Chapter 2

Levels of the Game:

Targeting the Strategies

Government is big, complex, and messy. It employs millions of people and spends trillions of dollars every year. It is heavily layered, with thousands of overlapping political jurisdictions and public institutions. It is a churning nexus of politicians, public servants, and citizens, who compete, conspire, and collaborate in endlessly reforming combinations.

If you want to change performance in this complex system, we have argued, you need leverage. The first way to increase your leverage is to use the five strategies. The second is to aim them at the best possible target.

You can unleash the five strategies at any of five levels within a public system: its governing system, its administrative systems, its organizations, its work processes, or its people. The higher the level, the higher the leverage.

In the United Kingdom, Margaret Thatcher and John Major targeted the highest level, the basic systems within which public organizations work: the central government system of departments and agencies, the National Health Service, the local government system, and the education system. (For the latter, see ch. 13, pp. 15-17.) We call these "governing systems." Change the way these systems work—by creating autonomous agencies on performance contracts, for instance—and you force every organization within them to change.

Thatcher's and Major's reforms forced *thousands* of public organizations to reexamine their performance, their relations with their customers—the very way they worked. Next Steps alone rippled into the administrative sys-

tems, forcing radical change in budget and personnel rules; into organizations, where managers became responsible for delivering contractually specified outputs; into work processes, which had to be redesigned to meet output targets; and into people, who had to change their habits, hearts, and minds.

The rules by which governing systems operate are aggregated into what people call "administrative systems," "operating systems," or "management systems." The best known are the budget and finance system, the personnel system, the procurement system, and the auditing system. These administrative systems are the means by which the governing system controls its member (or "line") organizations. They tell each organization how it can spend its money, who it can hire, how much it can pay them, and how it can manage them. It is no exaggeration to say that the administrative systems create the straitjacket known as bureaucracy.

For reinventors, there is enormous leverage here as well, for changes in administrative systems ripple outward, changing everything they touch. Indeed, one cannot change a governing system without changing its administrative systems. If the British wanted their Next Steps agencies to work, for instance, they had to change their budget and personnel systems.

The Hierarchy of Leverage

Level	***Examples***
Governing System	National, State, Provincial, or City Government, Education System, Health Care System, Welfare System
Administrative System	Budget & Finance, Personnel, Procurement, Auditing, Planning
Organization	Municipal Department of Public Works, U.K. Employment Service
Work Processes	Benefit Processing, Permit Processing, Fire Fighting, Complaint Handling
People	Manager, Supervisor, Road Crew, Police Officer

Most managers cannot change the governing system within which they work, nor its administrative systems. This is one of the differences between public organizations and businesses we mentioned in the Iintroduction. Unless they are part of large conglomerates, businesses are not subsets of "governing systems." Therefore, most business organizations control their own administrative systems. In government this is rare. Special authorities and quasi-public organizations often have this luxury, and top managers in cities and counties can change administrative systems, if the elected officials buy in. But most public organizations are nested within much larger governing systems that dictate their administrative systems.

Managers can use the five C's to change their own organizations, however—the next level down the hierarchy of power. They can instill more accountability to customers in their organization, clarify their missions, create consequences for performance, push decision-making down to frontline employees, and change the culture. Sometimes they can even get waivers from the administrative systems, allowing their agencies more freedom and creating different incentives. Working at the organization level obviously has less leverage than systems change, because it affects only one organization at a time. But it has more leverage than the next two levels: processes and people.

Thanks to the sudden popularity of total quality management (TQM) and business process reengineering (BPR), people in government are now focusing significant attention on the way work is organized—the processes organizations use to carry out their tasks. These work processes can be changed through continuous small improvements, using TQM, through radical redesign, using BPR, or through other redesign methods. But whatever the method, process improvement will *force* less reinvention than changes at the systems, administrative systems, or organization levels. Private sector reengineering advocates argue that changing a process will force change in organizations and administrative systems. They are correct, in theory. When the Regional Veterans Administration Office in New York City reengineered its work processes, for example, it discovered this. "We started with the work flow and ended up saying that everything has to change," says Regional Director Joe Thompson. "If you don't change the way you compensate and measure performance, if you just try to change work flow, you'll fall short."

Unfortunately, as we have said, in the public sector these administrative systems are often out of the organization's reach. So reengineering a process, as much as it may help quality and productivity, rarely leverages change in administrative systems.

