourself in turf wars long before you change anything important.

Nor is reinvention about cutting waste, fraud, and abuse. It is not about efficiency reviews that generate a list of onetime changes to save money; it is about creating public organizations that *constantly* look for ways to become more efficient. It is not about weeding the garden; it is about creating a regimen that keeps the garden free of weeds.

Perhaps most important, reinventing government is not synonymous with downsizing government. Some public organizations would be more effective with smaller budgets and staffs, others would not. We have never met a soul—liberal, conservative, or moderate—who thought we could improve our schools by cutting their budgets and laying off teachers. Part of reinventing government is finding, for any particular organization, the size that maximizes performance. But just as form should follow function, size should follow strategy. If we simply lop off 30 percent of most public organizations, we have done nothing to change their nature or improve their performance. Downsizing is like removing grains from a pile of sand: afterward, it's still a pile of sand. Reinvention is like mixing the sand with carbon or magnesium and blasting it with intense heat: afterward, it is pure silicon.

Nor is reinvention synonymous with privatization. Asset sales, contracting out, and other tools that fall under the heading of privatization are part of the reinventor's tool kit. But as *Reinventing Government* argued, it is competition and customer choice that force improvement, not simply private ownership. Shifting from a public monopoly to a private monopoly seldom leads to a happy ending.

Reinventing government is also not a stand-in for simply making government more efficient. Part of the goal is efficiency, but more important is *effectiveness*. What is the point of making an organization or system more efficient, if it is completely ineffective? Citizens in the industrial democracies are not clamoring only for cheaper government, they are clamoring for govern-



[Click Here to order](#)

ment that works. They want more productivity, but they also want more value—as the British say, they want “value for money.” Ask yourself: Do you want cheaper schools, or better schools? Cheaper police forces, or lower crime rates? Cheaper training programs, or better jobs?

Finally, reinvention is not simply a synonym for total quality management or business process reengineering. These are both tools that can help a reinventor succeed, if used in strategic ways. But they are not *sufficient*. We have enormous respect for W. Edwards Deming, Peter Drucker, Tom Peters, Michael Hammer, Rosabeth Moss Kanter, and other private sector management experts. But if the goal is transformation, business management tools are not enough.

There are many differences between business and government. Making change within public organizations requires far more political effort, for example, because public organizations live in a political sea, while businesses live in a market economy. But the most profound difference is that private organizations exist within larger systems, or markets, that are generally fairly functional. Most private, for-profit organizations have clear missions, know how to measure their bottom-line performance, face competition, experience very real consequences for their performance, and are accountable to their customers. So business management literature focuses primarily on changing *the organization*, not the system within which it exists. Management theorists leave the latter field to economists.

In government, most organizations exist within fairly dysfunctional systems. Many organizations have multiple (sometimes conflicting) missions; few face direct competition; few experience consequences for their performance; few have clear bottom lines (few even measure their performance); and very few are accountable to their customers. These system realities create the incentives and conditions that drive organizations to act in a bureaucratic fashion. Until they are changed, it is difficult to build entrepreneurial organizations. Hence the most important strategic levers in the public sector lie within the larger system, not within the organization. Civic entrepreneurs must change these larger systems—education systems, welfare systems, regulatory systems, federal-state-local systems, budget systems, personnel systems, and the like. Here business management theory is of little help.

Consider an analogy. Imagine a discussion of how to improve the performance of a state enterprise in the Soviet Union, back when it still existed. Imagine that we told you the solution was to bring in new management, do strategic planning, adopt mission and vision statements, change the organizational chart, and bring in organization development consultants to change the culture of the workforce. Your response, more than likely, would have been,



[Click Here to order](#)

“Nonsense!” You would have pointed out that Soviet enterprises faced no competition, had captive customers, were controlled from above by central planners, and had no incentives to improve. Until those realities were changed, you would have argued, all the efforts in the world to improve management have been right.

We would make the same argument about our own public bureaucracies. The bureaucratic state operates much as the Soviet economy did. Until we reinvent the *systems* within which public organizations work, improvement will be marginal.

The Five Myths of Public Sector Reform

Our colleague Babak Armajani, CEO of the Public Strategies Group and the Reinventing Government Network, describes five myths about making government work.

