

remaining purposeful; (2) the necessity of recognizing "political management" as a key function in public sector management; and (3) the need to recast our images of operational management to focus more attention on stimulating innovations of various kinds. Yet, I have not been entirely rigorous in either the sampling effort or the data collection and cannot claim the power that would come from that degree of rigor.

In the less rigorous test I have relied for evidence on feedback from practicing public managers who have been exposed to these ideas. Their testimony has been favorable and encouraging.

Still, in the end, I do not think I have proven anything. What I have done is nominate, for further consideration and testing, a complex set of ideas about how public managers should orient themselves to their jobs, diagnose their situations, and design their interventions. The methods I present differ from those many public managers now employ and from the ways they are taught and encouraged to think and act. This new approach is plausibly better adapted to the reality of the situations they now confront than what they have relied on in the past. And it may help them succeed in helping society by keeping their attention focused on the problem of defining and producing public value with the resources entrusted to them. That, at least, is my fervent hope.

## CHAPTER 1

# MANAGERIAL IMAGINATION

The town librarian was concerned.<sup>1</sup> Each day, at about 3:00 P.M., eddies of schoolchildren washed into the library's reading rooms. At about 5:00 the tide of children began to ebb. By 6:00 the library was quiet once again. An informal survey revealed what was happening: the library was being used as a day-care center for latchkey children. How should the librarian respond?

### THE TOWN LIBRARIAN AND THE LATCHKEY CHILDREN

Her first instinct was to discourage the emerging practice. After all, the influx disrupted the library. The reading rooms, quiet and spacious most of the day, became noisy and crowded. Books, particularly the fragile paperbacks, stacked after careless use in untidy heaps on library tables, slid to the floor with spines cracking. Tired assistants faced mountains of reshelving before they could leave for the day. The constant traffic to the bathrooms kept the janitor busy with special efforts to keep them neat, clean, and well stocked.

Besides, it just wasn't the town library's job to care for latchkey children. That task should be done by the parents, or perhaps other day-care providers, certainly not by the library. Perhaps a letter to the local newspaper reminding citizens about the proper use of a library would set things right. If that failed, new rules limiting children's access to the library would have to be established.

Then, she had a more entrepreneurial idea: perhaps the latchkey children could be used to claim more funds for the library from the town's tight budget.<sup>2</sup> She could argue that the new demands from latchkey children required additional resources. Additional staff would be needed to keep the children from disrupting other library users. Overtime funds would be necessary to pay assistants and janitors for tidying the library at the end of the day. Perhaps the library itself would have to be redesigned to create elementary and junior high school reading rooms. Indeed, now that she thought of it, the reconstruction work might be used to justify repainting the interior of the entire library—an objective she had had for many years. But all this would cost money, and a statewide tax revolt had left the town with sharply limited funds.

As the forbidding prospect of seeking funds from the town's Budget Committee came clearly into view, the librarian had a different idea: perhaps a program for the latchkey children could be financed by charging their parents for the costs of the new program.<sup>3</sup> Some practical problems loomed, however. For example, how much should she charge for the service?<sup>4</sup> She could fairly easily record the direct costs associated with providing the program and find a price that would cover these direct costs. But she was unsure how to account for indirect costs such as the managerial costs of organizing the activity, the depreciation of the building, and so on. If she included too few of these indirect costs in the price of the program, then the public as a whole would be unwittingly subsidizing the working parents. If she included too many, the town would be unwittingly taking advantage of working parents to help support their library.

She also thought that the town's citizens and their representatives might have views about whether it was appropriate for her to use the facilities of the library for a program of this type, and she could not be sure what those views would be. If she set up a fee-for-service program, would the town's residents admire her entrepreneurial energies or worry that she was becoming too independent?<sup>5</sup> Similarly, would they see serving the latchkey children as a worthy cause or as a service to a narrow and not particularly deserving group? She would clearly have to go back to the Town Meeting for guidance.<sup>6</sup>

Given the difficulties of charging clients for the service, the librarian had still another idea: perhaps the new service could be "financed" through volunteer effort.<sup>7</sup> Maybe the parents of the children could be organized to assume some of the responsibilities of supervising and cleaning up after the children. Maybe they could even be enticed to help the librarian make the changes in the physical configuration of the library—to accommodate the new function more easily and to maintain

an appropriate separation between the elderly people who used the library for reading and meeting and the children who used the library for the same purposes but more actively and noisily. The community spirit evident in such activities might overwhelm public concerns about the propriety of using the library to care for latchkey children and the complaints of some that public resources were being used to subsidize relatively narrow and unworthy interests.

Mobilizing a volunteer effort would be a complex undertaking, however. The librarian was unfamiliar with such enterprises. Indeed, all the things she had so far considered seemed difficult and unfamiliar since they involved her in outside political activity. Making a budget presentation to the town's Budget Committee and writing a letter about the problem to the newspaper were one thing; setting up a financially self-sustaining program and mobilizing a large group of volunteers were quite another.

Then, a last idea occurred to her: perhaps the problem could be solved by finding an answer within her own organization. A little rescheduling might ensure that there would be adequate staff to supervise the children, perhaps even to provide reading enrichment programs. Maybe some things could be rearranged in the library to create a special room for the program. Perhaps movies could sometimes be shown in this special room as part of the after-school program.

In fact, the more the librarian thought about it, the more it seemed that caring for these children in the library might be well within the current mission of her organization. It might give her and her assistant librarians a chance to encourage reading and a love for books that would last all the children's lives. Moreover, it seemed to her that the claims that these children and their parents made on the library were as proper as those made by the many others who used the library in different ways: the high school students who came in the evenings to complete research projects and gossip with one another, the elderly people who came to read newspapers and magazines during the day and to talk with their friends, even the do-it-yourselfers who came in to learn how to complete the project on which they had embarked without a clear plan.

As the librarian began to think about how her organization might respond to the new demands presented by the latchkey children, she also began seeing her organization in a new light.<sup>8</sup> Her professional training and that of her staff had prepared them to view the library as a place where books were kept and made available to the public. To fulfill this function, an elaborate system of inventorying and recording the location of books had been developed. An equally elaborate system to monitor

which citizens had borrowed which books, and to impose fines on those who kept books too long, had also been built. This was the core function of the library and the task with which the professional staff identified most strongly.

Over time, however, the functions of the library seemed to expand in response to citizen needs and the capacities of the library itself. Once the library had a system for inventorying books, it seemed entirely appropriate to use that system to manage a collection of records, compact discs, and videotapes as well. (Of course, the lending system for videos had to be changed a little to avoid competing with local commercial ventures.) The physical facility in which the books were kept had been enlarged and made more attractive to encourage reading at the library as well as at home. Heat was provided in the winter, and air conditioning in the summer, for the comfort of the staff and those who wished to use the library. Study carrels had been built for students. A children's room had been created with books and toys for toddlers. Increasingly, the library was being used to hold amateur chamber music concerts and meetings of craft societies as well as book review clubs.

As a result, the library had become something more than simply a place where books were kept. It was now a kind of indoor park used by many citizens for varied purposes. Who was to say that care for latchkey children was not a proper or valuable function for the library to provide if the librarian could think of a way to do so economically, effectively, and fairly, and with little cost to other functions of the library that had the sanction of tradition?

#### **PUBLIC MANAGERS AND PUBLIC MANAGEMENT**

The town librarian is a public manager. What makes her such is that a bundle of public assets has been entrusted to her stewardship. She is responsible for deploying those assets for the benefit of the town and its citizens. Presumably, one of her tasks as a manager is to find the most valuable use of those resources.<sup>9</sup> The particular question before her is whether it would be valuable to respond to the new demands being made on her organization to care for the latchkey children and, if so, how.

#### *An Important Doctrine*

In the United States public administrators have relied on a traditional doctrine describing how they ought to think about and do their jobs.<sup>10</sup>

The doctrine has been designed primarily to limit the prospect of self-interested or misguided bureaucrats aggrandizing themselves or leading the society toward some idiosyncratic or ill-considered conception of the public interest. It aims at keeping public sector managers firmly under democratic control.<sup>11</sup>

In this doctrine the purposes of a public enterprise such as a library are assumed to have been set out clearly in statutes enacted by legislative bodies or in formal policy declarations signed by elected chief executives.<sup>12</sup> As the hard-won results of sustained democratic debates, these formal mandates legitimate public enterprises: they authoritatively declare that the particular enterprises so established are in the public interest and can therefore properly claim social resources.<sup>13</sup> They also offer concrete operational guidance to managers by indicating what particular purposes are to be advanced by the particular public enterprises and what particular means may be used.<sup>14</sup> Taken together, the mandated purposes and means define the terms in which managers will be held accountable.<sup>15</sup>

For their parts, public managers are expected to be faithful agents of these mandates. Their duty is to achieve the mandated purposes as efficiently and as effectively as possible.<sup>16</sup> They are assumed to have substantive expertise in the field in which they work—to know the principal operational programs that can be used to produce desired results and to know what constitutes quality and effectiveness in their operations.<sup>17</sup> They are also expected to be administratively competent—to be skilled in devising the organizational structures and arrangements that can guide the organization to perform efficiently and effectively and in accounting for the financial and human resources entrusted to them so that it can be proven that public resources are not being stolen, wasted, or misused.<sup>18</sup>

This doctrine produces a characteristic mindset among public sector managers: the mindset of administrators or bureaucrats rather than of entrepreneurs, leaders, or executives.<sup>19</sup> Their orientation is *downward*, toward the reliable control of organizational operations rather than either *outward*, toward the achievement of valuable results, or *upward*, toward renegotiated policy mandates. Instead of viewing their task as initiating or facilitating change, they tend to see it as maintaining a long-term institutional perspective in the face of fickle political whims. Their principal managerial objective is to perfect their organizations' operations in traditional roles, not to search for innovations that can change their role or increase their value to the polity.

It is this view of public sector management that produces the librarian's first instinctive response to the latchkey children: a resound-

ing, bureaucratic "no." Indeed, viewed from the traditional perspective, her clear duty is not to respond to this new demand but to do the opposite: to do what she can to resist the new, unauthorized abuse of the public library.

Moreover, many of her staff, influenced by their past professional training to think about libraries in particular terms, would agree with this conclusion. So would many citizens who see the library through the same traditional lenses and would quickly conclude that the library should be quiet and not used for babysitting by negligent parents.

### *A Modest Challenge to the Prevailing Doctrine*

What is interesting and important about this town librarian, however, is that she goes beyond this instinctive reaction. Her second reaction—to use the issue of the latchkey children to gain additional financing for the library—reflects a common, if often covert, response of public managers.<sup>20</sup> (Indeed, it is precisely this response that makes taxpayers so determined to keep the managers under tight control.)

Reflecting the winds of change in managerial thought now sweeping over the public as well as the private sector, the librarian's managerial imagination strays beyond her traditional mandate and beyond her instinct for bureaucratic entrepreneurship.<sup>21</sup> She steps outside the conventional restrictions on her job in imagining what could be done.

Instead of viewing the new demands being made on the library as a problem, she sees them as an opportunity. She senses that there may be some value to be created for at least some of the town's citizens by allowing, or even encouraging, the latchkey children to use the library. She begins thinking about how the achievement of that value might be financed, authorized, and produced.

In these respects the public librarian begins thinking as society expects private sector executives to think. She focuses on the question of whether the bundle of assets and capabilities represented by the library can be used to create additional value for the town. She does not assume that her resources are immutably fixed, or that her mission is narrowly and inflexibly inscribed in stone, or that her organization is capable of producing only what it is now producing. Instead, she uses her imagination to think of how she might reposition and adapt her organization to accommodate the new demands of the latchkey children. In short, she is thinking like a leader or entrepreneur.

To many, such thoughts in the minds of public managers are troublesome and ought to be discouraged, particularly if, as in this case, the

manager is a professional civil servant rather than an elected or appointed political executive.<sup>22</sup> Citizens take a particularly dim view of initiatives undertaken by bureaucrats because they suspect civil servants of being self-serving or of pursuing their own idiosyncratic ideas of the public interest.<sup>23</sup> They also resent the fact that civil service systems insulate the bureaucrats to some degree from direct public accountability. Because citizens can hold elected and appointed public officials accountable at the ballot box, they ordinarily grant these officials wider leeway to initiate new public enterprises. But citizens view the initiatives of even elected and appointed officials with a jaundiced eye, for their entrepreneurship often seems focused on winning votes by satisfying special interests rather than on finding and producing something publicly valuable.<sup>24</sup>

To the extent these observations are true, they underscore an obvious but often overlooked social fact: society has much different expectations of its public than of its private managers. We are inclined to view imagination and initiative among (unelected) public sector executives as dangerous and contrary to the public interest, while we perceive exactly the same qualities among private sector executives as not only tolerable but ultimately conducive to society's economic welfare.

No doubt, many reasons exist for these contrary expectations. Because the political mechanisms that oversee public enterprises are arguably more vulnerable to managerial influence and deception than the financial mechanisms that control private sector enterprises, public managers may have to be reined in more tightly than private sector managers.<sup>25</sup> Because the decisions of public managers bind all citizens, their initiatives must be reviewed far more closely than the decisions of private sector managers, whose decisions are taken for the benefit of only a few (voluntary) principals.<sup>26</sup> Because the results of managerial decisions are more subjective and (often) slower to appear in the public sector than in the private, the public sector cannot rely as heavily as the private sector does on holding managers accountable after the fact for their performance.<sup>27</sup> And so on.

But these different expectations have an important consequence not widely acknowledged or discussed. By discouraging thoughts such as those the librarian is having, and the actions that could follow from her thoughts, society denies its public sector the key ingredient on which its private sector specifically relies to remain responsive, dynamic, and value creating: namely, the adaptability and efficiency that come from using the imaginations of people called managers to combine what they can sense of public demands with access to resources and control over operational capacity to produce value.

Of course, society may actually be benefiting from the imagination and industry of public sector managers who have long chafed under these restrictions and found ways to circumvent them to society's benefit.<sup>28</sup> But the point is that society has gotten this benefit undeservingly: it has not organized its relations with public managers to demand, expect, reward, or value such efforts. Inevitably, then, society gets fewer such contributions than it would if it organized itself to expect or demand or simply allow them.

### *Strategic Management in the Public Sector*

There is a different and more useful way to think about the role of public sector managers: one that is closer (but by no means identical) to the image society has of managers in the private sector. In this view public managers are seen as explorers who, with others, seek to discover, define, and produce public value. Instead of simply devising the means for achieving mandated purposes, they become important agents in helping to discover and define what would be valuable to do. Instead of being responsible only for guaranteeing continuity, they become important innovators in changing what public organizations do and how they do it.

In short, in this view, public managers become strategists rather than technicians.<sup>29</sup> They look *out* to the value of what they are producing as well as *down* to the efficacy and propriety of their means. They engage the politics surrounding their organization to help define public value as well as engineer how their organizations operate. They anticipate a world of political conflict and changing technologies that requires them to reengineer their organizations often instead of expecting a stable harmony that allows them to perfect their current operations.<sup>30</sup> In such a world the librarian's ruminations about how to use the library to meet the needs of latchkey children would be viewed as a potentially valuable asset rather than as the dangerous thoughts of an empire-building bureaucrat.

The principal reason to worry about this alternative conception, of course, is that it threatens precisely what the familiar, traditional conception was designed to avoid—namely, the domination of the democratic political process by self-serving or misguided bureaucrats.<sup>31</sup> The traditional view has the problem, however, of not only suppressing some potentially useful contributions by public sector managers but also failing to deliver on its promise to protect the political process from bureaucratic influence in the first place.

Indeed, almost as soon as the traditional doctrine was developed it began to be undermined by determined scholarship showing that main-

taining a rigorous distinction between policy and administration was both theoretically and practically impossible.<sup>32</sup> In theory, the orthodox view discouraged bureaucrats from exercising much imagination about the proper purposes of government and prevented them from taking any responsibility for defining them. In practice, the doctrines could not prevent unelected public managers from doing both. Resourceful public officials, with agendas of their own, routinely found covert ways to shape the government's conceptions of the public interest.<sup>33</sup> Moreover, the covert nature of their influence turned out to be particularly pernicious because it frustrated accountability and turned those involved into corrupted cynics.<sup>34</sup>

An alternative approach to controlling managerial influence would be to recognize its potential utility, as well as inevitability, and to provide more formal channels through which managerial ideas about opportunities to create public value could be properly expressed. It would also be important to teach public managers how to search for and define public value more properly and effectively than they now do. Such efforts would help society make a virtue of necessity. They would allow society to have the benefit of the experience and imagination of public sector managers without having to yield to their particular conceptions of the public interest. And it is this piece of work that has not yet been done. Having forever undermined the traditional doctrines of public administration, we have not yet carefully constructed an alternative idea about how public managers should think and act.

### **AN ALTERNATIVE APPROACH TO PUBLIC ADMINISTRATION**

That is the basic purpose of this book: to work out a conception of how public managers like the town librarian could become more helpful to society in searching out and exploiting opportunities to create public value. It is predicated on the judgment that society needs value-seeking imaginations (and associated technical skills) from its public sector executives no less than from its private sector managers.<sup>35</sup> To develop such a conception, I take the following steps.

In Chapter 2, I discuss the aim of managerial work in the public sector. I argue that managers should seek "to produce public value." Because that is an abstract concept, I then offer some ideas about how managers should reckon the public value of the enterprises they lead.

This, it predictably turns out, is no small task. There are many different standards for measuring public value, and none alone is up to the

task. For example, both democratic theory and practical concerns would focus attention on how satisfied elected overseers of the enterprise seemed to be with the organization's performance. Alternatively, using the techniques of program evaluation, a manager could determine whether, and how efficiently, the organization achieved its (politically mandated but analytically defined) substantive purposes.<sup>36</sup> Or, using the techniques of benefit-cost analysis, we could estimate how much value individual beneficiaries of the enterprise gained relative to the price that those who supported the enterprise had to pay.<sup>37</sup> Finally, capitalizing on some loose analogies with private sector management, and aligning ourselves with the current enthusiasm for "customer-driven government," we could estimate the value of the organization by gauging the satisfaction of those who interacted with the organization as clients or customers.<sup>38</sup>

Arguably, each of these standards has some basis for helping managers (and the rest of us citizens) determine the value of public enterprises. But the different standards are not necessarily consistent with one another, and each of these methods has its own weaknesses.

Despite the difficulties, some important observations can be made to orient public managers toward their task. Not the least of these is that it is always worth asking the question. Indeed, continually questioning the value of public enterprises is one of the things that can help managers become purposeful and creative in their work for our collective benefit.

Because public managers must ultimately act on some theory of public value, Chapter 3 develops a practical method for envisioning value in particular circumstances. The method adapts the concept of corporate strategy from the private sector to the special circumstances of the public sector.<sup>39</sup> I argue that a useful, conditional conception of public value can be envisioned by public managers if they integrate: (1) substantive judgments of what would be valuable and effective; (2) a diagnosis of political expectations; and (3) hard-headed calculations of what is operationally feasible.<sup>40</sup> In short, in envisioning public value, managers must find a way to integrate politics, substance, and administration.