Finally, the least leverage comes from changing the people in an organi-

zation. The basic problem with government today is not its people, but its DNA. We will never fix our governments just by getting "better" people, because good people cannot make bad systems work unless they change those systems. Many of the most learned people we know in government work for New York City or the U.S. federal government—two of the worst performing governments we know. In contrast, when we visit places like Hampton, Virginia, Phoenix, Arizona, and Sunnyvale, California, we find people with fewer fancy degrees and less impressive credentials, working in good systems, achieving extraordinary results.

Businesspeople who enter government soon discover this reality. "I imagined this huge resistance by civil servants," says Michelle Hunt, who in 1993 left her management position with Herman Miller, a major furniture manufacturer, to run the U.S. Federal Quality Institute.

> *I imagined the media depiction of civil servants, and it was all wrong. I thought I was going to come here and I was going to see a bunch of people that didn't want to change, because they were fat and lazy. I thought it was going to be a bunch of cynics who were going to say to me, "Get out of my face." I found the reverse.*
>
> *I know the vice president says it's about good people caught in bad systems. I think it's worse than that. I think there's institutional slavery and they want to get out. You almost see tears in their eyes, there's so much passion about wanting to get out.*

People in government *do* have to change their ideas, attitudes, beliefs, and behavior. That is why organizations need culture strategies. But changes at the people level have less *leverage* than changes at higher levels. Changing peoples' habits, hearts, and minds is retail work; it happens one by one. Rarely does it force changes at other levels. We have occasionally seen powerful change agents, including *Reinventing Government* coauthor Ted Gaebler, leverage culture change back up through the system. But it is very difficult. In contrast, changing governing systems, administrative systems, and organizations forces *many* people to change.

To reinvent your government, you will ultimately have to use the five C's at all five levels. If you change your systems, organizations, and people but leave the work processes alone, or change your systems, organizations, and processes but not the way your people work, think, and feel, you will sentence your organization to ongoing conflict. To reach your destination, you must bring all five levels into alignment.

This is one reason you will need both politicians and public servants to

succeed. Few public servants have the power to change governing and administrative systems, but few politicians have the knowledge or familiarity needed to change organizations, processes, and people. To make sure your changes will become permanent, you will even need buy-in from a third key sector: the public. If you try to change governing systems without securing public buy-in, you may find that the next time power changes hands, the new administration throws your changes right out the window.

What you choose to work on, of course, depends not only on where the most leverage lies, but on where you sit. If you are an elected official or a citizen, you will probably push for change at the system level. If you are a manager, however, you may not have the authority to change the system or its administrative systems. So you will work at the organization, process, and people levels. This is where the rubber meets the road, after all. Systems may have more leverage, but systems change only makes a difference if it forces *organizations* to change.

One of the most dramatic reinvention stories we have ever seen was led by managers. They transformed a public organization larger than most Fortune 500 companies. In the process, they used all five reinvention strategies. They proved that managers do not have to wait for the politicians—they don't have to wait for permission before they reinvent. They showed how managers can win exemptions from the most onerous of the system's rules. More important, they demonstrated how managers can use their success to leverage change back up through the higher levels.

Reinvention at the Organization Level: The Tactical Air Command

Readers may recall the Tactical Air Command (TAC) from *Reinventing Government.* In 1991 it won a place of honor in American history with its stunning display of air power in Operation Desert Storm. Television viewers around the world watched its devastating impact up close. For 43 days, in a desert war halfway around the globe, TAC maintained 95 percent of its aircraft as "mission capable"—better than it was expected to do during practice at home. Flying against 15,000 surface-to-air missiles and more than 6,000 antiaircraft guns, it lost only 13 fighters—an average of one shot down every 3,200 combat sorties. While it rained destruction on the enemy, TAC's fighter forces suffered only three deaths.

TAC had not always been so effective. In the late 1970s, only 58 percent of its planes were mission capable on any given day; its pilots were getting only 60 percent of the training time they needed; and seven planes were crashing for every 100,000 hours flown. It got so bad that in 1978 the Air

Force chief of staff called in an organization doctor: General W. L. (Bill) Creech.

Creech had a history of turning around floundering Air Force organizations. In three previous commands, he had come to understand the service's basic problem: overcentralized systems were strangling people in red tape. Because so much control rested with central organizations, no one owned the job of producing results.