1. The Liberal Myth is that government can be improved by spending more and doing more. In reality, pouring more money into a dysfunctional system does not yield significantly better results.
2. The Conservative Myth is that government can be improved by spending less and doing less. In reality, withdrawing funds from a dysfunctional system may save the taxpayers money, but it will not improve government performance.
3. The Business Myth is that government can be improved by running it like a business. In reality, while business metaphors and management techniques are often helpful, there are critical differences between public and private sector realities.
4. The Employee Myth is that public employees could perform just fine if they had enough money. (See the Liberal Myth.) In reality, we have to change the way resources are used if we want the results to change.
5. The People Myth is that government can be improved by hiring better people. In reality, the problem is not the people; it is the systems in which they are trapped.



[Click Here to order](#)

So What is Reinvention?

By “reinvention,” we mean *the fundamental transformation of public systems and organizations to create dramatic increases in their effectiveness, efficiency, adaptability, and capacity to innovate. This transformation is accomplished by changing their purpose, incentives, accountability, power structure, and culture.*

Reinvention is about replacing bureaucratic systems with entrepreneurial systems. It is about creating public organizations and systems that habitually innovate, that continually improve their quality, without having to be pushed from outside. It is about creating a public sector that has a built-in drive to improve—what some call a “self-renewing system.”

It is not enough for your local school and police force to get better at what they do this year; you want them to *keep* getting better. To do that, they need “adaptive capacity,” the capacity to address new issues as they arise. The same is true for agencies that protect the environment or distribute social security benefits—indeed, for every aspect of government. Worrying about improving government’s short-term productivity and results is important. But focusing solely on efficiency and effectiveness is like learning how to fight the last war. After you know how to do that, you find out that the next war is quite different—and that you’re not prepared for it.

Reinvention, in other words, gets government ready for challenges we cannot yet anticipate. It not only improves effectiveness today, it creates organizations capable of improving their effectiveness tomorrow, when their environments change.

This requires a fundamental transformation of our industrial era public systems. There are many ways to portray this transformation. Some writers have described the goal with phrases such as “high-performing organizations,” “quality organizations,” “learning organizations,” “intelligent organizations,” and “self-renewing organizations.” We often use the phrase “entrepreneurial government” to convey what we mean. But all of these phrases seek to communicate the same basic message.

Reinventing Government described ten principles around which such systems and organizations are structured. Appendix A lists them and briefly defines each one.

Reinvention creates public systems that act very differently from the bureaucracies we have come to know and loathe. It creates organizations that show up in ratings with the best customer service in the business—as the Social Security Administration did in 1995 for its telephone service. It creates organizations that put their services where their customers can most easily



[Click Here to order](#)

The Meaning of “Entrepreneurial Government”

“The phrase *entrepreneurial government* . . . may surprise many readers, who think of entrepreneurs solely as business men and women. But the true meaning of the word *entrepreneur* is far broader. It was coined by the French economist J. B. Say, around the year 1800. “The entrepreneur,” Say wrote, “shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” An entrepreneur, in other words, uses resources in new ways to maximize productivity and effectiveness.

Say’s definition applies equally to the private sector, to the public sector, and to the voluntary, or third, sector. Dynamic school superintendents and principals use resources in new ways to maximize productivity and effectiveness. Innovative airport managers do the same. Welfare commissioners, labor secretaries, commerce department staffers—all can shift resources into areas of higher productivity and yield. When we talk about public entrepreneurs, we mean people who do precisely this. When we talk about the entrepreneurial model, we mean public sector institutions that *habitually* act this way—that constantly use their resources in new ways to heighten both their efficiency and their effectiveness.”

—From *Reinventing Government*, p. xix.

use them—as several state motor vehicle agencies did by opening offices in malls and retail stores. It creates inner-city public schools that send 210 of 248 graduates to four-year colleges and an additional 31 to two-year colleges, as East Harlem’s Manhattan Center for Science and Math has. And it creates organizations the private sector uses as benchmarks of excellence because they provide the best service in the business, like the Air Combat Command’s pharmacy at MacDill Air Force Base in Tampa, Florida.