A strategic triangle can help us conceptualize this basic argument. This image focuses managerial attention on the three key questions managers must answer in testing the adequacy of their vision of organizational purpose: whether the purpose is publicly valuable, whether it will be politically and legally supported, and whether it is administratively and operationally feasible.

The triangle also serves as a device for reminding managers of the key functions and tasks that they will have to perform to help them define

and realize their vision. Specifically, it highlights three different aspects of their job: (1) judging the value of their imagined purpose; (2) managing upward, toward politics, to invest their purpose with legitimacy and support; and (3) managing downward, toward improving the organization's capabilities for achieving the desired purposes. These, in turn, become the focus of subsequent chapters in the book.

Chapters 4 and 5 explore the function and techniques of political management—the part of strategic management that is concerned with managing upward, toward politics. In Chapter 4, I explain why political management is an important part of a public manager's job and how to diagnose political environments. Managers must mobilize support and resources for the organizations they lead while enlisting the aid of others beyond their organizational boundaries who can help them achieve the substantive results for which they are held accountable.<sup>41</sup> In Chapter 5, I characterize five different approaches to the tasks of political management including entrepreneurial advocacy,<sup>42</sup> the management of policy development,<sup>43</sup> negotiation,<sup>44</sup> public deliberation and leadership,<sup>45</sup> and public sector marketing.<sup>46</sup> Because the political management function is the part of the manager's job that is most threatening to democratic values, I give special attention to the question of what is proper, as well as to what is effective.<sup>47</sup>

Chapters 6 and 7 focus on the parts of strategic management that are concerned with managing downward, toward one's organization. Chapter 6 presents a framework to be used in analyzing the "products" produced by public sector organizations, the production process that the organization is relying on, and the ways in which that process is being shaped and guided by the organization's administrative systems.<sup>48</sup> Because the concept of strategic management assumes a changing political and task environment, I emphasize the techniques that managers use to innovate and to encourage continued innovation in their organizations.<sup>49</sup> Thus, Chapter 7 explores the techniques that managers use to introduce strategically important innovations into their organizations.

Finally, in Chapter 8, I return to the questions raised in this first chapter: namely, what sort of consciousness or temperament is required of public sector managers if they are to be successful in managing both effectively and democratically? I contend that public managers must make ethical commitments and cultivate psychological stances if they are to succeed (or gain virtue) as public managers.<sup>50</sup>

Before we get to matters of technique and finally virtue, however, we must consider the crucial matter of public value, the topic of the next chapter.

**DEFINING PUBLIC VALUE**

On the day he was appointed, the sanitation commissioner drove through the city.<sup>1</sup> Everywhere he saw signs of public and private neglect. Trash barrels left too long at the curb were now overflowing. Back alleys hid huge, overflowing bins that had never made it to the curbs. Emptied bins were ringed by trash spilled during the emptying. In the poorer sections of town, rats scurried among the cans.

Perhaps because he was newly appointed, the commissioner felt his public accountability quite keenly. The city spent a great deal of money each year to sustain the organization's activities. Hundreds of employees earned their pay and made their careers in his organization, and scores of trucks were garaged, maintained, and deployed under his supervision. Most important, millions of people relied on his organization to keep the city clean and healthy.

Happily, as he drove through the city, he saw evidence of his organization at work. Huge trucks, painted in distinctive colors, rumbled by, trailed by sanitation workers who tipped garbage pails into their gaping maws. Street-cleaning machines trundled along the gutters in the wake of the tow trucks that removed illegally parked cars from their path. An occasional street sweeper appeared with broom and dustbin, emptying the cans that had been set out to hold the public's litter.

Still, he could not help thinking that his organization could do more. As the newly appointed commissioner, he wanted to make a difference. He wanted his organization to have an impact on the conditions he could

see around him. He wanted to create value for the citizens of the city. But how?

The question seemed particularly urgent because the newly elected mayor had asked him to define and set out his management objectives for the Department of Sanitation. As part of that strategic plan, the mayor wanted to know whether it would be advisable to privatize some or all of the operations of the Department of Sanitation.

### THE AIM OF MANAGERIAL WORK

The sanitation commissioner is a manager at work. The question is: At work on what? What is the point of his efforts?

We know the aim of managerial work in the private sector: to make money for the shareholders of the firm.<sup>2</sup> Moreover, we know the ways in which that goal can be achieved: by producing products (including services) that can be sold to customers at prices that earn revenues above the costs of production.<sup>3</sup> And we know how managerial accomplishments can be gauged: through financial measures of profit and loss and changes in the firm's stock price.<sup>4</sup> If private managers can conceive and make products that earn profits, and if the companies they lead can do this continually over time, then a strong presumption is established that the managers have created value.<sup>5</sup>

In the public sector, the overall aim of managerial work seems less clear; what managers need to do to produce value far more ambiguous; and how to measure whether value has been created far more difficult. Yet, to develop a theory of how public managers should behave, one must resolve these basic issues. Without knowing the point of managerial work, we cannot determine whether any particular managerial action is good or bad. Public management is, after all, a normative as well as technical enterprise.

As a starting point, let me propose a simple idea: the aim of managerial work in the public sector is to create *public* value just as the aim of managerial work in the private sector is to create *private* value.

This simple idea is often greeted with indignation—even outrage. A liberal society like ours tends to view government as an “unproductive sector.” In this view government cannot create value. At best, it is a necessary evil; a kind of referee that sets out the rules within which a civil society and a market economy can operate successfully, or an institution that fills in some of the gaps in free market capitalism. While such activities may be necessary, they can hardly be viewed as value creating.

### Government as a Value-Creating Sector

But this view denies a reality that public managers experience daily. From their perspective it is government, acting through its managers, that shields the country from foreign enemies, keeps the streets safe and clean, educates the children, and insulates citizens from many man-made and natural disasters that have impoverished the lives of previous human generations. To them it seems obvious that government creates value for the society. That is the whole point of their work.

Of course, this account is not entirely satisfactory: it looks only at the benefits of governmental activity, not at the costs. In reality public managers cannot produce the desirable results without using resources that have value in alternative uses. To keep the streets clean; to insulate the disadvantaged from the ravages of poverty, ignorance, and joblessness; even to collect the taxes that society has agreed are owed, public managers must have money to purchase equipment, pay their workers, and provide mandated benefits to clients. The money they use is raised through the coercive power of taxation. That money is lost to other uses—principally, private consumption. That loss must be laid against the putative benefits of public enterprises.

Moreover, to achieve their goals, public managers often use a resource other than money; they use the authority of the state to compel individuals to contribute directly to the achievement of public objectives.<sup>6</sup> Litterers are fined to help keep the cities clean; welfare recipients are sometimes obliged to find work; and every citizen is made to feel the weight of the obligation to pay taxes to help the society achieve its collective goals.<sup>7</sup>

In a society that celebrates private consumption more than the achievement of collective goals, values individual liberty greatly, and sees private entrepreneurship as a far more important engine of social and economic development than governmental effort, the resources required by public managers are only grudgingly surrendered. So, it is not enough to say that public managers create results that are valued; they must be able to show that the results obtained are worth the cost of private consumption and unrestrained liberty forgone in producing the desirable results. Only then can we be sure that some public value has been created.

### The Political Marketplace: “We Citizens” as a Collective Consumer

But to whom should such a demonstration be made? And how could anyone know whether the demonstration is convincing?



In the private sector these key questions are answered when individual consumers stake their hard-earned cash on the purchase of a product, and when the price paid exceeds the costs of making what is sold. These facts establish the presumptive value of the enterprise. If individuals do not value the products or service enough to pay for them, they will not buy them; and if they do not buy them, the goods will not be produced.<sup>8</sup>

In the public sector, however, the money used to finance value-creating enterprises is not derived from the individual, voluntary choices of consumers. It comes to public enterprises through the coercive power of taxation. It is precisely that fact that creates a problem in valuing the activities of government (at least from one point of view).<sup>9</sup>

The problem (from this point of view) is that the use of the state's coercive power undermines "consumer sovereignty"—the crucial link between the individual judgments of value on the one hand and control over what is to be produced on the other, which provides the normative justification for private sector enterprises.<sup>10</sup> The coercion blots out the opportunity for individuals to express their individual preferences and to have those preferences control what is to be produced. Because individuals do not choose individually to purchase or contribute to discrete governmental activities, we cannot be sure that they want what the government supplies. And if we cannot be sure that individuals want what the government produces, then, by some reckoning at least, we cannot be sure that the government produces anything of value.

What this account overlooks, however, is that the resources made available to public sector managers *are* made through a process of voluntary choice—namely, the process of representative government. To be sure, *individual*, voluntary choice does not control this system. But the institutions and processes of representative democracy come as close as we now can to creating the conditions under which individuals can voluntarily assemble and decide collectively what they would like to achieve together without sacrificing their individual desires. It is the only way we know how to create a "we" from a collection of free individuals.<sup>11</sup> That "we," in turn, can decide to make common cause, to raise resources, and to organize to achieve its goals—all the activities that go into the policy-making and implementation roles associated with government.

Indeed, it is the explicit recognition of the power of politics to establish normatively compelling collective purposes that makes legislative and political mandates central to traditional conceptions of public administration. Those legislative mandates properly guide public sector production specifically because they define collective aspirations. The collective aspirations, in turn, establish a presumption of public value as

strong as the presumption of private value created by market mechanisms—at least if they can be achieved within the terms of the mandate. So, we should evaluate the efforts of public sector managers not in the economic marketplace of individual consumers but in the political marketplace of citizens and the collective decisions of representative democratic institutions.<sup>12</sup>

Precisely to make such demonstrations the sanitation commissioner prepares a plan to present to the newly elected mayor. In doing so, he tries to satisfy representatives of the public that his organization responds to the public's aspirations. Once he presents the plan, he will be accountable for producing measures to show that the goals and objectives of the plan have, in fact, been achieved.<sup>13</sup>

The claim that public managers can presume that public value is created if they meet the test of the political marketplace is also often greeted by derision. We have all become painfully aware of the folly and corruption that can beset the deliberations and choices of representative democratic institutions.<sup>14</sup>

Practicing public managers, however, have no choice but to trust (at least to some degree) in the normative power of the preferences that emerge from the representative processes. Those choices establish the justification for managerial action in the public sector. Because public managers spend public resources in the enterprises they lead, they must act as though a coherent and normatively compelling "we" existed even if they have their doubts. Otherwise, their enterprises are ill-founded.

#### DIFFERENT STANDARDS FOR RECKONING PUBLIC VALUE

Reconciling the tension between the desire to have democratic politics determine what is worth producing in the public sector and the recognition that democratic politics is vulnerable to corruption of various kinds has been the persistent challenge to those who would offer a theory of public management in a democracy.<sup>15</sup> Over time, we have relied on different concepts as standards for defining managerial purposes.

#### *Achieving Mandated Objectives Efficiently and Effectively*

For most of our recent history, the predominant conception has been that public managers should work to achieve the legislatively mandated goals and objectives of their organizations as efficiently and effectively

as they can.<sup>16</sup> Thus, the sanitation commissioner's job is to clean the streets as efficiently and effectively as possible.

It is quite easy to agree with this conception. Yet, reflection reveals an important feature of this common standard that is often overlooked or taken for granted: namely, this standard establishes the preeminence of *political*—primarily legislative—processes in determining what is valuable for the public sector to produce. To those who value politics as a way of creating a collective will, and who see democratic politics as the best answer we have to the problem of reconciling individual and collective interests, it is hardly surprising that the political process would be allowed to determine what is worth producing with public resources.<sup>17</sup> No other procedure is consistent with the principles of democracy.

But to those who distrust the integrity or utility of political processes, the idea that public value would be defined politically is a little hard to stomach. They have seen too much corruption to trust the determination of public value to political processes. At a minimum these critics want assurances that the political process is a principled one that accepts the proper limits of governmental action or meets some minimal standards of fairness and competence in the deliberations that produce the mandates.<sup>18</sup> Alternatively, they would prefer some more objective ways of ascertaining the value of public sector enterprises and some platform for confronting political processes with this objective information.<sup>19</sup>

#### *Politically Neutral Competence*

At the turn of the century Woodrow Wilson offered a solution: separate politics from administration and perfect each activity in its own sphere.<sup>20</sup> Thus, public administrators were to imagine that political mandates came to them in the form of coherent, well-defined policies. As the hard-won products of intense political processes, the policies would have all the moral weight that effective democratic politics could give them.

Given this accomplishment of politics, public administrators could then safely turn their attention to finding the most efficient and effective way to achieve the mandated purposes. To meet these responsibilities, the public administrators were assumed to have knowledge about both the substance of the fields in which they were operating and the arts of administration.<sup>21</sup> By knowing what could be produced and how organizations could be made to produce what was desirable public administrators earned their keep.

However, this traditional conception failed to consider what would happen if the political reality fell short of the ideal. Often, political

mandates came loaded down with special interests that were hard to reconcile with the desire to guard the general public interest.<sup>22</sup> Other times, managers received incoherent mandates: they were expected to produce several different things that were inconsistent with one another and were given no useful instructions about which goals and objectives should take precedence over others when conflicts arose.<sup>23</sup> Still other times, political mandates shifted in arbitrary and unpredictable ways, destroying investments and draining momentum that had previously been built up and would be needed again once the political balance was restored to its original position.<sup>24</sup>

Facing this political reality, even Wilsonian public administrators sometimes found it necessary to challenge the wisdom of politically expressed policy mandates. They did so on the basis of their moral obligations to defend the general public interest and preserve the continuity of important public enterprises.<sup>25</sup> In their minds their substantive and administrative expertise gave them the right to stand up to the misguided vagaries of politics. In the pantheon of bureaucratic heroes, the image of a civil servant who challenged badly motivated politicians to defend the long-term public interest stands right alongside the dutiful, responsive servant.

Once revealed, this sort of bureaucratic resistance to political mandates could not stand in a democracy such as ours. Indeed, a favorite target of our populist politics is the bureaucratic mandarin. As a result, much of this bureaucratic resistance went underground. It became a covert but legitimate rationale for bureaucrats of all political stripes to conduct guerrilla warfare against political demands for change on the grounds that the politicians were ill-informed, short-sighted, or badly motivated.

#### *Analytic Techniques for Assessing Public Value*

Yet politics, too, is mistrusted in our political culture, and soon a new platform for disciplining and rationalizing democratic politics emerged. This new platform was established on a new kind of expertise. Whereas the traditional theory of public administration acknowledged the substantive and administrative expertise of professionals (developed through professional experience and education), the new formulation held that special analytic techniques, drawn from the fields of economics, statistics, and operations research, could be used objectively to gauge in advance—or to learn after the fact—whether public enterprises were valuable or not.<sup>26</sup> The new techniques included policy analysis, program

evaluation, cost-effectiveness analysis, and benefit-cost analysis. Reformers hoped that use of these techniques could infuse policy deliberations with objective facts about the extent to which proposed initiatives could be expected to work and the extent to which the costs of government efforts could be justified by general benefits to society.

There is much to be said about whether these techniques have lived up to their promise—much more than can be said here. From the perspective of someone analyzing their overall impact on policy-making, one can fairly say that the techniques are neither routinely used nor invariably powerful when they are.<sup>27</sup> Still, they have succeeded in changing the political discourse about governmental programs. They have increased the appetite of the political process for fact-based arguments about the extent to which government programs achieve their stated objectives or serve the general interest.<sup>28</sup> }

In discussing the utility of these techniques to managers' efforts to define and measure the value of what they are achieving, however, three points seem key. First, for reasons that are not entirely obvious, these techniques seem to be more valuable in estimating the value of particular programs or policies than the overall value of an organization's efforts. One reason, I suspect, is that to deploy these techniques successfully, managers must have narrowly specified objectives and narrowly specified means for achieving the objectives. Specific objectives and specific means are precisely what define governmental policies and programs.

In contrast, an organization is rarely easily conceptualized as a single program or policy. Often, organizations incorporate bundles of programs and policies. The different programs and policies may have been combined to achieve some larger coherent purpose, but the achievement of that larger purpose is often exceedingly difficult to measure and even harder to attribute to the overall operations of any single organization.

It may also be important that, as already mentioned, public organizations have some kind of capital value rooted in their ability to adapt and meet new tasks and challenges. To the extent that they do, an evaluation of their performance in existing tasks and programs would not capture their full benefit to the society. In any case, use of these techniques to evaluate programs and policies has been far more common than their use in assessing the overall value produced by public organizations.

Second, we should distinguish between the use of these techniques to estimate in advance of action whether a particular governmental initiative will prove valuable or not and the use of these techniques after a program has been tried to determine whether it was successful. Policy

analysis often focuses on the first, program evaluation on the second. The distinction is particularly important when one uses comparisons with private sector management to offer guidance to public sector managers about how they could better reckon the value of their enterprises.

As noted above, the private sector seems to have a far more reliable way of measuring the value of its production than the public sector. The revenues and profits earned from selling particular products and services—that is, the famed bottom line—provides a direct measure of a private sector enterprise's success. What is interesting about profitability, however, is that it measures what happened in the past. That piece of information is taken very seriously in the private sector, partly because it can be used to hold managers accountable and give them incentives for performance, but also because it gives private sector managers an advantage in thinking about the future. Indeed, many private sector firms have been advised to reduce their reliance on strategic planning efforts designed to produce more accurate predictions about the future and, instead, to rely on their ability to react quickly to the market conditions they encounter through their current operations.

Thus, the lesson from the private sector seems to be that it is extremely valuable to develop accurate information about performance in the past rather than concentrate all one's efforts on guessing about the future. To the extent this is true, it follows that public sector agencies should be focusing more on program evaluation and less on policy analysis. My impression, however, is that they do the opposite. This is unfortunate, for the inconsistent attention given to program evaluation deprives the public sector of the kind of accountability, incentives for action, and capacity to react quickly that the private sector has gained by paying close attention to its bottom line. }

Third, we need to look at what sorts of preferences public enterprises are designed to satisfy. Most often, analytic techniques are presented as though they were all useful tools designed to help government learn whether its efforts are valuable or not. Among them, benefit-cost analysis is usually presented as the superior technique, the one that is most general and most reliably linked to value. The only reason not to rely on benefit-cost analyses is that they are more difficult to complete. Thus, program evaluation and cost-effectiveness analysis are presented as poor second cousins to benefit-cost analysis.

Yet I see an important conceptual distinction among the techniques and would argue that for most public purposes, program evaluation and cost-effectiveness analysis are the conceptually as well as practically superior approaches. Benefit-cost analysis, taking guidance from the

principles of welfare economics, assumes that public sector activities should be valued by individuals sizing up the (positive or negative) consequences for them as individuals. In contrast, the techniques of program evaluation and cost-effectiveness analysis find their standard of value not in the way that individuals value the consequences of government policy but instead in terms of how well the program or policy achieves particular objectives set by the government itself. Thus, program evaluation measures how well the program achieves its intended purposes, and those purposes are inferred from the language of the statutes or policies that authorized it. Cost-effectiveness analysis measures how well a particular governmental effort scored with respect to a particular set of purposes that had been defined for that particular effort—probably with the help of professionals who could help government policymakers define what constituted a valuable kind of “effectiveness.”