Creech's initial cure was the control strategy. He wanted people committed to achieving TAC's goals, not to following its rules. He wanted decisions in the hands of people who fixed and flew the planes. So he started to build, in his words, "small teams that integrated different functions, with leadership right at the front line." And he started tearing down the system of centralized, top-down controls.

The key was breaking apart "functional silos"—the pilots in one unit, the mechanics in others, the support staff in others—and building cross-functional teams that were responsible for achieving specific goals. Under the old regime, different mechanics were even in different silos—the electricians in one, the hydraulic specialists in another, the aircraft mechanics in a third. That "required lots of telephone coordination, paperwork, and going to and fro," Creech explains. So he tore down the functional walls, put all flightline maintenance people into teams, cross-trained them, and assigned each team to a squadron. Creech also took the aircraft out of the central pool and gave them to the squadrons. Each squadron—now made up of pilots and mechanics— owned 24 planes.

"Each squadron had its own set of goals," says Creech. "Each did its own scheduling, which had been done centrally before. Each made its own decisions and charted its own course." One crew chief—his or her name emblazoned on the plane's nose—was responsible for making each airplane fly.

Creech did this with every specialty he could. He broke up the centralized supply operation, where it took 243 entries on 13 forms, involving 22 people and 16 man hours, to get one part into an F-15. He moved aircraft parts and supply specialists directly to the flightline. Now the supply specialists felt personally responsible for having the part on hand when the mechanics needed it. This cut paperwork by 65 percent and reduced the average time between the order of a part and its delivery from 3.5 hours to *eight minutes.* As Creech later wrote, "The theme was *Fix it now, fix it fast, and fix it right."*

Creech asked frontline teams to eliminate at least half the internal regulations in their areas—and TAC's employees loved it. Then TAC began giving each team information on the costs of its activities. Their "new cost-awareness, alongside their newfound authority over their part of the total sys-

tem, triggered a stream of value-oriented recommendations on practices to change or abandon," Creech writes. He estimates that one change suggested by a young engine technician—to leave the titanium "turkey feathers" off the engine tailpipe ofF-15s—saved $70 million.

Creech understood one of the basic rules of the control strategy: don't eliminate one control system without creating a new one to take its place. As he removed centralized, bureaucratic controls, he replaced them with performance goals and measures, the organization's new guiding hands. He understood that without some form of control, every team might head off in its own direction. TAC distributed the performance data to all employees. That way the squadrons not only knew what they were supposed to accomplish, they knew how well they were doing.

When teams compared their performance with one another's, Creech says, it motivated them to do better.

> *Accountability for poor performance now was easy to track. It was equally easy to single out those who deserved recognition for stellar performance—both individuals and groups. . . . The peer pressure began working in positive not negative directions, and the multidiscipline teams produced far more effective interaction and integration. . . . Where problems did emerge, it was far easier to find them, and to get them fixed efficiently and rapidly. There was then no need for the all points bulletins (broad-based harangues) that were a staple of the centralized approach.*

TAC's personnel system did not allow performance bonuses, so when it was time to introduce consequences, Creech relied mostly on psychology. Taking advantage of the natural pride found in teams, he encouraged competition between squadrons and bases. TAC also began giving out trophies and holding annual awards banquets to honor the best squadrons. And Creech rewarded every squadron that achieved its monthly goals with a three-day weekend.

He also tried the culture strategy, initiating a program for automotive repair units called "Proud Look," which featured spotless facilities and special work uniforms for the mechanics. Quality and productivity soared. So he did the same in all TAC workplaces, launching a campaign to root out physical eyesores and to bring everything up to quality standards. Fresh coats of paint, immaculate facilities, and special uniforms became commonplace.

By 1983, TAC's productivity had increased 80 percent. Reenlistment rates had soared. The crash rate was one-third what it had been in 1978. (According to Creech, this saved more than 100 lives and $1.6 billion in air-

craft during his six years.) Four out of five aircraft that needed repair were fixed in the same day, compared to one out of five in 1978. The result: TAC was now capable of generating more than double the number of attack sorties it had been in 1978.

TAC did this without significant infusions of money or people. And according to a 1984 analysis TAC commissioned, new aircraft played only a small role. Most of the improvement was due to Creech's management changes.