We are convinced that the appearance of these entrepreneurial organizations in the late twentieth century is no accident. We believe that it represents an inevitable historical shift from one paradigm to another. It is a shift as profound as that which took place at the beginning of the century, when we built the bureaucratic public institutions we are busy reinventing today.

During the nineteenth century, the industrializing democracies had far smaller governments with far less ambitious goals. As Gary Sturges points out in his essay “The Decline and Fall of the Industrial State,” in the nineteenth century the British still used a private navy in times of war. Canals and railroads were private, and there were more than 1,000 private turnpike



[Click Here to order](#)

trusts. The postal service, ports, and even lighthouses all began as private services. Some public offices, including seats in Parliament, were private—they could be bought, sold, leased, and mortgaged. Even the early fleets that took convicts to Sturgess's Australia were owned by private contractors.

By the end of the century, the old paradigm—of small central governments with limited authority—was breaking down, because it was incapable of dealing with the new realities emerging in the industrial democracies. Factories were sprouting up; cities were growing at breakneck speed; whole new industries were being born. With these new realities came new needs: for mass transit systems and roads and bridges, for massive new sewer and water systems, for universal education systems. Our old model of government could not meet these needs, so we invented a new model. We invented bureaucracy.

We copied our model from the military and the new mass production industries that had sprung up. Max Weber, the great German sociologist, summed up the principles by which these new bureaucracies were structured:

- They were centralized and hierarchical: “The professional bureaucrat ... is only a single cog in an ever-moving mechanism which prescribes to him an essentially fixed route of march.”
- They were ordered by rules: “that is, by-laws or administrative regulations” which were “more or less stable, more or less exhaustive.”
- They were standardized and impersonal, offering the same treatment or service to everyone.
- They used administrative processes—i.e., their own staffs rather than contractors or market mechanisms—to achieve their goals.
- They chose their staffs on the basis of examinations, not subjective criteria.

To top it off, most public bureaucracies were monopolies. And to combat the fraud and abuse so rampant in the urban political machines of the era, we wrapped them up in endless rules, red tape, and internal controls.

The resulting bureaucracies have been described as systems designed by a genius to be run by idiots. That may be a little harsh, but it contains a kernel of truth. In the soul of the bureaucratic machine there lurks a control freak. Employees are cogs in a highly regulated machine. Their work is broken down into different functions and described in great detail. Managers do the thinking; workers do the tasks they are assigned. Detailed rules and procedures specify behaviors. Inspectors check for compliance.

This model served us well in its day. As long as the tasks were relatively



[Click Here to order](#)

simple and straightforward and the environment stable, it worked. But for the last 20 years it has been coming apart. In a world of rapid change, technological revolution, global economic competition, demassified markets, an educated workforce, demanding customers, and severe fiscal constraints, centralized, top-down monopolies are simply too slow, too unresponsive, and too incapable of change or innovation.

In 1992, when *Reinventing Government* was published, this conclusion was still hotly debated. Today it is hard to find any thoughtful observer who does not agree that traditional public bureaucracies must change. The average citizen certainly understands, at a gut level. In survey after survey, citizens bemoan the failures of government. Researchers who conducted a massive survey in Canada expressed the new reality particularly well:

General attitudes to government have deteriorated. Most Canadians are cynical and hostile to government. There is a widespread belief that governments are self-serving, inefficient and ineffectual. The strength of these responses would suggest an underlying rage but for the fact that these negative sentiments have been evident for too long a period of time to characterize them as rage. Perhaps deep resentment and frustration would be better descriptors of the current public mood.

Most politicians understand this. They know that bureaucracy isn't working; they just don't know what to replace it with. And many of those who work in government know it, too, because they live in the belly of the beast. No one knows better how nightmarishly frustrating bureaucracy can be than those trapped inside it.

These books are for those who want to end the nightmare, whether they are public employees or elected officials, members of citizens groups or business organizations. If you want to help your city save \$100 million, as Indianapolis has; if you want to double the effectiveness of your organization, as the Tactical Air Command did; if you want to double the productivity of your services, as the Phoenix Department of Public Works did; if you need to do more with half the staff, as New Zealand's state-owned enterprises did; or if you simply want your public systems and organizations to embrace continual improvement and innovation—we hope these books will help you find the way.