In short, both program evaluation and cost-effectiveness analysis define public value in terms of collectively defined objectives that emerge from a process of collective decision-making, whereas benefit-cost analysis defines value in terms of what individuals desire without reference to any collective decision-making process. The reliance of benefit-cost analysis on pure individual preferences is, of course, what makes it a conceptually superior approach to welfare economists. But to those who believe in the capacity of a political process to establish an articulate collective aspiration, and who believe that this is the most appropriate guide to public action, program evaluation and cost-effectiveness analysis seem the better techniques precisely because they look away from individual preferences and toward collectively established purposes.

#### *Focusing on Customer Service and Client Satisfaction*

More recently still, public administrators have developed a new conception of how to gauge the value of their enterprises: borrowing from the private sector, they have embraced the goal of customer service, and committed themselves to finding the value of their efforts in the satisfaction of their “customers.”<sup>29</sup> This idea has some important virtues. Insofar as it encourages government managers to think about the quality of the interactions that government agencies have with citizens whom they encounter as clients, and to make those encounters more satisfactory, much good will come of adopting this perspective. We have

all had our fill of rude bureaucrats and badly designed governmental operations and procedures.

Yet, this idea, too, has flaws. It is by no means clear who the customers of a government agency are. One naturally assumes that they are the *clients* of government organizations—the citizens the organization encounters at its “business end” through individual encounters or transactions.

Insofar as government provides services and benefits to citizens, that model seems to work fairly well. But government is not simply a service provider. Often it is in the business of imposing *obligations*, not providing services.<sup>30</sup> This is true for police departments, environmental protection agencies, commissions against discrimination, and tax collectors among others. These organizations meet individual clients not as service providers but as representatives of the state obliging clients to absorb a loss on behalf of the society at large.

Of course, it may be valuable for regulatory and law enforcement organizations to think of the citizens whom they regulate as customers and to design their “obligation encounters” with as much care as “service encounters” now are.<sup>31</sup> Nevertheless, it is unreasonable to imagine that regulatory and enforcement agencies find their justification in the satisfactions of those whom they compel to contribute to public purposes. More likely, the justification comes from the generally attractive consequences for others of imposing particular obligations on a few. Moreover, there may be many others than those obliged who are interested in the justice or fairness with which the obligations are imposed, the fairness they would wish for themselves if they were similarly obliged.

The point is important because it reminds us that service-providing agencies, too, are judged and evaluated by citizens as well as by those who are clients of the organization. Consider welfare departments, for example. In evaluating the performance of the welfare department, we need to know how clients feel about the services they receive. But we cannot rely on their evaluation as the only or even the most important way of judging the value of the services provided. Citizens and their representatives want to be sure that the total cost of the program remains low, that no one steals from the program (even if it costs more to prevent the stealing than would have been lost if the stealing occurred), and even that the clients experience some degree of stigmatization in enrolling in the welfare program (to mark the distinction between those who can be independent and those who must rely on the state).

In short, it is important to distinguish the evaluation that *citizens* and their representatives give to governmental activities from the evaluation that would be given by *clients*. The arrested offender is not in a particu-

larly good position to judge the value of the police department's operations. And the welfare client might not be either. The ultimate consumer of government operations is not the individuals who are served or obliged in individual encounters (the clients of the enterprise) but citizens and their representatives in government who have more general ideas about how a police department should be organized or welfare support delivered. They decide what is worth producing in the public sector, and their values ultimately matter in judging whether a governmental program is valuable or not.

In the end none of the concepts of "politically neutral competence," "policy analysis" and "program evaluation," or "customer service" can finally banish politics from its preeminent place in defining what is valuable to produce in the public sector. Politics remains the final arbiter of public value just as private consumption decisions remain the final arbiter of private value. Public managers can proceed only by finding a way to improve politics and to make it a firmer guide as to what is publicly valuable. That is why political management must be part of our conception of what public managers should do.<sup>32</sup>

To see how these general considerations might affect the perceptions and calculations of public sector managers, let us return to the problem faced by the sanitation commissioner at the beginning of the chapter. How ought he to think about the question of what value he is creating, for whom, and how?

#### **MUNICIPAL SANITATION: AN EXAMPLE**

The sanitation commissioner has inherited a public enterprise. Assets (in the form of tax dollars, public authority, buildings, trucks, and the cumulative experience of his organization) have been entrusted to him to accomplish more or less well-defined public purposes. It is his responsibility for the deployment of these publicly provided assets that makes him a public manager. At the time he takes office, the assets are not entirely fungible: they are already committed to particular modes of operation determined by the organization's traditions, standard operating procedures, and technologies.<sup>33</sup>

The current operations produce a particular set of consequences. Citizen groups, the media, city councillors, and the mayor cluster around the enterprise, continually offering advice about how the assets should be redeployed—including the recommendation that the resources be returned to private individuals or spent to support private enterprise rather than public bureaucracies.<sup>34</sup>

Partly because the purposes are defined generally rather than specifically, partly because overseers of the enterprise disagree about what should be done, and partly because the managers themselves are viewed as experts in defining and solving the problems that the society faces, the sanitation commissioner has some discretion in both proposing and deciding how the assets should be deployed.<sup>35</sup> His problem, then, is to judge in what particular ways the assets entrusted to him could be redeployed to increase the value of the enterprise for which he is (temporarily) responsible.<sup>36</sup>

#### *The Product of Garbage Collection*

At the outset, simple inspection of departmental operations seems to reveal what value is being produced: the department makes the city's houses, streets, and alleyways cleaner than they otherwise would be. But this observation triggers another question: why are such consequences *valuable*? Once this question arises, the analysis departs from observations of physical events and enters the realm of assertion about what citizens do (or perhaps should) value.

Note that this issue would not come up if garbage collection services were sold in the market. Then, the value that citizens attached to clean streets would be manifest in their willingness to buy the service. It is only when tax dollars finance the activity that the manager responsible for deploying this asset must give a general, politically acceptable answer to the question of why the service is valuable. The public financing of the activity breaks the link between individual desires (expressed through an individual's willingness to spend his or her own money) and the product that is delivered. It not only raises doubts about individual citizens' desires for the service (and therefore its value), but also makes it necessary to explain the value of the enterprise in terms that would be satisfactory to the community as a whole (not just to the beneficiaries of the service).

The necessity of giving a general, politically acceptable answer—of acting as though there were a collective consumer with well-defined preferences for social conditions brought about by public enterprises—is the central intellectual problem in defining the value of governmental activities. However difficult the dilemma on a theoretical level, as a practical matter, the political system resolves this issue every day by authorizing public managers to spend public resources.

The authorizations are usually justified by an account—or a story—of the value of the enterprises.<sup>37</sup> To be useful, the account must appeal not

just to individuals in their role as clients and beneficiaries of clean streets but, in addition, to the community at large—more precisely, to individuals in their role as citizens of a society and to their representatives in political institutions. Of course, the story does not have to be repeated or sold daily. Once established, tradition will carry it on. But there must be a story to be recalled if the occasion should arise to reconsider or reauthorize the enterprise.

In the case of garbage collection, one account is the claim that clean cities are more aesthetically appealing than dirty ones. Since citizens feel better about clean cities, public value is created by making them cleaner.

Stated so directly, the proposition sounds strange, for it suggests that the government taxes the citizenry to produce cleanliness. Yet, there is nothing particularly compelling about the value of cleanliness. Indeed, it seems a little embarrassing for a liberal society to insist on the virtue of cleanliness and tax its citizens to accomplish that goal. It is tempting, then, to search for a more powerful public value—a better story—than mere cleanliness to establish the value of the enterprise.

A stronger justification is the claim that sanitation departments protect public health. In this conception collecting garbage has value principally as it produces a chain of consequences that protects citizens from epidemics.<sup>38</sup> Keeping organic wastes off the streets reduces the rate at which dangerous bacteria are produced (to say nothing of rats, which are aesthetic negatives and health risks in themselves). This routine in turn reduces the likelihood of an epidemic.

Note that this account introduces a new problem: namely, the empirical issue of whether garbage collection does, in fact, prevent epidemics. The problem—that the value of a public enterprise lies down a long and uncertain causal chain from the point of governmental intervention—is common in public sector enterprises. To the extent that we are uncertain about the causal connection between governmental outputs (picking up garbage) and desired social outcomes (reduced mortality and morbidity), the power of this second account is weakened.<sup>39</sup> But often the importance of the objective will justify the enterprise even in situations where its actual performance is quite uncertain.

The two different frames for viewing garbage collection—producing an aesthetic amenity or guarding the public's health—establish quite different contexts in the public's mind for evaluating both the level and the distribution of the publicly supplied services. In the case of producing an amenity, the public sector activity seems discretionary. There is less urgency about providing the service, and, importantly, less concern about its distribution. In the case of guarding public health, however,

the public effort seems essential. More will be spent to produce the necessary protection because the stakes are much higher. There will also be more concern about the distribution of the services. The argument may well be made that everyone has a "right" to be protected from health threats.

Many of our political decisions revolve around this question of whether a particular thing will be treated as an amenity to be purchased by individuals as they choose or as a right that will be guaranteed by the broader society.<sup>40</sup> That debate embodies a discussion about the extent to which particular conditions in the society will be taken as a matter of public rather than private concern: in effect, a discussion about the boundaries of the public sector. When particular goods and services are established as matters of right and powerfully linked to notions of justice and fairness, the boundary of the public sector is expanded to include the obligation to produce a certain quantity and distribution of those goods and services. When particular goods and services are left as things that society considers valuable but not closely linked to conceptions of justice and fairness, the boundary of the public sector is narrowed.

### *The Costs of Garbage Collection*

The value of clean streets and alleys becomes an issue not only because there are alternative ways of organizing the effort but also because costs are incurred in making them clean: resources that could be used for other purposes are committed to the enterprise of garbage collection. If there were no costs, minimal benefits would be enough to justify the enterprise. Because substantial costs are incurred, the crucial issue becomes whether the value that is produced outweighs the costs of production.

Garbage collection incurs essentially two types of costs. The most obvious is the budgetary cost of providing the service. Money is taken from private consumption to finance public efforts to keep the streets clean. The amount used is reflected in budgets and accounting systems. It varies, depending on how clean the streets are kept and what particular methods are used to keep them clean.

A second cost is somewhat less obvious: public authority is engaged as well as public money. We usually associate the use of governmental authority only with enforcement or regulatory agencies. But garbage collection, too, involves governmental authority. At a minimum, governmental authority is used to raise the tax revenues that finance the service.

It is also used in another important way. Whenever a valuable service is publicly provided, private efforts to purchase or provide the service tend to atrophy. In the case of garbage collection, when government collects the garbage, the citizens will do less on their own. They will stop buying garbage collection from private providers. They might even stop sweeping the sidewalks in front of their stores.

To the extent that private efforts cease, cities will be less clean than if the efforts had continued. A benefit will have been produced—namely, increased leisure or more disposable income for those who were spending their time and money for private garbage collection. But the city will not be as clean. In the extreme, private efforts to keep the city clean could collapse to such a degree that the city would end up even dirtier than before.

To prevent this from happening, the government spends moral authority to create informal or formal obligations on citizens to help keep the cities clean.<sup>41</sup> Informally, the government could sponsor public service programs to establish a social norm favoring responsible cleanliness over thoughtless littering.<sup>42</sup> For example, the Sanitation Department might finance publicity campaigns to discourage littering or arrange to place trash receptacles throughout the city.<sup>43</sup> Such programs aim to facilitate voluntary efforts and eliminate any excuses for “irresponsibility.”

A more coercive (and therefore more expensive) effort to sustain private cleanup efforts includes ordinances prohibiting littering and formal requirements that citizens sweep their sidewalks. Backing up these obligations with fines and aggressive enforcement gives them real teeth.

We do not ordinarily think of the use of public authority as coming in degrees: it either obtains or it does not. But, like money, public authority may be used more or less intensively in an enterprise. The degree of authority might be reflected in the size of the burden imposed on citizens, or the magnitude of the punishment for noncompliance, or even the intrusiveness of the measures used to enforce compliance.<sup>44</sup>

It could also be measured by the elaborateness of the procedures required to establish or impose the authority: the more elaborate the required procedures, the more significant the authority engaged. To prohibit littering, or to require citizens to keep their sidewalks clean, for example, would require formal legislative or regulatory action. Typically, such actions require extensive public deliberation. Moreover, implementing the regulations by fining citizens who did not live up to their obligation typically requires formal court action against violators. What happens in these procedures is that individual citizens are persuaded to

part with some of their freedom in the interest of accomplishing a public purpose. Thus, these procedures can be seen as devices for rationing governmental authority to ensure that it is used sparingly and only where appropriate and valuable.<sup>45</sup>

To produce public sector garbage collection, then, two resources are used: money raised through taxation and moral obligation or state authority to sustain private contributions to the solution of a public problem. In a liberal democratic society, both are in short supply. Thus, the benefits of municipal garbage collection must be large enough to outweigh these costs.

### *Justifications for Public Intervention*

As a matter of political philosophy, most members of a liberal society generally prefer to leave the organization of its productive enterprises to markets and private institutions rather than to public mandates and governmental bureaucracies. Consequently, for a public enterprise to be judged worthwhile, it must pass a test beyond the mere demonstration that the value of its products exceeds the value of the resources used in producing the results: it must explain why the enterprise should be public rather than private.<sup>46</sup>

This preference stems from three ideological pillars that deline a proper ordering of institutions in a liberal society: first, deep respect for the power of markets to ensure that productive activities respond to individual desires; second, a belief that private institutions are better able to cultivate and exploit individual initiative and are therefore more adaptable and efficient than public bureaucracies; third, confidence that private institutions become an important bulwark of freedom against the power of government.

To a degree, the sanitation commissioner could treat these ideas as mere abstractions that have little to do with the day-to-day running of the organization he leads. Alternatively, he could think of them as important philosophical principles that he endorses and seeks to realize in his organization's operations. Or, he could recognize that, even if these principles are not important to him, they might be important to the citizens and representatives who superintend his enterprise, and that their concerns about these matters should be accommodated.

Indeed, this last perspective would come quite naturally as these ideas gained concrete political force in his city's political processes, or as cities around the country began privatizing their sanitation departments. To satisfy those interested in ensuring proper institutional relations in a

liberal society, then, a manager of a public enterprise must show that there is some special reason why government, and its authority, should be used to finance and supply the service.

In general, two different justifications for public intervention carry weight. One is that there is a technical problem in the organization of a market to supply the good in question—some reason why free exchanges among producers and consumers will not result in the proper level of production.<sup>47</sup> Government must intervene to correct the defect in the market.

A second justification is that there is some crucial issue of justice or fairness at stake in the provision of the service—some right or claim of an individual against the society that others agree must be honored.<sup>48</sup> Government must intervene to ensure that the claim is honored—not only for the current individual who has a claim but generally for all.

Note that the first justification leaves undisturbed the primacy of individual preferences as the arbiter of social value. Ideally, both the quantity and the distribution of a particular good will be determined solely by individual preferences.

The second justification, by contrast, substitutes a different standard for establishing social value. A collective judgment is made about the value of the proposed public enterprise. Citizens acting through politics, rather than consumers acting through markets, establish both the level and the distribution of production. It is the combined preferences of citizens for an aggregate social condition that must be satisfied.

These different justifications correspond more or less closely to the two different frames for establishing the value of garbage collection: the production of tidiness and the production of public health. In one frame, public sector garbage collection provides an amenity much like any other consumer good—a tidy urban environment. One thinks principally in terms of technical problems in the organization of markets as the justification for public sector intervention.

In the second frame, public collection produces something more fundamental—the protection of public health. Here one thinks more in terms of guaranteeing a socially valuable condition, fairly distributing its benefits and accepting some social obligation to help meet the required condition.

These distinct frames express the different statuses that the two values—cleanliness and health—have in our politics. Tidiness is an amenity rather than a necessity; therefore, its production and distribution can be comfortably left to markets unless some technical problem makes this impossible. Health makes a claim as a “primary good” with strong

connections to common aspirations; therefore, its production and distribution become an appropriate focus of a society acting through government to assure justice.<sup>49</sup>

Within the frame of efficiently producing and distributing an amenity to those who really value it, public intervention is justified by three specific arguments. First, substantial economies of scale in garbage collection could justify public intervention.<sup>50</sup> This occurs either because the technology of garbage collection shows declining costs across the relevant range of production, or because the value associated with garbage collection is concentrated in the last few increments of performance, when the municipal environment is transformed from a bit untidy to pristine, or from pretty safe to entirely safe.

To take advantage of these economies of scale without leaving the citizens vulnerable to exploitation by a private monopoly, the society has two choices: it can establish a regulatory agency to oversee the natural monopoly that will arise in the private sector, or it can choose to supply the service itself. In the case of garbage collection, the society has often decided to have the government supply the service itself.

Second, although clean streets, fragrant air, and the absence of vermin in alleyways are all things citizens value, they are currently unowned and unpriced.<sup>51</sup> As a result, individual citizens have no incentive to “produce” these goods by disposing of their garbage somewhere other than in the common streets and alleyways.

To deal with this problem, the society might reasonably decide to assert common ownership of these public spaces. Having asserted ownership, it could then either establish a market for the use of these spaces by charging citizens for the privilege of dumping, or, relying on its authority, it can require private citizens to keep these areas clean on pain of both fines and the stigmatization of violating public ordinances.<sup>52</sup> Alternatively, the society might simply decide to supply the service itself through governmental operations and make it unnecessary for citizens to litter. In the case of garbage collection, the society has often relied on a mix of these approaches, with an emphasis on public sector provision.

Third, because the aesthetic and health benefits of collecting garbage are generally available to all citizens of the city, it is hard to exclude citizens from enjoying these benefits even if they refuse to pay for them.<sup>53</sup> Thus all citizens have an incentive to conceal their true interests in having clean streets. If they don't contribute to the cleanup, maybe someone else will, and they can enjoy the benefit without having to do the work. Or, even if they are willing to make the appropriate contribution, they might be reluctant to do so for fear that they would be



exploited and thought foolish by their more cynical fellow citizens. In either case the city will end up dirtier than individual citizens would desire because everyone would hang back from making the appropriate contributions. To avoid this result, the society can oblige everyone to make financial and other contributions to the solution of what is, in the end, a common problem.

All these justifications for public intervention begin with the assumption that individual preferences properly establish the value of such efforts but that some technical problems in the organization of markets for the service justify public intervention. As noted above, however, one can consider garbage collection from an entirely different perspective. Instead of viewing the problem as one of organizing efficiently to meet individual desires for clean streets and alleyways, one can see the issue as a case of fairly distributing the benefits and burdens of meeting a public health need that has been recognized by individuals in the society as a collective aspiration and responsibility.