Creating a Culture of Continuous Improvement

One of the problems all reinventors face is leadership succession. In most examples of successful reinvention we have studied, it has taken a decade to achieve significant, lasting transformation. (TAC was the fastest turnaround we have seen; Creech did it in five years.) When the leaders who are driving reinvention leave before the process is complete, they put everything they have done at risk. If the new leaders do not understand or buy into the basic reinvention strategies at work, progress often comes to a screeching halt.

Creech managed this problem by personally grooming his successors. He taught a class in leadership philosophy for senior officers, and he picked out those with potential and began moving them into important commands. When he left, he lobbied for them: his next three successors were all his proteges. As a result, the changes Creech made stayed firmly in place. By the late 1980s, the mission capable rate was up to 88 percent, savings from the reduced crash rate amounted to $4.6 billion, and reenlistment rates for first-term employees were up from 25 percent in 1980 to 64 percent.

John Michael Loh, a four-star general and 30-year TAC veteran, took command of TAC in March 1991, a few weeks after the end of the Gulf War. Yet as his officers were still returning from the Gulf, he told them to get ready for big changes. And to emphasize his view, he tore up TAC's mission statement. It might be good enough for one of the best performing government organizations in the world, but it was a barrier to the kind of "continuously renewing" organization Loh wanted TAC to become.

Loh saw that TAC's environment was changing drastically. The Cold War had ended and the U.S. had entered an era of regional threats that might erupt unpredictably. TAC would have to perform numerous functions: combat, peacekeeping, counterterrorism, and drug enforcement. Meanwhile, bases were closing around the world. Becoming a smaller, home-based force meant new problems moving equipment and supplies.

TAC had adapted well to the challenges of Desert Storm. But in the future, it would have to adapt again and again—often quickly and without

warning, sometimes to more than one challenge at a time. Loh felt that TAC was not ready for this new, more chaotic world.

Loh chose not to abandon Creech's foundation, but to build on it. TAC would stay decentralized and team-based, and it would keep measuring results and rewarding success. But Loh developed a new culture strategy and a new focus on continuous improvement of work processes. He built both around the metatool of total quality management (TQM). Creech had worked primarily at the organization and process levels—decentralizing control, revamping the structure, and creating consequences. Inheriting a healthy organization, Loh concentrated instead on processes and people.

Loh's vision of quality started with the idea that every TAC employee was part of work processes that had customers. TAC had external customers—the Air Force commanders, the Joint Chiefs of Staff, the president, and Congress. But it also had internal customers, such as a mechanic waiting for a part from the supply line. The needs of these varied customers would define quality standards for the organization.

Using the methodology of TQM, employees would constantly improve processes they used. They would do this in a standardized, highly disciplined way, using scientific methods to identify and analyze problems, test hypothetical solutions, and then apply solutions that worked. Around these methods Loh would build a culture of continuous improvement.

Loh's first task was to make sure that TAC employees bought into his vision. He launched a massive effort to change the hearts and minds of 150,000 people. It began with TAC's mission statement—a beacon that signaled the organization's purpose and values to its employees.

The existing mission statement—"to fly and fight"—didn't fit TAC's new environment. It expressed a purpose that was much too narrow, and it signaled that the organization valued its pilots above its other employees. "We had two standards, two classes of citizens." Loh explains. "If you were on the flying side of our business, you were okay. If you were on the other side, you weren't expected to create, be innovative."

Instead, Loh wanted a mission statement that described a post-Cold War purpose for TAC, valued every employee equally, and committed the organization to continuous improvement. He pulled his top officers together to craft a new mission statement.

The task was complicated by the fact that on June 1, 1992, the Air Force merged TAC with the Strategic Air Command (SAC), to form the Air Combat Command (ACC). The new organization housed two hostile entities. "The SAC guys"—who came from the world of bombers and ICBMs—"looked at me as though I was diphtheria," says Loh. So he took officers from

both sides on a three-day retreat.

Together, the nearly 90 top managers hammered out a mission statement for the new ACC. Then Loh told them to take the draft back to their bases and squadrons to check it out with their people. The statement that emerged broadened the fly-and-fight mission, making logistics and maintenance people as important as anyone else. The new mission: "Delivering rapid, decisive air power—Anytime, anywhere." The statement also committed the ACC to "strive for a culture of continuous improvement."