HIGH STAKES

In focusing on the nuts and bolts of reinvention, it is at times easy to forget the larger purpose of our work. In our view, reinvention is about nothing less than the future of democratic societies. The goal is to create public institutions capable of solving our most pressing problems.



[Click Here to order](#)

Because some people think of reinvention simply as internal management reform, they believe it is of secondary importance. Some find it boring, fit only for bureaucrats. We think they are missing the point. Unlike management reform in the private sector, reinventing government is about helping entire communities and societies rise to meet their most important challenges.

Can we create public education systems vibrant enough to produce not only educated, skilled workforces but also responsible citizens capable of working together to strengthen democracy and revitalize their communities?

Can we create lifelong learning systems robust enough not only to help the poor and illiterate gain the skills they need to enter the economic mainstream but also to help every citizen keep his or her skills current in a rapidly changing economy?

Can we create a welfare system that is not only vital enough to give most recipients the helping hands they need to secure steady work at livable wages but also compassionate enough to support those who simply cannot support themselves?

Can we create a criminal justice system that is not only strong enough to keep the streets safe but also coherent enough that no suspect, criminal, or victim falls through the cracks between myriad court systems, police forces, probation programs, and juvenile justice systems?

These are the kinds of issues at stake in this quest to reinvent government, and we should not forget it. Policy decisions play a key role as well, but the strategies and tools we write about in this fieldbook are indispensable if we are to solve these problems. Reinvention on this scale leads to conflict, and conflict is rarely boring. It is difficult for public leaders, but it brings long-term solutions to fundamental problems. As former New Zealand finance minister Roger Douglas has written so eloquently:

Conventional politicians ignore structural reform because they think they are in power to please people, and pleasing people does not involve making them face up to hard questions.

They use the latest polls to fine-tune their image and their policies, in order to achieve better results in the next poll. In other words, their aim is really to be in perpetual power.

Their adherence to ad hoc short-term policies which focus on their own immediate problems, rather than the country's long-term opportunities, leads to accumulating difficulties over time.

It becomes increasingly clear to people that the problems have not been solved, and the opportunities have been thrown away. So such governments end up being thrown out, neck and crop.



[Click Here to order](#)

In contrast, Douglas argues, “Genuine structural reform, carried right through fairly and without compromise, delivers larger gains in living standards and opportunity than those achievable by any other political route.” When such reforms lead to conflict, Douglas advises, “Ask yourself: ‘Why am I in politics?’”

Is it to gain a high income, two cars and the maximum available number of perks? Or can I do something that makes a real difference to the nation's future?

At the end of the day, making that real difference matters more than anything else to the voting public.

We hope these books will help public leaders, both elected and appointed, make a real difference. One definition of a handbook, according to the *American Heritage Dictionary*, is “a book in which off-track bets are recorded.” In these handbooks we have recorded the exploits of some of the world's most successful reinventors. Now we're betting on the rest of you.



[Click Here to order](#)

From ***Banishing Bureaucracy: The Five Strategies for Reinventing Government***, by David Osborne and Peter Plastrik.
©1997 by Osborne and Plastrik

Notes

All quotations that are not attributed in the text or in these endnotes are from interviews with the authors or their associates. Only in cases where there might be some confusion about the source of a quotation have we indicated in a note that it came from an interview.