This language, and the analytic frame it invokes, changes a great deal in our view of the public value of garbage collection. Instead of seeing the value of the effort in terms of its impact on the desire of individual consumers for cleanliness and health, the value seems to be established exogenously by a public health imperative. Sanitary streets are a public necessity! Citizens have a right to be protected! Such pronouncements replace—even “trump”—individual preferences in establishing the value of the enterprise.<sup>54</sup>

Often it seems that such statements are exogenously established. They come from outside the ordinary machinery of either markets or politics. A distinguished public health physician establishes the view by warning of an imminent epidemic. Or, an advocate for the poor dramatizes the inequality of the existing distribution of sanitation services through pictures of rat-infested tenements. It is as though some objective reality, or some commonly shared moral aspiration, compels everyone in the society to agree that garbage collection is a public necessity. In effect, these assertions take people out of their mode as individual consumers and ask them to respond as citizens of a community facing a common problem or obliged by a common moral aspiration.

As a practical matter, however, such assertions can never be compelling if they stand alone as mere assertions. To have standing in the community—to have power to establish, sustain, and guide the public enterprise of garbage collection—they must meet a political test. These claims must command the assent of individual citizens and gain the authorization of representative institutions. Only then can such state-

ments really begin to function as substitutes for the expression of individual preferences.

Once a collective assertion has been made about the value of garbage collection, the issue of production and distribution becomes one of fairness in distributing the benefits and allocating the burdens rather than one of efficiency.<sup>55</sup> As noted above, the issue of fairness arises because public authority is engaged. In a liberal democracy authority is collectively owned.<sup>56</sup> As a normative principle, it should never be used in any degree unless a representative body has sanctioned its use.<sup>57</sup> Moreover, it must be deployed generally and for the good of all.<sup>58</sup> These political principles governing the behavior of our governmental institutions are as fundamental to our understanding of our society as the preference for markets and private enterprise.

In the context of garbage collection these principles mean that those who own authority (namely, the citizens and those who represent them) must be satisfied that the public authority is being used well on their behalf. Using authority well means that the enterprise operates fairly (in the sense that similarly situated people are treated alike),<sup>59</sup> and that those subjected to the exertion of authority are able to ascertain that its use is justified in their individual case.<sup>60</sup> Note that fairness is a separate quality of a social enterprise—not necessarily linked to efficiency and not necessarily compensated or replaced by effectiveness. Although an individual transaction can be more or less fair, fairness is also, and perhaps more fundamentally, a feature of the aggregate operations of a public enterprise. Moreover, it is a quality that has value to citizens in their role as citizens authorizing a collective enterprise, rather than as individual clients and beneficiaries enjoying the service for themselves. (It may also be an important part of the experience of those clients who are obliged rather than served and thus an important part of what determines their willingness to comply. Ultimately, fairness may influence the economic efficiency of obliging organizations.)

Viewed from this vantage point, public sector garbage collection is justified by a shared social aspiration for a healthy (and clean) environment and by the necessity of fairly distributing the benefits and burdens of producing that result through a governmental enterprise. Its value registers partly in terms of the satisfactions of individuals who now enjoy clean streets (balanced by the pain of paying taxes and accepting obligations to assist in the garbage collection enterprise), and partly in terms of the satisfactions of citizens who have seen a collective need, fashioned a public response to that need, and thereby participated in the construction of a community (balanced by worries on their part that they have

threatened a proper ordering of social institutions by making something public that might more usefully have remained private).

These views are often considered separate and inconsistent. One sees the problem either from the perspective of efficient production and distribution or from the perspective of justice and a fair distribution of burdens and benefits. My view, however, is that public managers must always see public sector enterprises from *both* perspectives. They cannot shrug off the question of efficient production and delivery of a service. Nor can they ignore the question of a fair distribution of privileges and burdens. Once public authority is engaged, issues of fairness are always present. And public authority is *always* engaged when tax dollars are being spent.

### *The Value of the Authorizing Process*

The fact that public authority is always engaged in public sector enterprises changes who must be satisfied with the performance of an enterprise and what characteristics constitute a satisfactory performance. Because authority is engaged, and authority can only be spent by citizens and their representatives, its use must be guided by *political* agreements rather than by individual market transactions. Individual citizens thinking about what is good for the society (rather than just what is good for themselves as clients) must be satisfied with the conduct of the public enterprise as well as the clients who are directly affected by the enterprise; so must those in representative institutions who authorize the enterprise.

Consensus rarely arises in political discussions of the value of public sector enterprises. More often, debate ensues over whether and how the enterprise should be conducted. In an important sense this political dialogue is to public sector enterprises what the market is to private efforts—the place where consumers with money to spend decide what they want to buy. But three differences apply: (1) these consumers are spending their freedom as well as their money by authorizing the government to act on their behalf; (2) they are buying the product for everyone's benefit according to a political view of what is desirable for the society as a whole; and (3) they are buying whole enterprises rather than individual products of the enterprise. In short, what citizens (as opposed to clients) want is their particular conception of a fair and efficient garbage collection effort.

These apparently abstract issues often become quite concrete in the politics surrounding a sanitation department. The most common issue

concerns the proper distribution of the available service across geographic areas, ethnic groups, social classes, and members of political parties.<sup>61</sup> Distribution provokes political debate not only because there are competing interests but also because there are quite different principles which might reasonably be used to decide how to distribute the services.

When one thinks about the distribution of the service in terms of market efficiency or welfare maximization, one is tempted by a principle that directs garbage collection efforts to areas where they will do the most good, that is, where the efforts will produce the largest gains in terms of aesthetics and public health outcomes per unit of effort expended.<sup>62</sup> An alternative concept would be to allocate public services toward those areas that already do a lot privately, partly as an incentive to maintain (or increase) private contributions and partly because the elevated levels of private effort indicate a stronger desire for cleanliness and therefore a more valuable place to spend public cleanup resources.<sup>63</sup>

When one thinks of distributing the benefits of the enterprise in terms of meeting social needs, quite different principles become salient. One is to allocate garbage collection efforts to those areas most in need.<sup>64</sup> This approach will establish a minimum level of cleanliness throughout the city. A second principle, linked closely to fairness, is to supply the same amount of public effort to all areas of the city and let the differences in actual levels of cleanliness reflect differences in private desires and capabilities to keep the areas clean.<sup>65</sup>

In the end none of these principles can stand as the proper basis for allocating services, though at any given moment each will have its advocate. Instead, as a practical matter, the distributional issue is resolved by a continuing political and administrative process that holds these competing principles in tension and adapts to changes in political demands or policy fashion.

Issues of administrative efficiency and program effectiveness are usually debated in terms of effectiveness and costs rather than fairness and justice. Rarely do these concerns arise as a result of reports issued by government agencies revealing shortfalls in performance. Instead, they arise from external sources: some dramatic (but temporary) performance failure such as an inability to clear the streets after an unexpected snowfall; or a newspaper story about corruption, waste, and inefficiency in a sanitation department; or the initiation of a broad effort to increase productivity by an incoming administration; or the initiation of a new project by a new commissioner (for example, a rat extermination program in vacant lots); or the encouragement of block parties to clean up

a neighborhood.<sup>66</sup> Such debates about performance will generally be resolved by reports, studies, and the creation of new policies and procedures designed to rectify the problem.

The political debates surrounding the fairness and efficiency of garbage collection are important for at least two reasons. First, they renew the authorization of the enterprise, which maintains the flow of resources that the organization deploys to keep the streets clean. Second, they provide a continuing occasion for the society to reconsider the question of whether the resources committed to the enterprise are being used well. Like the annual meetings with stockholders in the private sector, the irregular but frequent meetings of the sanitation commissioner with public interest groups, the media, and elected representatives of the people give the commissioner an opportunity to account for his enterprise and to use that account to sustain old—and attract new—investment.

This ongoing political process authorizing the garbage collection efforts to continue (perhaps on some new terms) can have many different attributes. It can be more or less open, more or less fair, more or less well-informed about past performance and future opportunities, and more or less reasonable in its decisions. The particular qualities of this authorizing process are important since it is this process that links the enterprise of garbage collection to those who consume the enterprise as an institution of a well-ordered society.<sup>67</sup>

Since the process can satisfy or disappoint citizens who desire a fair, efficient, and effective public sanitation effort, and since their satisfaction is an important part of the success or failure of a public enterprise, one must view that political process as creating a kind of value. If the ongoing process of authorization is managed well, if citizens feel that their common aspirations are satisfied through a process of consultation and review, the enterprise will be more valuable than if they are not. And this aspect of public value exists independently of the difference between the value of cleanliness and the cost of the resources used to produce it.

#### *The Capital Value of the Institution*

There is one last thing to observe about garbage collection. Typically an existing organization—generally, a municipal sanitation department—carries out the activity. Over time that organization develops significant expertise in collecting the garbage.<sup>68</sup> It has operating procedures that accomplish the extraordinary task of gathering workers and equipment

from all over a city and sending them out to collect the garbage. It sustains a staff of employees who know where they should go and what they should do to produce this result. It utilizes some accounting systems to show the managers and overseers of the enterprise how much it costs to collect the garbage and how much of the budget has already been spent. And it employs some managers who make sure that everyone in the organization plays his or her assigned role. All this operational capability represents an investment that the society has made in the municipal sanitation department.

Many would say that this cumulative experience and operating capability is an important asset that should be protected, or at least not casually abandoned. Those who express this view see in the competence of public sector organizations a broad, long-term perspective that is useful in balancing the narrow, short-term perspective of political representatives.<sup>69</sup>

To a degree, this view has merit. There *is* value in the cumulative experience of the organization. It would be very costly to have to replace it. And even though much of the productivity gains associated with its accumulating experience have probably been appropriated by its managers in terms of organizational slack that reduces their uncertainty and increases their ability to respond to crises (and by its workers in the form of less pressure in the job), the organization is still likely to be much more productive in its current activities than any alternative.<sup>70</sup>

The problem is that respect for institutional continuity can become an excuse for resisting change. Even something as apparently routine as garbage collection is not static. The world changes. Neighborhoods gain or lose population. Private efforts wax and wane. New technologies for picking up the garbage become available. New problems (such as toxic wastes) make new claims on the organization's sorting and disposal capabilities. New labor contracts change staffing patterns. All these changes affect the basic operations of garbage collection.

In addition, the political demands on the Sanitation Department might change. Perhaps a scandal will force important changes in the geographic allocation of services or the level of supervision. Or, the Sanitation Department might suddenly be directed to become an employer and route of upward mobility for ghetto teenagers rather than simply an agency that picks up the garbage. Alternatively, the sanitation commissioner might see an opportunity to use his force of street cleaners as a device for encouraging the development of block groups that could restore pride and stimulate investment in declining city neighborhoods.

The point is that the organization's value is not necessarily limited to its operating value in its current mission. It also has a kind of capital value rooted in both its ability to adapt its specific methods to new aspects of garbage collection and its ability to produce new things potentially valuable to the society. To the extent that the organization can exploit opportunities to perform its traditional mission more efficiently or more fairly, to the extent that it can adapt to changing circumstances, and to the extent that an organization can exploit its distinctive competence to produce other things that would be valuable to citizens, the enterprise will be more valuable than it seems from observing its current performance. Indeed, it is precisely the *adaptability* of organizations that determines the long-run value of private sector firms.<sup>71</sup> Perhaps the same should be true of public sector firms.<sup>72</sup>

#### TOWARD A MANAGERIAL VIEW OF PUBLIC VALUE

What does this particular discussion of the public value of garbage collection tell us more generally about how public managers and all the rest of us citizens who rely on them should analyze the value of public sector enterprises? Six points seem key.

First, an axiom: value is rooted in the desires and perceptions of individuals—not necessarily in physical transformations, and not in abstractions called societies. Consequently, public sector managers must satisfy some kinds of desires and operate in accord with some kinds of perceptions.

Second, there are different kinds of desires to be satisfied. Some are for goods and services that can be produced and distributed through markets. These are the focus of private management and need not concern us. Others are for things produced by public organizations and are (more or less imperfect) reflections of the desires that citizens express through the institutions of representative government. Citizens' aspirations, expressed through representative government, are the central concerns of public managers.

At first glance, citizens' aspirations seem to be of two types. One type concerns collective things that are individually desired and consumed but cannot be provided through market mechanisms because the product cannot be divided up and sold to individual consumers. A second type involves political aspirations that attach to aggregate social conditions such as a proper distribution of rights and responsibilities between public and private organizations, a fair distribution of economic oppor-

tunities or social obligations, and a suitable desire to economize on the use of tax monies invested in public sector organizations.

In practice, these two different kinds of desires collapse into one for a very important reason: whenever public authority is invoked to solve the technical problems in the market, the enterprise takes on public characteristics. Every time the organization deploys public authority directly to oblige individuals to contribute to the public good, or uses money raised through the coercive power of taxation to pursue a purpose that has been authorized by citizens and representative government, the value of that enterprise must be judged against citizens' expectations for justice and fairness as well as efficiency and effectiveness. Once the public starts producing something with public resources raised through state authority, it can no longer be viewed independently of citizens' political preferences and desires. The capacity of a public enterprise to satisfy these preferences is, therefore, an important part of its value-creating capabilities.

Third, it follows that managers of public sector enterprises can create value (in the sense of satisfying the desires of citizens and clients) through two different activities directed at two different markets. The most obvious way is to deploy the money and authority entrusted to them to produce things of value to particular clients and beneficiaries: they can establish clean parks to be used by families; they can provide treatment to heroin addicts; they can deploy military forces to make individuals secure and confident in the future. We can call this creating value through public sector production, even though what is being produced and valued is not always a physical product or service consumed by individual beneficiaries.

Public managers can also create value by establishing and operating an institution that meets citizens' (and their representatives') desires for properly ordered and productive public institutions. They satisfy these desires when they represent the past and future performance of their organization to citizens and representatives for continued authorization through established mechanisms of accountability. We might think of this activity as helping to define rather than create public value. But this activity also creates value since it satisfies the desires of citizens for a well-ordered society in which fair, efficient, and accountable public enterprises exist. The demands of citizens, rather than of clients or beneficiaries, are being met.

This dual nature of public sector value creation might seem odd. But an approximate analogue exists in the private sector. Private sector managers have two different groups they must satisfy: they must pro-

duce a product or service that customers will buy at a price that pays for the costs of production; and they must sell their ongoing capacity to produce valuable products to their shareholders and creditors. A similar situation confronts public managers: they must produce something whose benefits to specific clients outweigh the costs of production; and they must do so in a way that assures citizens and their representatives that something of value has been produced. In short, in both cases, both customers and owners must be satisfied with what the manager does.

Fourth, since governmental activities always engage political authority, the relative importance of these two different parts of management shifts. Because authority is involved, the importance of reassuring the "owners" that their resources are being used well gains relative to satisfying the "clients" or "beneficiaries" of the program. Moreover, it becomes important to give the "productive" side of the enterprise some qualities that are different from the maximum satisfaction of the beneficiaries of the program. The production and distribution of the organization's products must be fair as well as efficient. These operations must economize on the use of authority as well as on the use of money.

Fifth, what citizens and their representatives (as opposed to clients and beneficiaries of programs) "buy" from public managers is an account of the public enterprise—a story contained in a policy. In this sense, a policy is to the public sector manager what a prospectus is to a private entrepreneur. Viewed from the manager's side of this transaction, the manager receives an authorization to use resources to accomplish public purposes through specified means. Viewed from the citizen side of this transaction, the authorization is the purchase of an aggregate enterprise that promises to create value. It is a collective, political agreement to meet a problem (or exploit an opportunity) in a particular way. Politics is the answer that a liberal democratic society has given to the (analytically unresolvable) question of what things should be produced for collective purposes with public resources.

We know, of course, that it is treacherous to view political agreements as accurate reflections of the public will or the public interest. Political decision-making is vulnerable to many different kinds of corruption—the most important being the triumph of special interests over the general.<sup>73</sup> It is also vulnerable to many kinds of irrationalities including shortsightedness, an unwillingness to make painful trade-offs, and an inability to deal appropriately with risk.<sup>74</sup> These well-known difficulties can and do affect the moral claims of political decision-making on the conduct of government in the eyes of both citizens and managers. But

imperfect political agreements entitle citizens and managers to do no more than to challenge their wisdom—not to disregard them or ignore their great moral weight.

If public managers are to create value over the long run, then, an important part of their job consists of strengthening the policies that are sold to their authorizers. Specifically, the policies that guide an organization's activities must reflect the proper interests and concerns of the citizens and their representatives; the story about the value to be produced must be rooted in accurate reasoning and real experience; and the real operating experience of the organization must be available to the political overseers through the development of appropriate accounting systems that measure the performance and costs of the organization's performance. It is here that the analytic techniques of policy analysis, program evaluation, cost-effectiveness analysis, and benefit-cost analysis make their major contributions.<sup>75</sup> Otherwise, the strengths of the political process will not be exploited, the knowledge and experience of the operating managers will not be utilized, and the acknowledged weaknesses of the process will not be challenged.

Sixth, the world in which a public manager operates will change. Citizens' aspirations will change, as will methods for accomplishing old tasks. So might the organization's task environment shift: new problems may crop up to which the organization may propose a useful solution, much as the problem of latchkey children arose as a problem for public libraries to solve. It is not enough, then, that managers simply maintain the continuity of their organizations, or even that the organizations become efficient in current tasks. It is also important that the enterprise be adaptable to new purposes and that it be innovative and experimental.

This, then, is the aim of managerial work in the public sector. Like private sector managers, managers in the public sector must work hard at the task of defining publicly valuable enterprises as well as producing that value. Moreover, they must be prepared to adapt and reposition their organizations in their political and task environments in addition to simply ensuring their continuity.

Unfortunately, this advice is far too general and abstract to be of much use to public managers. It orients them to the overall purpose of managing in the public sector, and to some general problems that must be confronted, but it does not give them particular advice about how to develop a sufficiently concrete definition of public value to guide their own and their organizations' efforts; nor does it tell them how they could engage their political and organizational environments to define and produce public value.

Developing more specific techniques for envisioning public value, mobilizing and learning from politics, and reengineering organizations is the principal aim of the remainder of this book. In Chapter 3, I introduce some real public sector executives who long ago saw and responded to these needs, particularly by using specific techniques for “envisioning public value,” and in doing so, set a standard for today’s public executives. In subsequent chapters, I describe other managers who can teach us about good (and bad) techniques for engaging the political environment and for guiding their organizations toward improved performance.

### CHAPTER 3

## ORGANIZATIONAL STRATEGY IN THE PUBLIC SECTOR

Public managers create public value. The problem is that they cannot know for sure what that is.<sup>1</sup> Even if they could be sure today, they would have to doubt tomorrow, for by then the political aspirations and public needs that give point to their efforts might well have changed.<sup>2</sup>

Despite the ambiguity, managers need an account of the value their organizations produce. Each day, their organizations’ operations consume public resources. Each day, these operations produce real consequences for society—intended or not. If the managers cannot account for the value of these efforts with both a story and demonstrated accomplishments, then the legitimacy of their enterprise is undermined and, with that, their capacity to lead.<sup>3</sup>

Nor are their responsibilities limited to current operations. Some resources used today will not be valuable until tomorrow. Investments in new equipment, new knowledge, and new human capabilities, for example, are necessitated by the prospect of change and justified by the expectation that they will improve future performance. Even if no *explicit* investments are made, current operations will affect future performance, for today’s experiences shape the culture and capabilities of tomorrow’s organization. Public managers, then, are obliged to hold a vision of public value, good for today and into the future.