Loh distributed the mission statement far and wide. Then he began building the organization's capacity to practice continuous improvement. To educate all ACC employees, he created a Quality School, built quality into the curriculum of the Airman Leadership School, and launched a Right Start training program to orient new personnel to the quality focus and methods.

Next he sent a cadre of more than 300 Quality School graduates out to advise each of the ACC's bases and squadrons and train other employees. They taught squadrons the same seven-step improvement process. As the training took hold, it led to a rash of improvements. A team in Utah cut by 33 percent the time it took to rearm, refuel, and reservice fighters. A team in Tacoma, Washington, cut by 63 percent the time it took to identify aircraft flying in their area. The ACC's pharmacies, which fill 4.5 million prescriptions a year, reduced their waiting times. (When Walmart wanted to benchmark against the best, it chose the ACC pharmacy at MacDill Air Force Base.) The entire organization shortened the time it took to pay travel vouchers: 95 percent of the time, it now takes less than ten minutes.

To keep the bottom line plainly in view, the ACC updated and expanded the measurement system Creech had built. By 1995 it included more than 150 measures—for all ACC squadrons, not just those with airplanes. "We are a unit of 567 organizations," Loh explains:

> *Each one of those 567 squadrons I have out there is an operating unit that has its own resources, its own authority, responsibility, and accountability. Each one of them operates pretty much as an autonomous whole. But they operate under our standards. I hold them accountable for performance. I set performance standards, and I get a lot of input. How they are achieving those standards at the local level is their business. I don't tell them how to do it.*

But Loh still felt he had not done enough to reach the ACC's 150,000 people. He wanted to deepen the control strategy: to empower every individual. To do that, he needed to upgrade their skills, to the point where they could

function without supervisors, managing their own work. So he created the Bright Flag program, which beefed up individual training and established performance measures for every job, so employees could judge their work.

Finally, Loh decided he needed a way to measure whether people's habits, hearts, and minds were changing. He wanted to know how his employees felt about the organization—and he wanted his managers to know.

The tool he chose was an annual employee survey. Beginning in 1991, every May tens of thousands of employees have voluntarily responded to a 15-minute, 50-item questionnaire, designed to measure changes in the ACC's culture. The results showed significant improvement from 1991 through 1993 in job satisfaction, communication, teamwork and cooperation, support for and understanding of ACC quality principles, freedom to work with a minimum of supervision, and other key indicators. Employees indicated strong agreement (about 5.7 on a 1-7 scale) with statements such as "I know my unit's mission" and "I know how my work contributes to my unit's mission accomplishment."

In 1993 the command began to close bases and cut staffing by 20 percent, a disruptive process. Indicators in all survey areas except leadership (confidence and trust in the leadership's ability to carry out its responsibilities) leveled off or declined slightly. Still, they stayed significantly above 1991 levels.

Overall, the surveys suggest that even with downsizing and restructuring, employees feel good about the organization. "People have had every reason to gripe and complain and bitch about their workplace, their environment, and everything," says Loh. "And yet, the results are just about the opposite. This reinforces my notion that the way to go through significant change is by the adoption of quality principles."

Culture change "is a lot of subtle things, some very gradual," says Jeanie Spence, who joined TAC back when General Creech ran it. She points to one simple example: the fact that participants in top command meetings hand in written feedback at the end of each meeting.

> *That would have been unheard of in the old culture. . . . Imagine, some of these colonels sitting in the room telling General Loh that he was dominating the meeting, that he was not letting people express their views... General Creech was very progressive, but that was not a part of the Creech culture.*

Leveraging the System

Generals Creech and Loh proved how much leverage one can generate at the organization, process, and people levels. They also illustrated one of the

skills a master reinventor brings to the task: the ability to carve out changes at the level above his or her own.

"You can be a principal catalyst for change—whatever your particular level might be," says Creech. He made sure to keep his direct superior informed on what he was doing, he explains.