Introduction: Uphill Battle, USA

- pp. 5-6: Data on Indianapolis, Hampton, Minnesota, U.S. Forest Service, Australia, and New Zealand: See later chapters.
- p. 6: “In Great Britain, Prime Minister Margaret Thatcher sold £20 billion... of public activities—with more than 600,000 employees...”: The figure of £20 billion is from Donald Savoie, *Thatcher, Reagan, Mulroney: In Search of a New Bureaucracy* (Pittsburgh and London: University of Pittsburgh Press, 1994), p. 160. The figure of “more than 600,000” is from Margaret Thatcher, *The Downing Street Years 1979-1990* (New York: Harper Perennial, 1995), p. 687. Savoie, p. 248, uses the figure of 800,000, but we have used Thatcher’s more conservative figure.
- p. 7: “While trimming its staff by a third ...”: When Thatcher took office, there were 732,000 civil servants, according to Savoie, *Thatcher, Reagan, Mulroney*. By September 1996 there were 491,757, according to the British Government’s Office of Public Service.
- p. 7: Alice Rivlin quote: “Statement by the Chair of the Ministerial Symposium on the Future of Public Services,” Organization for Economic Cooperation and Development, Paris, March 6, 1996.
- p. 8: “By 1995, for example,...”: *Performance Measurement of Municipal Services: How Are America’s Cities Measuring Up?* (Philadelphia: Pennsylvania Economy League, Eastern Division, Sept. 1995).
- p. 8: “By mid-decade, 39 states ...”: *Workforce Policies: State Activities and Innovations* (Washington, D.C.: National Association of State Budget Officers, 1995).
- p. 9: “Canada’s national government . . . since 1950”: Interview with Peter DeVries, director of the Fiscal Policy Division of The Canadian Department of Finance.
- p. 9: “Twenty-seven American states . . . public school choice”: “Choice of Schools: State Actions,” *Clearinghouse Notes*, June 1999 (newsletter of the Education Commission of the States).
- p. 9: “In the U.S., nearly 1,700 charter schools . . . school year”: “CER Charter School Numbers Are In,” *About Charter Schools*, www.edreform/charters.htm (Web site of the Center for Education Reform), 1999.
- p. 9: “In England, 20 percent . . . in the U.S.” Office for Standards in Education (OFSTED), *Secondary Education 1993–97: A Review of Secondary Schools in England* (London: The Stationery Office, 1998), ch. 1: available at www.ofsted.gov.uk/ (click on “Publications,” then “OFSTED Publications 1996–2000”).
- p. 9: “Every state in the U. S. . . . measure performance”: *Budget Processes in the States* (Washington, D.C.: National Association of State Budget Officers, October 1999).
- p. 9: “In a 1997 survey . . . their citizens”: Barry M. Feldman, “Reinventing Local Government: Beyond Rhetoric to Action,” in *The Municipal Yearbook 1999* (Washington, D.C.: International City/County Management Association, 1999), pp. 20, 24.



[Click Here to order](#)

◆ **Notes - Introduction**

- p. 9: “. . . surveys show that public confidence . . . begun to rebound”: “Americans Gain a Small Measure of Confidence in Government,” *The Washington Post*, March 24, 1997; and *Findings from a Research Project About Attitudes Toward Government* (Washington, D.C.: Council for Excellence in Government, 1997).
- p. 14: “It creates organizations that show up in ratings . . .”: “Social Security Administration Tops in Customer Service,” Dalbar Financial Services, Inc., Boston, Mass., press release. May 3, 1995. Reported in Vice President Al Gore, *Common Sense Government: Works Better and Costs Less* (Washington, D.C.: National Performance Review, 1995), p. 49.
- p. 15: “It creates inner-city public schools . . .”: Seymour Fliegel, *Miracle in East Harlem: The Fight for Choice in Public Education* (New York: Times Books, 1993), p. 229.
- p. 15: “And it creates organizations the private sector uses as benchmarks . . .”: Gore, *Common Sense Government*, p. 83.
- p. 16: Sturgess essay: Gary L. Sturgess, “The Decline and Fall of the Industrial State,” in *New Ideas, Better Government*, Patrick Weller and Glyn Davis, eds. (St. Leonards, Australia: Alien & Unwin, 1996), pp. 26-37.
- p. 16: Max Weber quotations: Max Weber, “Bureaucracy,” in *From Max Weber*, H. H. Gerth and C. Wright Mills, eds.. Galaxy Book edition (New York: Oxford University Press, 1958), pp. 196-244.
- p. 17: Canadian survey: Frank Graves, Benoit Gauthier, and Derek Jansen, *Rethinking Government '94: An Overview and Synthesis* (Ottawa: Ekos Research Associates, Inc., 1995). Ekos interviewed 2,400 Canadians with 200 questions, then did a second survey of 1,600 of the original 2,400 with 150 questions.
- P. 18 Roger Douglas quotes: Roger Douglas, “The Politics of Successful Structural Reform” unpublished manuscript, pp. 40, 42.



[Click Here to order](#)