To see this abstract problem in concrete terms, consider the situations confronting William Ruckelshaus, on being appointed administrator of the U.S. Environmental Protection Agency (EPA), and Jerome Miller,

on being appointed commissioner of the Massachusetts Department of Youth Services (DYS).

### WILLIAM RUCKELSHAUS AND THE ENVIRONMENTAL PROTECTION AGENCY

In the late 1960s a powerful environmental movement swept onto the American political landscape.<sup>4</sup> Oil slicks befouled the oceans, strip-mining scarred the hills, clear-cutting denuded the forests, smog choked the cities. Ordinary citizens, mobilized by personal, concrete experience with these problems (as well as by increasing media attention) swelled the ranks of established environmental organizations and became a powerful political lobby demanding governmental action to clean up the environment.<sup>5</sup>

Sensing an important political opportunity, Senator Edmund Muskie, the leading Democratic presidential candidate, championed the cause of environmental protection from his position as chairman of the Senate Public Works Committee. Spurred by his leadership, Congress passed laws mandating more aggressive pollution control efforts. President Nixon responded with an executive order establishing a single organization to coordinate the nation's response to environmental pollution—the U.S. Environmental Protection Agency. Society, acting through its elected representatives, had apparently resolved to make more extensive use of public money and authority to stimulate private efforts to clean and protect the environment.

*Politically*, despite the apparent widespread enthusiasm for environmental protection, much remained unsettled. No one had determined, for example, what price society as a whole would be willing to pay for environmental cleanup. Starting the cleanup was easy, for its costs were then obscured. However, as soon as the effort grew expensive (either in diminished economic growth, as companies were forced to adjust their activities to produce less pollution, or in increased taxes, as local governments had to adjust their sanitation policies to minimize pollution), various groups began to challenge the program.

The politics surrounding environmental legislation and the continuing oversight of the new agency reflected the different interests in environmental protection. "Environmentalists" judged the social value of an environmental program to be very high and the costs relatively low. They pressed for aggressive cleanup. "Polluters" (primarily industry groups and municipalities) were more skeptical about the social benefits

and saw the steep costs much more clearly. They resisted the rush to clean up. The public enthusiasm for environmental protection temporarily eclipsed the power of the polluters, establishing a particular precarious balance of competing interests.

The balance remained precarious at least partly because the particular values animating the environmental movement remained somewhat confused. United on the goal of environmental cleanup, groups behind the movement put forth divergent justifications.<sup>6</sup> Some sought to preserve the beauty and aesthetic quality of the environment. Others responded to the threats to human health. Still others wanted to maintain a natural order safe from human exploitation. Such differences were not crucial in the beginning when all could make common cause. But the different values threaded faultlines through the basic political coalition supporting environmental protection. These could break into open fissures if the price of environmental protection rose or some environmental policies favored one goal over another.

*Substantively*, the principal threats to the environment remained obscure. The basic science establishing the links between environmental pollutants and health damage to humans was weak. So was the engineering knowledge required for eliminating or dispersing pollutants from various industrial processes. And, despite a decade of federal efforts, the basic systems for monitoring environmental conditions and sources of pollution were far from comprehensive or precise. As a result, the EPA confronted an uncertain task: no one knew what the principal threats to the environment were, where they were located, or how they could be combatted.

*Operationally*, the fledgling organization was unformed and untested. Two large ongoing programs—one focused on water pollution, the other on air—had been transferred intact from other agencies and provided the nucleus of the new agency. But the new EPA incorporated fragments of other organizations as well. These had to be integrated—operationally and culturally. Even worse, the water and air programs were far from fully operational. Neither had yet established a comprehensive framework of standards necessary to form the basis of particular obligations on polluters. And the organization as a whole had some gaping weaknesses—principally in the areas of enforcement and science.

As a public manager, entrusted with the money and authority that flowed through the newly created EPA, Ruckelshaus faced the challenge of setting a course of action, a vision for the agency. That vision

had to embody a conception of public value that the EPA could create for the society.

### JEROME MILLER AND THE DEPARTMENT OF YOUTH SERVICES

In the spring of 1968 a riot broke out in the Bridgewater Home for Boys, a Massachusetts institution for delinquent youth.<sup>7</sup> The disturbance occurred in the midst of a swirling political debate about the best way to manage youthful offenders.

Previously, youth advocacy groups had criticized the Massachusetts Department of Youth Services for confining children in remote institutions rather than rehabilitating them in programs that maintained some close connection with the families and communities from which they came. In the critics' view, the remote institutions failed not only because they were inappropriately punitive for children whose criminal offenses were often minor, but also because they seemed to increase the likelihood that children would continue to commit crimes. In short, the institutions were both unjust and ineffective.<sup>8</sup>

The critics found a sympathetic ear in Governor Francis Sargent and his secretary for human services, Peter Goldmark. These two had launched a wide-ranging effort to improve the quality of human services by deinstitutionalizing as many of the state's clients as possible. The reforms advocated for juvenile justice fitted neatly into this more general scheme. The leader of the Massachusetts House of Representatives, Thomas McGee, also saw merit in the critics' claims.

The movement to reform the state's response to youthful offenders reached in the Massachusetts legislature, which passed a bill giving the Massachusetts DYS a new mandate. The name of the organization was changed, new programs authorized, and new funds appropriated. Jerome Miller, a professor from the University of Michigan without prior managerial experience, was appointed to implement the new legislation.

As in the case of Ruckelshaus and the EPA, it seemed as though the political system had delivered a new mandate. But, as in the case of Ruckelshaus and the EPA, exactly what was to be produced and how it was to be produced remained unclear.

*Substantively*, society seemed to be searching for a new balance between its short-run interests in preventing additional crimes by placing youthful offenders in secure confinement and its long-run interests in interrupting the processes leading delinquent children into criminal ca-

reers. Originally, these two purposes had been integrated in a vision of reform schools.<sup>9</sup> These institutions were to satisfy both objectives by providing extensive rehabilitative services to the young offenders while they remained under close state supervision.

But time had been unkind to this vision. Critics of the program contended that the flow of rehabilitative services tended to dry up in a system geared toward confinement. The institutions inevitably became "warehouses" rather than rehabilitative communities.<sup>10</sup> They also argued that rehabilitation would fail without efforts to reintegrate the young offenders into their communities and families.<sup>11</sup> But such efforts required aftercare services, and these, too, challenged an organization devoted to controlling children in institutions. Finally, critics believed that separating youthful offenders from the rest of society, and mixing less delinquent kids with more serious delinquents, effectively transformed the institutions into schools for crime that propelled children toward rather than away from a life of crime.<sup>12</sup>

Although these criticisms were compelling, no clear alternatives were available. The critics pointed toward increased rehabilitative efforts and more aftercare as crucial reforms. But they also seemed to harbor the conviction that institutions contained many children who did not need to be there at all. For these kids they recommended some form of alternative placements, including less supervision and much more effective integration in the community.

These ideas met resistance from those who doubted that the alternative placements would provide enough supervision to ensure that the kids committed no additional crimes. Others predicted that the alternative placements would not be tough enough to deter juvenile offenders from committing future crimes or to satisfy victims of juvenile crimes that justice had been done.

Indeed, although much of the debate about juvenile justice focused on "what would work," it also touched on a different question: how could the system *justly* deal with children who had committed crimes? Some deemed it just that children be held accountable for their crimes and worried that the punishments meted out in the juvenile court did not establish appropriate accountability. Others thought that justice for children required acknowledging that children were less morally accountable for their crimes than adults, and that society had an obligation to do a great deal more than it was now doing to foster their healthy development.<sup>13</sup>

These substantive questions about what would work and what would be just remained unresolved. Nonetheless, in the new legislation for



DYS, priorities clearly shifted. The legislature and the governor both seemed to be claiming that public value lay in the direction of taking more risks to enhance the social development of children even if, in the short run, that effort came at the expense of increased juvenile crime. Moreover, these new goals could be achieved through programs such as halfway houses and intensive supervision within a community.

But the bill neither firmly established nor unambiguously stated these goals. Just as it was unclear how long the political forces favoring environmental cleanup would dominate those that wanted to avoid the costs of the effort, so it was unclear how long the forces favoring youth development would dominate those favoring crime control. Just as it was unknown how best to combat environmental threats, so it was unknown how best to reduce recidivism among youthful offenders.

*Operationally*, like Ruckelshaus, Miller headed an organization ill-suited to his purposes. But, unlike Ruckelshaus, who had inherited an inchoate, unformed organization with disparate parts and huge gaps, Miller inherited an organization whose resources were entirely committed to doing one particular thing: namely, running penal institutions. Virtually all of his budget went to support these institutions. And all his key managers led these institutions. Whereas Ruckelshaus faced the problem of organizing what was disorganized and chaotic, Miller faced the problem of finding room for an entirely new set of activities.

Like Ruckelshaus, Miller had to define a pathway to the future for the organization he led—some way to define and meet the political aspirations implicit in a new mandate using the assets of the organization that he inherited.

### MANAGERIAL DISCRETION AND LEADERSHIP IN THE PUBLIC SECTOR

What is striking about these cases is the fundamental ambiguity that Ruckelshaus and Miller faced in leading their organizations. Importantly, the ambiguity concerned *ends* as well as means. Ruckelshaus was not clearly instructed about how the costs of environmental cleanup should be traded off against the benefits of a prettier, safer, or more pristine environment. Nor was Miller told how he should balance short-run crime control against the uncertain prospects of rehabilitation.<sup>14</sup>

But they also encountered important uncertainties about *means*. At the outset Ruckelshaus did not know what kind of program could be implemented to reduce environmental hazards at low cost. Miller could

not be sure that alternative placements would be effective in controlling crime in the short or long run.

With the ambiguity about purposes and means comes some degree of discretion and, with that, an opportunity for leadership. Society *needs* leadership from these managers to help it learn what is both desirable and possible to do in public domains for which these managers are temporarily responsible.<sup>15</sup>

Of course, it is easy to exaggerate the degree of discretion that public managers possess.<sup>16</sup> Close, continuing oversight by elected executives, legislatures, the media, and interest groups sharply limits their discretion.<sup>17</sup> The managers are also held in check by the limited capabilities of the organizations they lead and the restricted opportunities to innovate and experiment.<sup>18</sup> Taken together, these political and organizational constraints often leave relatively little room for maneuver.

Still, in most cases, there is more discretion than most public managers (and their overseers) acknowledge.<sup>19</sup> Nearly always, the politics surrounding a public enterprise are sufficiently contentious to suggest several different plausible and sustainable conceptions of public value.<sup>20</sup> Similarly, there are usually enough criticisms of the efficacy of current operations and enough proposals for improvement that enterprising public sector executives can find some room for innovation and experimentation.<sup>21</sup>

On occasion, public executives are given very wide latitude, indeed. This often occurs when a new problem has arisen or past approaches to a problem have become widely discredited. At such times society becomes far more willing to accept leadership from its managers and to entertain a broader set of possible actions.

Indeed, it seems that just such occasions set the context for Ruckelshaus and Miller. In the case of Ruckelshaus, a new problem appeared, without a clear solution. In the case of Miller, previous approaches to a chronic social problem were declared bankrupt, and new aspirations capitalized his enterprise with broad grants of authority and money.<sup>22</sup> The managerial task facing both Ruckelshaus and Miller, then, was to chart a path for their enterprises and to make the most of their respective opportunities.

### DEFINING MISSION AND GOALS IN THE PRIVATE SECTOR

Private sector executives face the same challenge. They, too, must chart the course of their enterprises.<sup>23</sup> As I suggested in Chapter 1, society

looks to them for this kind of leadership with much less reluctance than it looks to public executives. Private sector executives commonly respond by setting out strategic goals and developing operational plans for their organizations.<sup>24</sup> Perhaps the techniques they use for setting goals could be useful to public sector executives as well.

Initially, such techniques might seem to have limited applicability to public sector contexts.<sup>25</sup> After all, there is widespread agreement about the goal of private sector enterprises: to maximize the long-term wealth of their shareholders.<sup>26</sup> No such consensus exists about the goals of libraries, municipal sanitation departments, environmental protection agencies, and juvenile correctional facilities.

Private sector executives also gain enormously from measurement systems that tell them relatively promptly and accurately whether their planned course of action has succeeded or not. If they make money, they have a strong indication that they have created value.<sup>27</sup> That is the message the bottom line conveys. For their part, public sector executives may have to wait longer for program evaluations or benefit-cost analyses to be completed.<sup>28</sup> Moreover, even when completed, such efforts produce much less compelling information about the ultimate value of public sector efforts, for the debate continues about the proper goals of the enterprise.<sup>29</sup>

These features of private sector management clearly *do* ease the difficulty of setting and maintaining the direction of private sector organizations. They *may* make the techniques of private sector executives less relevant to public sector executives. But it is easy to exaggerate the significance of these differences.

After all, the concept of "maximizing long-term shareholder wealth" is, fundamentally, an abstraction. It is as abstract as the concept of "public value." By itself, it cannot resolve the complex, concrete issue of what particular products a private sector company should seek to produce and what particular investments in new plant and equipment should be made now to ready the organization to achieve the abstract goal of maximizing shareholder wealth.

To guide a company's efforts, business plans must be reasonably concrete. They must set out particular products, particular marketing plans, and particular financial arrangements.<sup>30</sup> Inevitably, such plans are shot through with uncertainties. No one can be sure about consumer tastes, new technological possibilities, or the future price of capital. The uncertainties leave plenty of room for debate about whether a particular plan offered by management is the best plan to maximize long-term shareholder wealth—perhaps as much room as exists in de-

termining the best course to protect the environment or prevent juvenile delinquency.

Of course, the ability of private sector managers to determine relatively quickly and accurately whether the particular path they have chosen is a promising one compensates to some degree for the uncertainty in formulating the plan. Real experience, accurately encoded in financial returns, offers a quick thumbs-up or -down on the real value of what was originally a theoretical plan.

In judging the advantage this gives to private sector executives, however, we must remember that the bottom line measures only *past* performance, not future production. All important business planning decisions are about the future, not the past.<sup>31</sup> Somewhat surprisingly, then, when private and public sector managers confront the future, they often find themselves in the same leaky boat: their conceptions of value must be grounded in a *theory* of value rather than in demonstrated performance.

### *The Concept of Corporate Strategy*

To deal with the uncertainty about what path to take to produce value for shareholders, private sector executives and those academics who work with them have developed and relied on the concept of "corporate strategy."<sup>32</sup> Initially, no small degree of mysticism surrounded this concept. It was much easier to describe a corporate strategy in operation and explain why it seemed to be successful than to set out the methodology to create one for the future. Later, analysts made some progress in developing more rigorous methods for investigating the strategic opportunities of particular firms in particular industries.<sup>33</sup> Most important for my purposes here, private sector executives have found the concept useful in guiding their organizations to sustained, value-creating performances.<sup>34</sup>

Perhaps the single most valuable feature of this concept is that it encourages chief executives to see their organization in a wider, longer-term, and more abstract context than is possible without its aid. Specifically, use of the concept directs the attention of chief executives away from the problem of producing today's products. Instead, it focuses their attention on the external market environments in which their organizations operate, especially on customers and competitors, and on the future.<sup>35</sup>

Customers are important for an obvious reason: in the end, if a private sector enterprise is to be successful, it must produce something that customers want. It is all very well for entrepreneurs to have a hunch about what customers want: it is far better to know from the customers

themselves what they desire. It is also important to recognize that consumers could change their minds about what they consider valuable not only through the provision of abstract information about products but also through experience. Thus, marketing, understood as both a search for what consumers value and a device for building ongoing relationships with customers, became a key element of any well-conceived corporate strategy.<sup>36</sup>

Competitors are important for an equally obvious reason: it does little good to have a desirable product if one's competitors have a better one. Moreover, even if a manager had a breakthrough in a product or a production technology that gave her a competitive advantage, she must assume that her competitors will eventually be able to do the same. Consequently, in assessing their competitive advantage, managers must ask not just how large it is but also how long it will last.<sup>37</sup>

Once private sector executives began thinking about their market environments and how advantages within that environment tended to erode over time, they naturally looked at change and uncertainty as well, for if anything seemed clear in that environment, it was that the environment would change. Consumer tastes would change. So would technology. And so would the price of capital. These changes could improve or weaken a firm's competitive position.<sup>38</sup>

In addition to great uncertainty about these factors, there was plenty of room for strategic interaction among the competing firms.<sup>39</sup> If a competitor moved one way, the best moves for one's own firm would be quite different than if the competitor had moved a different way. And everyone's moves would be influenced by what one did with one's own firm.<sup>40</sup>

Faced with such uncertainties, private sector executives were encouraged to think in terms of "positioning" their firms in their environment rather than advancing down some determinant path toward wealth maximization. Their task was not simply to continue to refine their specialized capabilities for producing their current products; it was also to become diversified for the future and agile in adapting to new opportunities.<sup>41</sup> Current production only answered yesterday's problem and provided a base for the future. It did not guarantee a successful future.

Thus, the concept of corporate strategy impelled executives not only to look outside their organization at the external market environment but also to think dynamically and strategically: they had to think about how their market environments were likely to change; how their organizations were then positioned to exploit predictable opportunities or respond to predictable threats; and what investments, undertaken then, would strengthen their position in the future.

### *Distinctive Competence*

The challenge of positioning their firms in dynamic competitive markets also caused private sector executives to analyze their own organizations in somewhat different terms. They looked for their own "distinctive competence."<sup>42</sup>

Initially, the concept of "distinctive competence" seemed to return executive attention to the present and the firm's current operations. It did not seem to concern the market environment or the future. It focused on what the organization currently knew how to do. In application, however, identifying the distinctive competence of an organization required the manager to identify an abstraction—a set of *general* capabilities the organization possessed that might indicate what position the firm could occupy in its current product markets or, indeed, in other product markets it might begin operating in.

Thus, for example, one electronic appliance firm identified its distinctive competence as "putting motors in folded metal boxes."<sup>43</sup> On the one hand, this phrase described a manufacturing capability rather than a product and thus seemed concrete. On the other hand, it was an abstraction that not only covered many different products produced by the firm but also suggested some new products. Furthermore, it identified the distinctive competencies of the firm compared to others in the same industry. Thus, it became possible for a manager to think: "This is what we know how to do in general. I wonder how many valuable products we could create with this set of general capabilities."

By thinking about organizations in terms of customers, competitors, and distinctive competence, private sector executives found it possible to draw back from the compelling day-to-day tasks of producing and delivering their current products and to think about their enterprises both in a wider context and in somewhat more abstract terms.<sup>44</sup> That stance turned out to be helpful because it allowed managers to identify threats and opportunities in their environments that would otherwise have been missed. It also helped them become more imaginative and more accurate in analyzing the varied routes they could take to maximizing shareholder wealth in the complex competitive environments in which they found themselves.