> *But I also operated on the principle that I had full latitude and empowerment to do anything that made sense to me—so long as it was not specifically ruled out by a regulation. When I ran into any regulation (or policy) that created a partial roadblock, I worked hard to be relieved of it. And in every case I succeeded. If other ways didn't work, I got permission to conduct a special "test."*
>
> *I've found top leaders much more likely to approve a "test" than they are to grant a prior approval for one part of the organization to be a completely different duckling.*

At one point, Creech made sure that Bob Stone, then assistant secretary of defense for installations, and his deputy, Doug Farbrother, visited Langley Air Force Base, TAC headquarters. Stone and Farbrother credit those visits with completely changing their management paradigms. They became the leading crusaders for decentralization and deregulation within the Department of Defense, and Creech helped them launch a "test" called the Model Installations Program. It gave 40 base commanders tremendous freedom to manage the way they saw fit, encouraging them to ask for waivers when regulations got in their way. After two years of success. Deputy Secretary of Defense William Howard Taft IV issued a memorandum applying the Model Installation approach to every defense installation. (See *Reinventing Government*, pp. 8-11 and 132-135.) While Creech went on to author a marvelous management book, *The Five Pillars of TQM*, Stone went on to become director of Vice President Gore's reinventing government initiative, the National Performance Review. Within his first two months on the job, he took Gore to Langley Air Force Base to see a reinvented organization for himself.

Creech's experience proves how much an organizational leader can do to carve out flexibilities from the system in which he works. As Creech says, it is often just a matter of guts:

> *At an impromptu get-together of wing commanders, several in the group I was sitting with were complaining about their lack of leadership latitude. 1 said I didn't feel that way at all—that I had all the maneuvering*

room needed—and I asked them to give me some examples. So they told me about things they perceived they couldn't do. I was doing all those things... My point is, a lot of the barriers to change are to be found in the minds of those who could carry it out, if only they would.

General Loh had the same attitude. Federal managers complain bitterly about the inspectors general, for example. Part of the auditing system, each IG's office has hundreds of auditors and inspectors—many of them former law enforcement people—who comb through the organization looking for wrongdoing. Created by Congress in the late 1970s, they are a legacy of the Watergate era. Unfortunately, they operate as an enormous barrier to innovation, because when reinventors try new things they often have to bend a few rules. The IGs typically slap their wrists, regardless of how petty the infraction or how silly the rule. When Vice President Gore held town meetings about reinvention in each department in 1993, he heard more bitter complaints about the IGs than about any other problem.

Departmental managers have no authority over their inspectors general. But Loh didn't let that stop him. He convinced the ACC inspector general to take on a new role: to help squadrons learn from one another by teaching best practices. When IG teams visit squadrons, they measure compliance required by law—for example, compliance with environmental laws, nuclear safety regulations, and flight safety requirements. But they now also share information about what other squadrons are doing well and help squadrons learn how to assess their own processes. Slowly the ACC has begun turning its old auditing system into part of a new learning system.

Recode Before You Reorganize

We trained hard, but every time we were beginning to form up into teams, we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing...and a wonderful method it can be for creating the illusion of progress while producing inefficiency and demoralization.

—Petronius, A.D. 66

The TAC/ACC story also illustrates the relationship between what we call strategy and organizational structure. Many public leaders instinctively reorganize when they want to improve performance. They reshuffle the organizational boxes—consolidating agencies and functions, eliminating duplication, and streamlining the organizational chart. The newspapers duly report

that the public's leaders are making big changes, but improved performance rarely follows.

Why? Because organizational structure is not a fundamental lever of change. Structure is dictated by the organizational DNA of purpose, incentives, accountability, power, and culture—not the other way around. When the genetic code is set to create stable bureaucracies, bureaucratic structures gradually evolve to fit the underlying DNA. Changing those structures without changing the DNA is foolhardy. It is like asking a right-handed person to pitch left-handed: the DNA keeps signaling that the right hand works better.

The Canadians copied the British Next Steps initiative by turning about 15 organizations into special operating agencies (SOAs), for instance. But they failed to change the SOAs' accountability, incentives, or power in any fundamental way. The result: their performance didn't change much. The DNA kept signaling the need for bureaucratic behavior. Frustrated by the half-hearted reform, SOA managers argued that they needed the sweeping flexibilities granted Next Steps agencies. One civil servant told Canadian academic Donald Savoie, "SOA no longer stands for Special Operating Agencies; it stands for Screwed Once Again."

We are not saying that structure is unimportant. It is very important. Bureaucratic structures are a huge barrier to reinventing government. At some point in the process of change it becomes imperative to change the structure. To make change last, reinventors must embed the new DNA in the organizational structure, just as they must embed it in the administrative systems, the work processes, and the people. But structural change is useful only *in tandem with* strategies to change the DNA. As management sage Peter Drucker says, structure is important, but "structure has to follow strategy."

Yet the "reorg" remains enormously popular with officials who want to create the impression of change, because it is much easier to reorganize than to recede. The TAC/ACC story shows how to accommodate this impulse. In any reorganization, *change the DNA first.* When Creech took apart the centralized functional silos of maintenance, supply, purchasing, and scheduling, he moved these functions into frontline teams working directly for their primary customers, the pilots. He empowered these teams to make their own decisions. And he measured and compared their performance. He used the control, consequences, and customer strategies. This is how restructuring should be done: it should create a new structure that flows logically from the new DNA.

Select Strategies Before You Select Tools

Finally, the TAC/ACC story illustrates the proper relationship between strategies and tools. Let us first be clear about our definitions. By strategies, we mean change efforts that rewrite the genetic code. By tools, we mean readily available practices that can be applied to implement those strategies. Making public organizations more accountable to their customers and empowering their employees to make decisions are strategies. Total quality management and business process reengineering are two tools—among many—that help implement those strategies.

Many reinventors begin by reaching for off-the-shelf tools, whether TQM or performance measurement or customer surveys. Often, they use these tools without connecting them to strategies capable of changing the basic DNA. They treat the tools as *add-ons* to a bureaucratic system. They create quality improvement teams, for example, without fundamentally decentralizing the organizational power structure. This is not only ineffective, it breeds cynicism. When TQM is used this way, employees are trained to use complicated analytic and process improvement tools, put into teams, and set to work fixing minor processes. But decisions about more important issues are still made upstairs—despite the fact that the employees know best how to fix them.

As a result, "Employees soon write 'TQM'... off as but one more in the long chain of crusades, all of which involved a new set of bugles and bangles," says Creech.

> *They can't be fooled by new slogans and innovative ways to hold meetings. They're either organized small, with real authority, or they're not. They're either given a greater voice, or they're not. They either receive a share of any added success they produce, or they don't. No group in America is better at sorting out the difference between mouth and movement than the frontline employees. They've had lots of experience.*

At TAC, Creech says, process improvement teams and quality tools helped, but only when the organization pushed authority down to frontline teams and created "new incentives to get every employee committed to eliminating defects at the source" did quality and productivity improve dramatically, "Centralism was strangling incentive as well as precluding ownership, so trying to graft somewhat better techniques onto that system would have availed us little."

In the absence of strategies, then, the effect of any tool is greatly weakened. Using tools without changing the DNA is like casting valuable seeds on barren ground. It is like trying to build a house by starting to hammer boards together, without a blueprint that tells you how the rooms are laid out or where the bearing walls will be. It can keep you busy, but it won't put a roof over your head.

Work Up and Down the System

If you don't believe it is possible to change your organization, you will find no shortage of good reasons why it cannot be done. "The politicians won't let us." "There's just too much bureaucracy." "We don't have enough power." But if the ACC example shows anything, it shows that excuses are just that: excuses. You *can* change your organization without the politicians. You *can* transform the world's largest, most bureaucratic organizations. You *can* leverage your power back up through the system, using your example to convince the level above you to reinvent.

Lessons for Managers from TAC/ACC

1. Don't wait for permission to reinvent.
2. Apply the five C's to your organizations, processes, and people.
3. Leverage change in the levels above your organization.
4. Fight for exemptions from administrative system rules.
5. Make sure your successors are reinventors.
6. Reinvent before you reorganize: structure follows strategy.
7. Use tools to reinvent only if they are embedded in strategies.

If you want to be successful, in fact, you must work both up and down your system. In the ACC, Generals Creech and Loh did this. In the U.K., high-level civil servants helped the politicians redesign the nation's governing systems and administrative systems, then sometimes shifted jobs to move the revolution through a specific organization, its work processes, and its people. When a determined handful of citizens and politicians brought public school choice to Minnesota, a process we will describe in chapter 13, they could not have succeeded without the help of key civil servants in the state Education Department and at the University of Minnesota.

Regardless of where you sit, in other words, you can generate leverage. Hence our second rule for reinventors: *The game has five levels; change as many as you can reach.*

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.