### *Strategy in Diversified Conglomerates*

These original concepts were most appropriate for single product firms or for firms whose product lines clustered within a particular industry.

As firms changed into multiproduct conglomerates, and as the financial profiles of enterprises began to contribute to high rates of return as much as desirable new products or low-cost technologies, the concept of strategy underwent important adaptations.<sup>45</sup>

First, many different things within an enterprise began to acquire strategic significance. A strategic asset did not have to be a product or a technology. It could be key personnel, a strong relationship with suppliers, or a particularly valuable manufacturing location offering both transportation and tax advantages.<sup>46</sup> Even a license from a regulatory agency could qualify. In short, as strategic analyses became more sophisticated, they revealed the strategic value of many different features of a given enterprise.

Second, instead of viewing the firm as a single business, managers came to see the firm as a portfolio of different businesses.<sup>47</sup> The portfolio of businesses might turn out to produce some cost or marketing advantages to particular businesses within the family as a result of complementarities in financial transactions, production, distribution, or marketing.

But even if the portfolio did not really have any of these technological possibilities, it would still have an advantage insofar as diversification of products and industries spread a particular firm's risk. If an enterprise had products in several different industries, it was less vulnerable to occasional downturns in a particular industry and better able to take advantage of rapid growth in new sectors.<sup>48</sup> Diversification had its price in that the central focus of the organization might be lost and, with that, some of its productive capacity. But for many firms, the financial advantages of a diverse portfolio of products more than compensated for the loss of focus and expertise.

Thus, strategy shifted its focus to the relative strength of a firm's different products in different markets and analyzed how returns from one product would finance the development and inevitable risks of a newer product. It emphasized the problems of distributing risks and managing transitions from one portfolio of products to another, rather than finding a particular market niche in which to hole up.

### *Strategy as a Sustainable Deal*

More recently still, the concept of corporate strategy seems to be going through another revision—this time to deal with powerful challenges to corporate governance and management. One of these challenges has come from the increasing power of outside agents other than the share-

holders and the customers to make effective claims on the corporation's assets and activities.

In the past the principal group with whom management had to contend in defining the overall purposes of the firm was labor.<sup>49</sup> Indeed, until recently, labor has been quite effective in making claims on organizations for such things as increased pay, safer working conditions, more reliable pensions, and so on.

More recently, others have joined labor in making effective claims on private enterprise. Government, for example, now wants more from corporations than mere tax revenues. It seeks to use corporations as agents for social objectives ranging from environmental protection to affirmative action.<sup>50</sup> Even more recently, local communities have managed to make some claims on corporations sensitive to their image as a good corporate citizen.<sup>51</sup> The cumulative pressure from these various groups has gradually shifted the effective focus of a corporation from maximizing shareholder wealth to accomplishing that goal subject to an increasing number of social constraints—constraints that on occasion seem more important than the original goal itself.<sup>52</sup>

Predictably, these changes have stimulated another important change. Increasingly, companies find themselves vulnerable to hostile takeover attempts by entrepreneurs who claim to see some unexploited economic value in the enterprise and offer to buy control of the firm at prices far above market values.<sup>53</sup> Their willingness to pay the higher price testifies to their confidence that the assets of the firm could be used more intensively, or more productively, or with greater loyalty to the shareholders' interests. The shareholders are inclined to go along. Consequently, management has become concerned about warding off such takeover attempts.

These challenges to corporate governance have forced private sector managers to abandon the illusion that the authority to set the course of the company's future development has been delegated irrevocably to them. Their purposes and plans, once routinely approved in annual shareholder meetings, are now often contested by truculent shareholders, aggressive corporate raiders, determined government regulators, and angry local communities. As one business school professor put it, "We used to think that setting the strategy of the firm was the prerogative of the chief executive officer. Now we see that a successful strategy is simply a sustainable deal among a variety of stakeholders that includes the shareholders, the creditors, the customers, the employees, the suppliers, the government, and the local community."<sup>54</sup>

In sum, the concept of strategy in the private sector has helped private sector executives analyze opportunities for positioning and using their

enterprises in an increasingly complex and dynamic world. By focusing attention on environmental threats and opportunities, and by encouraging them to see their organizations in terms of their particular distinctive competencies and the strategically important assets they control, the concept has aided private sector executives in formulating concrete business plans. Increasingly, they are also encouraged to negotiate their plans with all those who have a stake in the enterprise.

### DEFINING MISSION AND GOALS IN THE PUBLIC SECTOR

Our question is whether these concepts can be usefully adapted for use by public sector executives. At the outset, the differences between the two sectors may seem crippling. For example, the focus on competitors seems out of place, since many government organizations consider themselves monopolies.<sup>55</sup> Similarly, the notion that government agencies might offer a portfolio of products with each one supporting another in financial terms also seems a little bizarre.<sup>56</sup>

Yet the concept of corporate strategy applies meaningfully to public sector executives. For example, the notion that the organization might have a distinctive competence wider than its current use is consistent with viewing the library in Chapter 1 as a kind of indoor park that could be used to provide day-care as well as a place to read and distribute books. The proposition that public sector executives should connect their performance to the aspirations of citizens, overseers, and clients fits the argument developed about public value in Chapter 2. And finally, the idea that organizations need to be positioned in an uncertain, dynamic market, and that a successful organizational strategy must embody a sustainable deal among stakeholders, captures the dilemma of Ruckelshaus and Miller far more clearly than the idea that they have a well-defined mandate to achieve. Corporate strategy may even help public sector executives accommodate themselves to a reality they have long fought—namely, that their mandate for action is both ambiguous and vulnerable to change, and that an efficient response to that reality may require organizations to be adaptive and flexible rather than rigidly focused on achieving a clearly defined objective.

#### *The Strategic Triangle*

For the last several years the public management faculty of the Kennedy School of Government has worked with a rudimentary concept of organ-

izational strategy adapted for the public sector.<sup>57</sup> In this conception, an organizational strategy is a concept that simultaneously: (1) declares the overall mission or purpose of an organization (cast in terms of important public values); (2) offers an account of the sources of support and legitimacy that will be tapped to sustain society's commitment to the enterprise; and (3) explains how the enterprise will have to be organized and operated to achieve the declared objectives.

In developing a strategy for a public sector organization, a manager must bring these elements into coherent alignment by meeting three broad tests. First, the strategy must be *substantively valuable* in the sense that the organization produces things of value to overseers, clients, and beneficiaries at low cost in terms of money and authority.

Second, it must be *legitimate and politically sustainable*. That is, the enterprise must be able to continually attract both authority and money from the political authorizing environment to which it is ultimately accountable.

Third, it must be *operationally and administratively feasible* in that the authorized, valuable activities can actually be accomplished by the existing organization with help from others who can be induced to contribute to the organization's goal.

These tests are powerful because they identify the necessary conditions for the production of value in the public sector.<sup>58</sup> To verify their necessity, imagine what happens to managers and their organizations if any one of these three conditions is missing.

If managers have an attractive purpose broadly supported by the political environment but lack the operational capacity to achieve it, the strategic vision must fail. Either the goal will be rejected as unfeasible or the political world will find a different institutional vehicle for accomplishing it.

If managers have a substantively valuable goal that is administratively and operationally feasible but cannot attract political support, then that enterprise, too, will fail. The want of capital and resources will doom it.

If managers conceive of some organizational activities that can command political support and are administratively feasible but lack any substantive significance, then, over the long run that strategy will fail—not necessarily because the organization will be diminished, but simply because its operations will be wasteful and someone will eventually get around to blowing the whistle.

Finally and most painfully, if managers have substantively valuable ideas but are unable to attract political support or administer them

feasibly, then those ideas must fail as strategic conceptions. Such ideas are "academic" in the worst sense of the word.

### *The Utility of the Framework*

This framework, like the concepts of corporate strategy in the private sector, helps public sector executives draw back from the task of presiding over and maintaining their organizations, while refocusing their attention on the question of whether their political or task environments now either require or allow them to change their organizational purposes in the interest of creating additional public value. It helps them maintain a sense of purposefulness that allows them to challenge and lead their organizations toward the production of greater public value.<sup>50</sup> (It is important to keep in mind that a manager might increase public value by downsizing the organizations's operations and returning money to private consumption. In the public sector as in the private, *growth* is not always desirable. Indeed, one of the persistent values in our political environment is the desire to keep the public sector as small as possible.)

More particularly, use of the concept encourages public sector managers to scan their authorizing environments for potential changes in the collective political aspirations that guide their operations; search their substantive task environments for emergent problems to which their organizations might contribute some part of the solution; and review the operations of their own and other organizations in search of new programs or technologies that their organizations could use to improve performance in existing (or conceivably new) missions.

Taken together, analysis of the external demands and of the internal capabilities helps managers understand why their organizations function as they do and the extent to which managers can count on smooth sailing in the future. If citizens and their representatives are demanding what the organizations are happily producing, managers might well rest easy. If, however, important inconsistencies exist between what citizens and their overseers desire and what the organizations supply, then the executives have to realign their mandates and their organizations.<sup>51</sup>

Even the absence of trouble between mandates and operational capabilities does not necessarily imply that all is well. Managers, guided by the strategic triangle, have to consider the possibility that while citizens and overseers seem happy, somehow the organization still fails to produce anything of value.<sup>52</sup> They have to check intermittently to find out if the assumptions they and citizens make about the ultimate effectiveness of their enterprises are, in fact, true. That is the challenge implied by

defining the concept of public value somewhat independently of the political support and legitimacy of the organization, and by suggesting that analytic techniques such as program evaluation and benefit-cost analysis have an important role to play in helping managers locate and recognize the creation of public value.

They also have to consider the possibility that things change—that new political demands will emerge, or that new technological possibilities will appear. To the extent that these changes redefine what is valuable for their organizations to do, managers have to be alert and respond with suitable adjustments.

In short, the concept focuses managerial attention *outward*, to the value of the organization's production, *upward*, toward the political definition of value, and *downward* and *inward*, to the organization's current performance.<sup>53</sup> To the extent that this review reveals important incongruities in the position of the organization, then the manager of that organization would be encouraged to rethink his or her basic strategy until it was once more properly aligned.<sup>54</sup>

### *Analytic Techniques for Strategic Planning*

Each point of the triangle provides a different vantage point for considering the question of what would be valuable (and feasible) to do. More important, each point engages a different set of analytic methodologies for answering the basic question symbolized by that point on the triangle.

For example, in asking whether a particular organizational goal is substantively valuable, managers are encouraged to raise normative questions about the value of their efforts and to bring to bear the analytic apparatus that can help them answer those questions. The technical apparatus of program evaluation and benefit-cost analysis can be wheeled out to help make this important determination.<sup>55</sup> Managers can also apply philosophical and legal analyses of social justice, fundamental fairness, and any individual rights that might be affected by an organization's operations.<sup>56</sup>

In asking whether a goal is politically sustainable, one invites an analysis of the politics surrounding the organization.<sup>57</sup> This could include an analysis of the important values that are at stake in the organization's operations, the interests of those legislators who oversee the organization's operations, the claims pressed by interest groups, or the bits of conventional wisdom that now justify and guide the organization's activities.<sup>58</sup>

In asking whether a particular goal is organizationally doable, one can rely on the techniques of feasibility assessment and implementation analysis.<sup>68</sup> These techniques draw on what is known about the ways in which, and the rates at which, organizations can change their activities.<sup>69</sup>

In sum, thinking strategically in the public sector requires managers to assign equal importance to substance, politics, and organizational implementation. Currently, these elements remain disconnected. Some, such as academic experts and policy analysts, specialize in substance.<sup>70</sup> Others, such as political appointees or the directors of legislative affairs offices, specialize in politics.<sup>71</sup> Still others, such as those who direct offices of administration and management, specialize in administrative feasibility. Thus, thinking strategically means integrating these diverse perspectives. If any perspective is left out, some important consideration in choosing a value-creating path will be lost.

#### *A Contrast to Classic Traditions of Public Administration*

The strategic triangle is designed to influence how managers distribute their attention, thought, and action across their operational environments. It can be particularly helpful to them in performing the crucially important task of defining their organization's overall mission and goals. To deepen understanding of the strategic concept and further evaluate its utility, compare its recommended focus to the orientation commonly associated with the classic tradition of public administration.<sup>72</sup>

Perhaps the most notable difference is that the classic tradition of public administration does not focus a manager's attention on questions of purpose and value or on the development of legitimacy and support. The classic tradition assumes that these questions have been answered in the development of the organization's legislative or policy mandate.<sup>73</sup> The policy mandate simultaneously defines the organization's purpose and creates a normative presumption that such a purpose would be publicly valuable to pursue. The mandate also explicitly provides the organization with the resources—the money and public authority—it needs to achieve its purpose. Finally, it authorizes the managers to deploy those resources to achieve the mandated goals.

Given that the questions of resources, authorization, and value have all been resolved in the establishment of a policy mandate, managers must pursue the downward- and inward-looking tasks of deploying available resources to achieve the mandated objectives as efficiently and effectively as possible.<sup>74</sup> In accomplishing this goal, managers rely on

their administrative expertise in wielding the instruments of internal managerial influence: organizational design, budgeting, human resource development, and management control.<sup>75</sup> To the extent that managers look upward and outward, they do so primarily to ensure that they operate within the framework of mandated objectives, that is, to ensure that they are properly accountable.<sup>76</sup> The definition (and redefinition) of purpose is left to policymakers.

In contrast, the strategic triangle rests on the assumption that public managers should define an organization's overall purpose and mission. It also reminds them to develop conceptions of valuable purposes from sources beyond the boundaries of their own administrative expertise. They are encouraged to use analytic techniques to scan their task environments and evaluate their own performance as the basis for forming independent views of the value of planned or past activities.

Managers should interact with the political system not simply through the medium of their mandated purposes but instead through more continuous and interactive dialogue. They should look behind the mandate to see how different political aspirations have been reflected in the mandate that seeks to guide them, and how the balance of political forces seems to be changing over time.<sup>77</sup> They should engage political overseers in deliberation to improve their judgment about what the political system would regard as valuable.<sup>78</sup> Moreover, they should adopt this stance toward politics not only at those rare times when legislation affecting their organization is being considered but routinely.

Even more radical is the idea that managers' knowledge of the distinctive competence of their organization—combined with what they are learning through their current operations about the needs of their clients and potential users—might suggest potentially valuable new activities for them to initiate. Thus, for example, the librarian in Chapter 1 considers whether and how to accommodate the needs of the latchkey children. At first blush, such an initiative seems beyond her mission and difficult to accomplish—therefore something to be resisted. On reflection, however, the idea might well be within her mission; it requires a distinctive competence her organization has developed. In short, she senses that there is a valuable new use for her organization. Like private sector managers who seek niches in their environments that they are well positioned to fill, so strategically oriented public sector managers might spot new opportunities for their organizations to meet emergent political demands or to respond to new needs that were not previously recognized.

Thus, this strategic conception seeks to incorporate the techniques of political analysis and policy analysis as well as administrative and organizational analysis in the required repertoires of public sector managers. In doing so, the concept of strategic management in the public sector seems to elevate public sector executives from the role of technicians, choosing from well-known administrative methods to accomplish purposes defined elsewhere, to the role of strategists, scanning their political and task environments for opportunities to use their organizations to create public value.<sup>79</sup> It also changes their administrative job from assuring continuity and efficiency in current tasks to one of improvising the transition from current to future performance. Like private sector executives, public sector executives serve to position the organization they lead to create public value, not simply to deploy resources to accomplish mandated purposes.

Now, such a broad invitation may pose hazards for democratic governance. It may be dangerous to encourage public sector executives to use their imaginations to search for public value. In gauging this risk, however, we must keep in mind that the primary change being recommended is *in the thoughts and actions of managers*, not in the existing institutional arrangements that hold them accountable.<sup>80</sup> In action, managers will still be bound by the tight process of oversight that now constrains them and by the rigidities of the bureaucracies that they seek to lead. The only new action I propose is that managers feel authorized to search their environments with purposeful, value-seeking imaginations and then to act on any opportunity they see through interactions with their political authorizing environments and innovations within their own organizations. If they succeed in finding and exploiting opportunities to create value, it will be because they earn their success in the tough institutional environments in which they find themselves, not because their world has become less demanding.

To see how this concept works in practice, and the sorts of choices a manager faces in committing himself and his organization to a particular strategy, let us return to the examples of Ruckelshaus and Miller.

#### **THE MISSION OF THE EPA: POLLUTION ABATEMENT**

Ruckelshaus, challenged to establish a direction for the fledgling Environmental Protection Agency, defined its mission as "pollution abatement."<sup>81</sup> This overall concept, and the more particular substantive, po-

litical, and administrative actions it entailed, turned out to function well as a strategic vision for the emerging organization.

#### *Pollution Abatement as a Corporate Strategy*

In committing the EPA to the goal of pollution abatement, Ruckelshaus made an important substantive statement about what public value he was to produce. More precisely, he signaled how he should strike the balance between society's desires to have an attractive, safe, and pristine environment, on the one hand, and its desires to enjoy economic growth, low taxes, and limited government intrusion into the operations of the market economy, on the other. In Ruckelshaus's view, public value lay in the direction of a more aggressive environmental cleanup rather than a continuation of the status quo. An important question, of course, is on what basis he decided this crucial matter.

One answer is that he formed this view in response to the politics of the issue. The concern of many Americans for preserving the quality of the environment seemed to persuade him that tilting toward environmental cleanup was not only politically feasible but also, and partly for this reason, normatively desirable.

A second answer is that actual objective conditions indicated that the quality of the environment was worsening, and worsening in ways that affected all the important ultimate values in this domain—aesthetics, health, and preservation. It is important to recall, however, that no one knew systematically at this stage whether environmental quality was deteriorating or not, or what the important consequences of any deterioration would be, or how the environmental degradation could best be reversed. Data monitoring the state of the environment, or the costs and effectiveness of interventions to reduce pollution, were simply not then available to answer these questions on a hard scientific basis. Some would argue, then, that the prudent course for Ruckelshaus would have been to wait until more evidence became available before launching the country on an expensive path toward environmental cleanup. That was certainly the course preferred by President Nixon and his staff.

Yet, Ruckelshaus decided to commit the EPA and the country to beginning the process of environmental cleanup. One justification for such a decision would be a judgment that the best way for society to learn about both the costs and the benefits of environmental protection would be to try it for a while and see what happened. Without doing something to avoid pollution or to clean up the accumulated harms,



society would have no way of knowing much about either the benefits or the costs of the environmental cleanup.

Ruckelshaus himself summarized his judgment about the value of environmental protection. "There was enormous legitimacy to the issue itself," he said.<sup>82</sup> Both the politics and the objective circumstances as best he could then see them encouraged action to clean up the environment.

In terms of its ability to *sustain political support*, the concept of "pollution abatement" nicely balanced the competing political values that held the new agency in their grip. On the one hand, the phrase suggested a commitment to action rather than further study; that was what "abatement" meant. For environmentalists, this stance represented an important gain over past policies and therefore attracted some of their grudging support. On the other hand, the phrase left it unclear exactly how far Ruckelshaus meant to go in his cleanup efforts. Pollution was to be abated, not eliminated. It also seemed to indicate that the process would be deliberate. Polluters would have time to adapt to their new responsibilities. These features gratified those who, at least in the first instance, would have to pay for the costs of the cleanup.

In terms of its *operational feasibility*, the phrase, again, had some attractive features. It identified the key operational work that the organization had to do: namely, find some way to motivate polluters to reduce the pollutants they were putting into the air and water. And it was formulated in a way that allowed Ruckelshaus to begin making progress almost immediately without revising the organization's accepted operational objectives. As one participant in a Kennedy School executive program explained, "Ruckelshaus has found an organizational goal that is immediately achievable, but never attainable, and therefore continually challenging."

Thus, committing the EPA to the goal of pollution abatement met the conditions of a successful corporate strategy. It identified a purpose that was plausibly of public value, calculated in both political and substantive terms. It attracted enough political legitimacy and support to ensure that the EPA could remain as a going concern. And it defined an operational task that was challenging but not hopelessly beyond the organization's capacity to accomplish.

#### *Implementing Strategy I: Maintaining Legitimacy*

To make the goal of pollution abatement more than an empty slogan, however, Ruckelshaus had to take specific, concrete political, substantive, and administrative actions that reflected his commitment to this

goal and shaped his organization's ability to act on it. In the *political* domain, this required him to prod and equip the EPA to act like an alert, forceful agency capable of responding to environmental crises with novel uses of governmental powers. Thus, for the first year, whenever an environmental crisis occurred, the EPA would respond—even if only to give a comment or announce a study. Moreover, the EPA initiated suits against a half-dozen large polluters—including both private sector corporations and municipal sanitation departments. These particular actions satisfied political overseers that the agency's commitment to abate pollution was real, not just rhetorical.

It also required him to show some degree of independence from the Nixon White House, for Nixon was widely (and accurately) viewed as skeptical of the value of the environmental crusade. When Ruckelshaus's independent stance and greater enthusiasm for environmental cleanup threatened his working relations with the White House staff, Ruckelshaus argued that his activist stance neutralized a potentially powerful political challenge from Senator Muskie. This argument kept him tolerably well aligned with one of his most important overseers.

In addition, throughout the period, Ruckelshaus kept lines of communication (and potential influence) open to key representatives who wanted to prevent the environmental movement from striking too hard or too suddenly at the economic interests of their constituencies. To be able to support Ruckelshaus, they needed confidence that they could shape the form and pace of governmental regulation to ensure a smooth (and minimally disruptive) adaptation. Thus, Ruckelshaus hired a special consultant to keep him abreast of the concerns of the agricultural interests represented by Congressman Jamie Whitten, the chairman of the House Appropriation Subcommittee to which Ruckelshaus was accountable. Taken together, these actions sustained a political coalition in support of Ruckelshaus, the EPA, and pollution abatement.

#### *Implementing Strategy II: Substantive Policy Decisions*

*Substantively*, Ruckelshaus gave impetus to his overall strategy by deciding several particular policy issues in ways that reflected both his determination to move toward environmental cleanup and his openness to negotiating on the pace and form of the cleanup. Confronted with the question of whether to ban DDT—a pesticide made infamous by Rachel Carson—Ruckelshaus opted for an outright ban. It would have been hard to do otherwise and still be seen as someone bent on environmental

cleanup. (It also helped that more effective and safer pesticides had been created since Carson's first warnings.)

Confronted with the question of whether to set air quality standards immediately even though the existing science was insufficient to show a certain or exact relationship between air pollution from cars and bad health consequences, Ruckelshaus decided to set the standards on the basis of only a single empirical study. Apparently, he believed that it was more important to get started on environmental cleanup than to get the standards exactly right at the beginning.

Confronted with the question of whether to impose penalties on automobile manufacturers producing vehicles that failed to meet environmental standards, Ruckelshaus imposed fines on trucks, not cars. This policy got the attention of the automakers without disastrously crippling them. In each of these cases, Ruckelshaus took a firm action that set the stage for further work to go forward in cleaning up the environment but did not inflict large economic losses.

### *Implementing Strategy III: Building Operational Capacities*

*Operationally*, Ruckelshaus's key decisions focused on the overall structure of the organization and the people to be appointed as subordinate managers in the structure he created. An Office of Management and Budget (OMB) Task Force advised him to adopt a standard functional organization then common to many federal organizations, that is, to appoint assistant administrators for Administration and Management, for Science and Technology, for Monitoring and Surveillance, and for Enforcement.<sup>83</sup> Others, eager to focus the organization on ultimate goals and objectives, recommended organizing on the basis of programs. The programs, in turn, could be defined in terms of either the media to be cleaned or the pollutant to be attacked. They proposed to have assistant administrators for Air Pollution, for Water Pollution, for Solid Waste, for Noise Pollution, and so on.

In the end Ruckelshaus followed neither recommendation. He opted for a mixed structure featuring assistant administrators for Administration, for Enforcement, for Air Programs, for Water Programs, and for Science. One could see this arrangement as nothing more than a compromise between two plausible plans. A different interpretation, however, is that this structure followed a logic dictated by an image of the EPA's *development over time* rather than by an effort to leap directly to the optimal long-run arrangements.

In the short run Ruckelshaus needed to develop some organizational capacity to take action against flagrant polluters: a powerful Office of Enforcement. This capability was central to his strategic vision for three reasons.

First, establishing such an office would powerfully and concretely embody his commitment to pollution abatement. To the extent that he had calculated correctly about the balance of political forces, creating such an office would establish his credibility and allow him to continue to operate with a reasonable amount of support and enthusiasm from his political overseers.

Second, the commitment to action reflected in the establishment of this office and backed up by continuing political support would not only give him some freedom and discretion in the short run, but would also produce a potential supply of additional money and authority over the long run. He needed this material to build the EPA's real operational capabilities in the future. He understood the difference between undertaking merely symbolic, immediate actions and building the EPA over time into an organization that could attack pollution operationally on a very broad front and on a very large scale. For that, he would need a continuing flow of money and authority long into the future, which could be used as investment now.

Third, the symbolic actions taken against polluters would help strengthen the environmental movement by focusing its attention on visible targets and by giving it a potentially powerful new ally. This alliance would help sustain a flow of money and authority to the organization in the future while conceivably producing operational benefits almost instantly. The stronger the environmental movement, the more likely the polluters to begin taking action on their own to clean up the environment. The movement might succeed in educating and persuading current polluters while putting pressure on them to change. More important, it would indicate to polluters that they would eventually have to stop polluting and that they might as well get a jump on the competition and begin adapting now rather than wait for the EPA to get around to them.<sup>84</sup> The EPA had to rely on such effects, for it had quite limited powers to compel an immediate environmental cleanup without societal encouragement for voluntary compliance.

For both political and operational reasons, then, Ruckelshaus naturally established an Office of Enforcement reporting directly to him. Indeed, this office made the responses that established the image of the EPA in its first few years and helped sustain the political determination to attack environmental degradation.

While the Office of Enforcement was the most important short-run priority, the largest problem facing the organization in the medium term was translating its broad political and legal authority to clean up the environment into specific obligations on specific polluters. The legislation directed at cleaning up the air and water had established particular procedures for accomplishing these objectives. In the case of air, the federal government was authorized to establish ambient air quality standards, and the states were then obligated to develop state plans for pollution control capable of meeting the federally mandated standards. In the case of water pollution, the states decided on both the standard of cleanliness to be met and how the burden for cleaning the environment would be distributed across polluters. The water program also included a large federal subsidy for municipal sanitation agencies, while the air program relied only on government authority to achieve its purposes.

At the time the EPA was created, very little of this work had been completed. Yet, until it was completed, no particular polluter had any enforceable liability for cleanup or much knowledge about how to contribute to environmental protection.

To ensure that this enterprise proceeded apace, Ruckelshaus left intact the administrative units then performing these functions. He reasoned that disrupting them would slow their performance—particularly since the central staff of the EPA would be focused on enforcement efforts and administrative arrangements necessary to integrate the diverse units.

In the long run, he reasoned, the EPA's Achilles' heel was likely to be the scientific base justifying and targeting the cleanup effort. In the short run, indignation about pollution would be strong enough to maintain support for reasonably aggressive action. Enough flagrant and economically insignificant targets existed for the EPA easily to justify its overall mission or its specific conduct in targeting particular firms for cleanup efforts. As the total and marginal costs of environmental cleanup increased, however, there would be stronger demands for justifications and greater need for precision in the targeting of cleanup efforts. To maintain the legitimacy of the issue, sheer indignation would have to yield to support from science. That could only come from strengthening the EPA's scientific base. To build that capability, Ruckelshaus had to create a home that appealed to first-rate environmental scientists; he had to give them enough time not only to develop the knowledge base but also to develop the people who could create it. Organizationally, the best way to accomplish these goals was to create

an Office of Science that would insulate the scientists who worked there from most short-term operational demands while keeping them focused on the EPA mission.

### *The Results*

As a result of Ruckelshaus's strategy, the EPA and the country launched on a particular course of action: toward environmental cleanup. The air and water began to get clean at a faster rate than a less aggressive posture probably would have accomplished. The EPA itself became a powerful agency that attracted quality people and used their talents well. Ruckelshaus gained a reputation as a first-rate governmental leader and manager—much admired by the politicians who worked with him and his staff of administrators and scientists. These consequences all register on the plus side.

On the negative side, Ruckelshaus's strategy introduced some rigidities into the government's actions in dealing with environmental degradation, which became quite costly as difficulties and new threats appeared.<sup>85</sup> By casting the mission as pollution abatement and emphasizing enforcement as an approach, Ruckelshaus made it much harder for the organization to shift its strategy to approaches that made effective use of markets in locating places where cleanup could be undertaken inexpensively. By failing to differentiate the possible justifications for environmental cleanup (for example, aesthetics, health, or preservation), and by emphasizing conventional air and water programs, Ruckelshaus may have slowed the government's response to toxic wastes—a problem that was arguably more important and more difficult than those that commanded much of the EPA's attention.

But these negatives suggest only that no single strategy can be successful in accomplishing everything over the long run. Indeed, a strategy by definition emphasizes some purposes at the expense of others.<sup>86</sup> Moreover, the decision about what to emphasize is always conditioned by the time at which the decision is made. Any given strategy will probably look worse over time. The right test for a strategy, then, is not whether it solves all problems forever, but rather whether it solves the important problems for the next several years and leaves a reasonable amount of room for adjusting to issues that were not anticipated at the outset. By this test, Ruckelshaus's strategy for the EPA seems quite valuable.

## THE MISSION OF DYS: HUMANIZING THE TREATMENT OF CHILDREN

Challenged to lead the Massachusetts Department of Youth Services, Jerome Miller defined his mission as "humanizing the treatment of children." This goal, too, seemed to meet the conditions required for a plausibly effective corporate strategy for his organization.

### *Humanizing Treatment as a Corporate Strategy*

Like Ruckelshaus's strategic vision, Miller's conception was designed to resonate with, and help organize the *politics* surrounding, the organization he led. He sought to capture the enthusiasm of an emerging political constituency then bidding to overturn the political agreements that had previously guided the agency's operations. But Miller arguably went further than Ruckelshaus. Instead of balancing the competing interests, Miller staked the organization on a vision closer to the aspirations of the most radical reformers. It reflected the views of reformists who spoke in terms of justice for children and rehabilitation, as opposed to expressing the values of those inclined to protect the community from juvenile crime. Its political success depended on sustaining that more extreme political constituency.

*Substantively*, Miller thought that such treatment would pay off not only by demonstrating in DYS operations a proper vision of what children justly deserved, but also in practical terms by reducing recidivism and saving money over the long run. Despite little actual evidence, widely endorsed theories established the plausibility of this claim.<sup>87</sup> In any case, compared with the expensive, unjust, and ineffective way that DYS was currently operating, almost anything could be considered an improvement—at least in Miller's mind and in the minds of his supporters.

*Operationally*, the concept also identified the key tasks facing the organization. The way DYS treated kids had to change—from "dehumanizing" to "humanizing" conditions. That, presumably, meant not only increasing the flow of educational and rehabilitative services to kids but also treating them with respect—perhaps even love. It might also mean keeping them in contact with their natural parents and their communities, and seeing them as children more than urban terrorists.

Miller's vision was a bold one. Whereas Ruckelshaus's strategy seemed to go right down the middle of the political conflict surrounding the organization, Miller's strategy seemed to align itself with one of the

extremes. Whereas there was enough objective evidence to sustain a broad public enthusiasm for attacking environmental pollution, there was nothing but a contested sociological theory and a sense of justice to indicate the wisdom of humanizing treatment for juvenile offenders. Whereas Ruckelshaus's strategy depended on the gradual development of a new organization, Miller's seemed to require a radical reorientation of an existing organization. Clearly, Miller adopted a much riskier strategy than Ruckelshaus.

### *Implementing Strategy I: Building Operational Capacities*

Like Ruckelshaus, Miller had to find some concrete ways to establish his commitment to the goal of humanizing treatment in both the political and operational spheres. At first, Miller sought to implement his strategy by changing the institutions themselves. He eliminated rules governing haircuts and dress, and thereby eliminated a source of power that the custodial staff had used to enforce discipline within the institutions. He also toured the institutions, "trying to find people who shared his goals," and authorized them to initiate new programs regardless of their status in the organization's hierarchy. He drew volunteers into the institutions to run new programs for the children. Perhaps most important, he encouraged the children to speak out about the conditions and to come to him with any complaints about staff behavior. These changes had a revolutionary impact inside the institutions: they not only altered existing policies and procedures but also shattered previously fixed and established relationships between the staff and the kids.

Although these reforms created turmoil within the institutions, Miller eventually became convinced that it was impossible to make important changes in the way kids were treated within the structure of the existing institutions. DYS, he said, was "like China": it would absorb all efforts at reform and remain unchanged. Consequently, he embarked on a series of administrative reforms to create alternative placements for children outside the institutions.

His next important move was to increase spending in a little-used budgetary line for purchase of services from foster parents and other private agencies to provide supervision and care for children. In addition, Miller significantly shortened the average period of stay in the institutions. Ironically, he did not intend to take this step. He sent a memo to the heads of the various institutions establishing three months

as an appropriate *minimum* stay for children in the institutions. The heads of the institutions interpreted the memorandum as establishing the *expected maximum* stay and began paroling children from the institutions.

This may not have been a wholly innocent misinterpretation, for the heads of the institutions felt threatened and attacked by Miller's ideas, and they may have hoped that community indignation unleashed by the releases would stop Miller's innovations. If that was their goal, however, they were sadly disappointed. Both they and Miller were astonished to learn that even though the population in the institutions began to decline, no one seemed to be complaining. Miller decided to continue and accelerate the initiative.

In a dramatic gesture symbolizing his determination to deinstitutionalize the juvenile population, Miller ordered the Bridgewater institution closed when a riot occurred there during a tour by the governor's wife. He then promptly and ostentatiously bulldozed the empty structure.

As a final key step toward the goal of establishing an administrative and operational basis for supervising children outside the context of the institutions, Miller created a regional administrative network within DYS to stand alongside the organizational structure based on the institutions. He assigned the regional administrative network the job of finding alternative dispositions for children entrusted to DYS. As the population within the DYS institutions shrank, the relative importance of the regional network grew, until the regional network became the heart of the organization rather than the institutions.<sup>88</sup>

### *Implementing Strategy II: Maintaining Legitimacy*

Obviously, to manage these dramatic changes in the structure, conduct, and performance of DYS, Miller needed a very heavy, sustained dose of "capital." He needed financial capital to pay the sharply increased costs associated with managing the transition from a system in which delinquents were supervised in the context of institutions (which continued to claim funds) to a program that cared for them through community-based programs (which had to be built from scratch). As important, however, was the *political* capital that would allow him to pursue his controversial vision against the concerted opposition of the custodial staffs, the skepticism of the police and judges who disagreed with his approach, and the fears of citizens who once again had to face children who had committed crimes.

To shore up his mandate for humanizing the treatment of juvenile delinquents, Miller had to sustain and build support among the individuals and groups that could authorize him to take action and protect him from attacks launched by others. Close-in support came from Governor Sargent and Secretary Goldmark, who remained strongly committed to Miller's course of action. He also received unexpected support from two key members of the Massachusetts legislature who successfully fended off proposed legislative investigations of Miller's "mismanagement" of the department.

While these individuals seem to have based their support for Miller principally on their shared commitment to his cause, he turned out to be an enormously successful politician and advocate for his cause. As one observer put it, from the outset, Miller "married the media." He was extraordinarily successful in publicizing the terrible conditions then prevalent in the Massachusetts institutions, and in showing the human side of the children who had been transformed in the public mind into vicious young thugs. He promised to save the children from public neglect. Against the political power of that value at that particular time, worries about a little administrative inefficiency and small increases in the level of juvenile crime seemed inconsequential. Except for some die-hard opponents, members of print and electronic media gave Miller and his reforms consistently enthusiastic reviews.

With the powerful values he championed, and the widespread media support, Miller managed to strengthen youth advocacy groups throughout Massachusetts. These groups provided Miller with the political muscle that sustained his supporters' commitment and held his opponents at bay. Moreover, they supplied a nucleus of people who could staff the new programs Miller needed both within and outside the institutions. Initially, many of the volunteers who created programs within the institutions came from this youth advocacy movement. Later, these people began operating programs on a contract basis outside the structure of the institutions but still under the regional umbrella of the new DYS.

Finally, Miller found one other crucial financial backer and political ally—the federal government. Pressed by national trends similar to those operating in Massachusetts, the federal government had created an Office for Juvenile Justice and Delinquency Prevention (OJJDP) whose strategy for changing the nation's juvenile justice system matched Miller's. Indeed, it seemed to OJJDP that Miller's reforms led the way to substantial reform. As a result, they contributed financial support to cover the cost of the new network of services that Miller was creating

and offered assurances that Miller was at the professional and technical frontiers in dealing with delinquent children.

### *The Substantive Value of Humanized Treatment*

What nobody knew, of course, was whether the reforms that Miller championed would actually work to reduce juvenile crime. Miller was largely unconcerned about this. He argued that his reforms merely had to beat the alternative of institutionalizing kids. He was confident that his programs could do no worse than the institutions in terms of reducing youth crime in the short and long run; his programs used public money and authority less intensively than the state institutions and embodied a more attractive relationship between the society and its children. It was not only plausible but virtually certain, therefore, that his effort created more public value than the institutions had.

### *The Results*

Miller's tenure in Massachusetts lasted three years. In that time he laid the foundations for a radically different way of supervising juvenile offenders.<sup>89</sup> He shifted DYS from an organization that consisted almost entirely of state-managed institutions to one that consisted almost entirely of privately run, community-based programs. The variety of forms of care and supervision for juvenile delinquents increased dramatically, raising the likelihood that a program suitable to the particular circumstances of individual kids could be found, while broadening society's capacity to learn what did and did not work. Moreover, the purchase of service arrangements provided much greater flexibility to administrators in adjusting the aggregate level and distribution of types of social control programs.