Chapter Two

p. I/34: Statistics on Operation Desert Storm: Bill Creech, *The Five Pillars of TQM: How to Make Total Quality Management Work for You* (New York: Dutton, 1994), pp. 120, 136.

p. I/34: "In the late 1970s,...": Osborne and Gaebler, *Reinventing Government,* pp. 255-256. These statistics originated with the Tactical Air Command. They were presented by General W. L. Creech in an address at the Armed Services Leadership and Management Symposium, in Oct. 1983, called "Leadership and Management—the Present and the Future." We have checked these statistics, as well as those from Creech's book, against statistics for other years provided us by TAC and its successor, the Air Combat Command—for example, those TAC submitted in 1989 for the U.S. Senate Productivity Award, which it won—and found them to be consistent.

p. I/35: Creech quotation: "Each squadron ...": Creech, *The Five Pillars of TQM,* pp. 129-130.

p. I/35: "He broke up the centralized supply operation,...": Jay Finegan, "Four-Star Management," *Inc.,* Jan. 1987, pp. 42-51.

p. I/35: "He moved aircraft parts . . *fix it right*' ": Creech, *The Five Pillars of TQM,* pp. 133-135.

p. I/35: "Creech asked frontline teams . . .": Ibid., p. 314.

p. I/36: Creech quotation: "Their 'new cost-awareness ...'": Ibid., p. 447.

p. I/36: "... titanium 'turkey feathers' ...": Ibid., p. 448.

p. I/36: Creech quotation: "Accountability for poor performance...": Ibid., pp.130-132.

p. I/36: "He also tried the culture strategy ... uniforms became commonplace": Ibid.pp. 52-53, 171-173.

p. I/36: "By 1983, TAC's productivity had increased 80 percent": Ibid., p. 35.

p. I/36: Crash rate statistics: Ibid., pp. 316-317.

p. I/36: Aircraft repair statistics and sortie rates: Ibid., p. 136.

p. I/37: "TAC did this without significant infusions of money or people": Creech, "Leadership and Management—the Present and the Future." The statistics we are referring to here cover the period 1978-1983. The Reagan defense buildup began with the fiscal year 1982 budget, which was passed in 1981. But because defense expenditures take a long time to wind their way down to military bases, the new money did not begin to be felt, according to General Creech, until at least 1983. Hence it had little impact on this period of improvement.

p. I/37: "And according to a 1984 analysis. ..": Creech, *The Five Pillars of TQM,* p. 137.

p. I/37: "By the late 1980s,...": Tactical Air Command presentation to the

examiners for the 1989 U.S. Senate Productivity Award, provided by Air Combat Command, Langley Air Force Base.

p. I/39: Statistics on ACC teams in Utah and Tacoma, and improvements in travel and pharmacies: John M. Loh, "Quality: The Leadership Dimension," presentation to the Aerospace Defense Quality Symposium, San Diego, California, Apr. 7, 1992; pp. 6-7.

p. I/39: "When Walmart wanted to benchmark ...": *Gore, Common Sense Government,* p. 83.

p. I/40: "The results showed significant improvement...": ACC survey and trend data, provided by Air Combat Command, Langley Air Force Base; and "ACC Quality," a presentation given by General Loh to the U.S. Senate Productivity Awards Examiners in 1993.

p. I/41: Creech quotation: "You can be a principal catalyst...": Creech, *The Five Pillars of TQM,* pp. 453-454.

p. I/41: "Stone and Farbrother credit those visits...": Personal communications with Bob Stone and Doug Farbrother.

p. I/41: Creech quotation: "At an impromptu get-together...": Creech, The Five Pillars of TQM, p. 454.

p. I/41: "When Vice President Gore held town meetings ...": From personal experience; David Osborne served as a senior advisor to Vice President Gore in 1993.

p. I/42: Petronius quote: Quoted in Rt. Hon lan Lang, MP, Secretary of State for Scotland, "The Government's View," *Eglinton Management Review,* Spring 1994, pp. 6-12.

p. I/43: "The result: their performance didn't change much": See *Special Operating Agencies: Taking Stock* (Ottawa: Auditor General of Canada, May 1994).

p. I/43: "One civil servant told ...": Savoie, *Thatcher, Reagan, Mulroney*, p. 241.

p. I/43: Drucker quotation: Quoted in Creech, *The Five Pillars of TQM*, p. 226, from Peter Drucker, *The Frontiers of Management.*

p. I/44: Creech quotation: "Employees soon write 'TQM'... off. . .": Creech, *The Five Pillars of TQM*, p. 235.

p. I/45: Creech quotation: "...new incentives ... availed us little": Ibid., pp.203-204.