Over time the political constituency that ushered in the reforms weakened. But it was replaced by a new political constituency rooted in the private care providers nourished by Miller's reforms.<sup>90</sup> Gradually, some secure care was added to the portfolio of programs available to DYS to deal with children who seemed particularly dangerous. The net result was that Massachusetts enjoyed then, and still enjoys now, a much more varied portfolio of programs to be used in supervising and caring for delinquent children than any system in the country. When challenged by assertions that the transition from the old to the new system could have been made in a tidier, more efficient way, Miller simply asked how that

could have been done and pointed out that nowhere else has that been accomplished.

### **THE MANAGERIAL UTILITY OF MISSION STATEMENTS**

Ruckelshaus and Miller made a lot of the opportunities presented to them. Their articulated purposes established the frameworks that guided governmental action and justified public investment in the domains for which they were responsible. Their organizations became resourceful and powerful in accomplishing the purposes they articulated. Although the political coalitions that gave them the opportunity to act wavered a bit, and triggered countermovements, the balance of political forces never returned to the position that existed prior to their administrations. And while the evaluations of their efforts remain equivocal (as they inevitably will), most observers judge these managers to have spent the resources entrusted to them reasonably well: in all likelihood, they increased public value through improved environmental protection and decent supervision and care of juvenile delinquents.

These managers did well because they developed and used an organizational strategy similar to those used by private sector executives. They did not articulate detailed plans to describe how the organization would move from one particular position to another. Indeed, what is striking is that neither of these managers had anything like a detailed plan.<sup>91</sup> Much of what they did seemed improvised and opportunistic rather than planned in advance. They had a broad goal that defined the direction in which they intended to move: abating pollution for Ruckelshaus, humanizing the treatment of kids for Miller. These goals operated as strategic conceptions for Ruckelshaus and Miller because they met the necessary conditions: in setting out the concrete path that their organizations had to take to create public value, they defined conceptions that were at once substantively valuable, politically sustainable, and administratively feasible.

This interpretation places a heavy weight on phrases that might be described as mere slogans—and not particularly creative ones at that. Yet I think the particular phrases, *and the ways that the managers used them both to guide and explain their political, substantive, and managerial actions*, can bear the weight. The careful selection, repeated articulation, and consistent use of these simple concepts helps accomplish a great deal of managerial work.<sup>92</sup> The contributions come in three important areas.

### *Maintaining Managerial Focus*

First, the statements of purpose help managers stay focused on the point of their efforts: managing their organizations for performance and value.<sup>93</sup> Every experienced manager knows how hard it is to stay focused on important managerial tasks when trivial but urgent demands divert intellectual energy and attention, and when unexpected but critical surprises occur.

The common devices advocated for dealing with these problems include more effective delegation to save the manager's time for important issues and improved planning to predict otherwise unforeseen events. But these devices are rarely successful in themselves. And even when they are successful, they depend ultimately on developing some simple, reliable analytic criterion that allows a manager to tell whether an unexpected event or a troublesome detail is or is not strategically important.<sup>94</sup> To stay focused on the important, then, managers need broad, consistent statements of purpose—a ready touchstone for examining their use of their own time and attention.

### *Identifying Key Political and Administrative Tasks*

Second, by framing the general managerial task, the statements of purpose (combined with thought and analysis of the immediate context) highlight the more particular pieces of managerial work that are strategically most important to achieve: the particular sources of political support that must be nurtured to sustain the enthusiasm and legitimacy necessary to carry the enterprise forward, the key public values that must be articulated and measured to maintain continuing political support, and the key investments and innovations that must be made in operational capabilities to achieve the purposes articulated in the strategy. In short, not only does the articulation of purpose keep a manager from becoming mired in unimportant but urgent detail, or being knocked off stride by surprises, it also sets the agenda of work that managers must actively address on both the political and administrative side of their operations if their strategy is to succeed.

Thus, in describing the EPA's goal as pollution abatement, Ruckelshaus aligned himself politically with those advocating that pollution be slowed and that the polluters accept responsibility for this end. If he succeeded, it was at least partly because he made himself and the EPA an instrument of their purposes—at least enough to appease their desire for some governmental action against pollution.<sup>95</sup> The goal also helped

identify whence the opposition would come: from among those who were being asked to abate pollution at some cost to themselves. Ruckelshaus faced the strategic challenge, then, of finding a way to prevent the opposition from growing so strong that it would frustrate his efforts to achieve some degree of environmental cleanup on behalf of those (perhaps including himself) who thought that the world would be a better place if less polluted.

Perhaps less trivially, the goal of pollution abatement identified the key operational capabilities that Ruckelshaus needed to create and deploy and gave him an entering bias on policy decisions to be made. Operationally, he had to find a way to stop specific sources of pollution. That made it important to develop political power and enforcement authority to impose cleanup obligations on the appropriate polluters. These became the central operational foci of his administration. There would have been a much different operational focus if his goal had been cost-effective environmental cleanup or guaranteeing a healthy environment.

Substantively, his policy decisions had to reflect a commitment to action to clean up the environment, even when there was some doubt about the benefits of doing so. That is why he had to ban DDT and set clean air standards even without the benefit of detailed scientific evidence.

The concept of humanizing treatment for kids provided the same kind of diagnostic frame for Miller. Once he articulated this goal, he could easily determine whom to rely on for political support and who constituted the opposition that would have to be held off or accommodated in some way. One cannot analyze the political environment for supporters or opponents until one has decided what substantive purposes one advocates.

The goal's key contribution, however, lay in helping Miller to see what was required of the organization he led and what changes would be necessary. Humanizing treatment for kids meant taking them seriously as autonomous human beings and giving them rights and powers in their relationships with the custodial staff. It necessitated supplying them with more intensive and extensive services ranging from decent food and shelter, through general education, to employment support or psychological counselling. It also required sustaining those relationships with their parents, community, and friends that were constructive or inevitable, so that the transition back to freedom in the community would be less traumatic. These considerations flowed naturally from the concept of "humanizing treatment," yet they mandated a rather exten-

sive overhaul in the design of the facilities and programs through which kids were being supervised.

Thus, once these managers knew the basic purpose of their organization, it became possible to see which events or tasks were strategically important and which were distractions. Without having thought through what one is trying to accomplish, one is at the mercy of one's in-box. Once one has decided what is important, the work that comes through one's in-box, and the events that occur in the world, get filtered through a different evaluative screen.<sup>96</sup> The work becomes grist for advancing strategic purposes rather than compelling tasks that must be responded to in their own terms or ignored as outside the frame of a carefully laid out plan.

#### *Mobilizing External and Internal Support*

Third, the articulation of broad purposes often both stimulates and guides the contributions that others can and must make to the enterprise if the organization is to succeed. On the political side, if the manager's articulated mission expresses a value or a purpose that a community advocates, then the community will be inclined to give the manager its support. When Ruckelshaus started talking about pollution abatement, for example, a great many environmental activists were willing to lend him support, or tolerance, at least for a little while. Similarly, when Miller started talking about humanizing treatment for kids, youth advocacy groups commented favorably on his actions to the governor and the legislatures. Since all public enterprises need enthusiasm from some elements of the public and tolerance from others, a statement of purpose that reflects important values being pressed by active groups can do a great deal of political work for the manager: it can become the banner under which political forces are sustained or mobilized.

On the administrative side, the articulated statement of purpose resolves a dilemma for the manager's key subordinates: it tells them what sorts of projects and enterprises will be viewed favorably by the boss, and what language they should use in describing their efforts. In the best of all worlds, this clarification would make midlevel managers and supervisors in the organization who already had projects and investments in mind that were consistent with the strategy feel authorized to act on behalf of the new purposes. It would unleash a torrent of creative energy along the desired path.

In a slightly less favorable situation, more skeptical midlevel managers would simply start mouthing the new rhetoric to "game" the sys-

tem.<sup>97</sup> Even here, however, the articulated purposes nonetheless have value. At a minimum, they define the terms of the internal competition for resources and thus begin to shape the discussions about what projects are worth doing. More interestingly, the language itself may gradually begin to influence the culture of the enterprise.<sup>98</sup> As people begin to use a different language to describe what they do, they tend to change what they see and do. Thus, even in a world where the midlevel managers had no ideas, or where their fondest ideas lay in some other direction, the articulation of purpose would have value because it would begin the slow process of distinguishing them in terms of their willingness to contribute to the enterprise and educating them about what was important for them to do.

For articulated purposes to attract support and effort from others, they have to look relatively firm and settled to the political advocates and to the subordinates. Ideally, they become a piece of reality to which everyone else has to adjust rather than something merely being proposed. The manager must be seen as "reality's agent" rather than simply as someone with an idiosyncratic idea.

To produce this condition, the goals must be rooted in the political and administrative reality of a given situation, the manager must be committed to them, and the manager must look like someone who is going to survive in the job. Otherwise, the goals will not be taken seriously enough for political groups to invest in them or for midlevel managers to stake their careers on them. And if no one invests in the enterprise, and no one acts to realize the vision, then it will fail.

Of course, no strategy can look firm and settled at the outset. Certainly no strategy that challenges the status quo can have the character of inevitability. Except in a crisis, at any given moment the overwhelming expectation is that what was true yesterday will be true today and tomorrow.<sup>99</sup> Consequently, every articulated strategy that challenges an organization will initially look artificial and suspect.

What gives a new, challenging strategy credibility is the degree to which it resonates with the views of others interested in or active in the area. If the new strategy attracts political support, if it attracts publicity, if it attracts volunteers, if budgets begin to increase, if new legislative sponsors appear, if old political opponents back off a little, then the strategy begins to have some political bite. If the manager seems committed because he or she keeps saying the same things, and his or her substantive and administrative actions have some interpretable relationship to the articulated mission, then the strategy begins to exercise some administrative torque on the organization's operations. If the manager's



personal stock seems to increase as he or she pursues the strategy, then the strategy will gather momentum inside the organization as subordinates figure either that now is their chance to do what they always wanted to do or that they are going to have to adjust to the manager's terms. It is not easy to change what people take for granted, but in the end, that is what a successful strategy does: it moves politicians and midlevel managers in an organization to a different set of expectations about the purposes and capabilities of a given public enterprise.<sup>100</sup>

### EVALUATIVE CRITERIA FOR ORGANIZATIONAL STRATEGIES

There are probably many different strategies that could be successful for a public sector enterprise. Ruckelshaus might have been successful if he had announced long-term plans to study environmental hazards and to develop an organization that could coordinate the nation's response. (Indeed, that was what Nixon expected and authorized him to do.) He might also have been successful if he had immediately begun developing a strategy emphasizing the threat represented by toxic wastes. Miller might have been successful if he had concentrated on decent care for kids within the institutions or marginally increased the flow of rehabilitative services to them.

Many different strategies are feasible because at any given moment the politics of a situation can accommodate many different ideas. Moreover, the politics will change of its own accord, in response to particular events, and sometimes even in response to managerial effort. So, if one looks ahead a little bit, the range of possible, sustainable political coalitions can become very broad.

Similarly, although organizations tend to be pretty set in their ways and do the particular things they do well, there is usually some flexibility in what organizations can do. Some slack always exists for experimental purposes if the organization is so inclined. Special programs now operate or remain in the memory of those who participated in them. Conflict arises about operational philosophy within the organization. Indeed, it often seems that all the conflicts that exist in the political world about the appropriate mission or function of the organization are expressed someplace within the organization—though not necessarily in the same balance.<sup>101</sup> All this becomes fertile soil for developing new and different organizational capabilities.

Finally, in the substantive realm, important doubts about the value of an organization's current operations surface, as do new, plausible ideas

about better ways of accomplishing old objectives or about new tasks the organization could perform that might be valuable and sustainable. In short, there is nearly always some scope for programmatic, administrative, or strategic innovations that could improve an organization's functioning.<sup>102</sup>

The occurrence of conflict and change within both political and organizational domains, and the existence of plausibly valuable innovations, show that there may be many possible strategic conceptions that will work. After all, managers do not need political unanimity to have a successful strategy: all they need is *enough* political support to supply the money, authority, and people required to implement the strategy. Similarly, managers do not need organizations perfectly suited to implement their desired strategy; they need organizations that can perform key tasks and absorb investments that will carry them to improved performance in executing the intended strategy. Finally, managers do not need to know for sure that some new ideas are valuable; it is often enough that the ideas seem plausible and worth experimentation.

The existence of many feasible strategies makes the task of designing and choosing a particular strategy an interesting one. If only one strategy were feasible, the task would simply be to figure out what it was. Since there are many, it becomes easier to find one that meets the minimal criteria for success but much more challenging to determine which one should be chosen. Three dimensions along which feasible strategies might vary seem particularly important.

#### *The Right Level of Abstraction*

One concerns the level of abstraction at which the strategy of the organization is defined. To see what I mean by the level of abstraction, consult the table on page 96, which sets out alternative strategies for the Environmental Protection Agency and the Department of Youth Services formulated at quite different levels of abstraction. Most people acknowledge differences in levels of abstraction at which tasks or purposes are defined. Moreover, given any two characterizations of an enterprise, they can readily say which is the more abstract. They may not realize, however, that the level of abstraction is a fairly continuous dimension and that we can develop rules for determining at what level of abstraction it is useful to discuss an organization's purpose.<sup>103</sup>

Generally speaking, we prefer greater specificity and concreteness in defining organizational tasks. Greater specificity helps explain more particularly what one means by a given purpose. It allows us to calculate

Alternative strategies for the EPA and DYS: Cost at different levels of abstraction

Level of abstraction	EPA	DYS
Highly abstract	"Protect the environment"	"Ensure justice for children"
	"Keep the environment healthy, clean, and beautiful"	"Humanize the treatment of children"
	"Abate pollution"	Provide care, custody, and connection to adjudicated delinquents
Relatively concrete	Keep the air and water free from toxic levels of pollution through stringent regulation of polluting industries	Provide for the care, effective supervision, and rehabilitation of adjudicated delinquents through a system that emphasizes community-based care and the referral of children to the least restrictive setting

what particular operational capabilities must be created. And it makes easier the job of devising unambiguous, objective ways of determining whether the organization has achieved its purposes. These evaluations enhance accountability of the organization to its overseers and facilitate internal management control.

In addition, increased specificity makes feasible the planning of organizational activities in greater detail. Once one has described what one means to do in detail, it becomes possible to identify the specific activities that are necessarily implied, to determine the order in which they must be done, and to determine which steps are on the "critical path" and which are not. Thus, greater specificity facilitates measurement, accountability, control, and planning of organizational activities.

These virtues of greater specificity are well known. Somewhat less widely acknowledged are the virtues of ambiguity associated with more abstract characterizations of mission and purpose.<sup>104</sup> One such virtue is that ambiguity and abstraction may harmonize political conflict. Significant differences in the values that various political groups place on particular aspects of performance may sometimes be submerged by finding a more abstract characterization of purpose. At the extreme, one may have to reach as high as the concepts of "public interest" or "public value." But often a lower level concept can contain a conflict that would

be all too apparent if the mission were described at lower levels of abstraction. This advantage of higher levels of abstraction is usually scorned as a kind of self-deception or sign of irresolution in our politics. And so it is. But it has some important operational advantages as well.

The crucial operational weakness of specific plans is that they tend to sacrifice flexibility. They leave little room for accommodating external shocks or for improvising solutions to unexpected problems. Above all, specific plans prevent people from changing their minds about what they are trying to accomplish.

What specificity does well is ensure the reliable and efficient achievement of a well-defined objective. What specificity hampers is the invention of new techniques or changing broader goals. At the extreme, too much specificity can lead an organization to solve, efficiently and reliably, a problem that had changed or become irrelevant; or to fail to capitalize on some unexpected opportunity; or to fall apart completely in response to some unexpected changes in its plans. Thus, a certain amount of ambiguity may leave the organization room to invent some purpose or some means superior to what could have been imagined in advance.

More abstract characterizations of purpose also have the advantage of inviting people in the organization to feel responsible for and participate in the mission of the enterprise in a different way. They are no longer cogs in a machine designed by others; they are partners in a joint operation that requires initiative and imagination as well as responsiveness and technical competence. To the extent that this new role increases the motivation of employees, and increases the number of minds working on the problem that the organization faces, it may improve performance.

If there are managerial advantages of moving to lower levels of specificity in characterizing the mission of the organization, and also advantages of moving to higher levels of abstraction, it must be true that there is an optimal level of abstraction in defining an organization's purpose that is neither too high nor too low. Of course, one might be able to solve this problem by setting out a hierarchy of goals to define the organization's mission at different levels of abstraction ranging from very high to very low.<sup>105</sup> This system would lend significance to the lower level objectives, by showing their relationship to the broader purposes of the organization, and concreteness and specificity to the lofty purposes, by showing the particular things that the lofty purposes entailed.

But the development of a full hierarchy of goals and objectives would leave open the question of which of these levels would be the primary

focus of top managerial attention and rhetoric. To this question, I have a tentative answer: the less political conflict exists concerning an organization's mission, and the more certainty there is about the organization's basic technologies and procedures, the more concrete should be the characterization of the mission; the more political the dissension, and the greater the need for innovation, the more abstract the characterization should be. We cannot expect public sector enterprises that are the focus of intense, shifting political conflicts to be precise about what they are trying to accomplish, for the very precision will invite constant destabilizing interventions by political overseers. Nor should we require public sector enterprises that are launched on complex, new initiatives where the appropriate means for accomplishing the goals have not yet been developed to be precise and detailed about how they will operate.<sup>106</sup> They need room to innovate and explore the operating features of the new technologies. We should demand great specificity and concreteness only of public enterprises whose missions and technologies are settled and refined.

Of course, determining which enterprises have settled missions and fully developed techniques is partly a matter of our political and managerial imaginations. Some might look at an enterprise and see nothing but settled purpose and routine procedure; others looking at the enterprise might see an opportunity to create additional value through new procedures.<sup>107</sup> Whether a manager is willing to transform a situation that seems settled and routine into one that is more open and innovative is an issue of strategy that relates to the second dimension on which strategies can vary—the degree of risk they entail for the manager and the society.

To a degree, one can see these differences in the different levels of abstraction used by Ruckelshaus and Miller in guiding their respective enterprises. In both cases, a broad political movement seemed to demand change and innovation in the performance of the organizations they inherited. Beneath the surface of those movements, however, churned a great deal of unresolved political controversy. As a result, each needed a mission formulated at a level of abstraction that could appeal to the surging political movements, accommodate the persisting concerns of traditional constituents, and frame the operational requirements for innovation within their organizations. Thus, they formulated strategies at moderately high levels of abstraction. In my view, Miller's strategy encompassed a higher level of abstraction than Ruckelshaus's because Miller needed a broader political coalition and more innovation to accomplish his strategy. For this reason, Miller also exposed himself

and society to greater risk than did Ruckelshaus, though both were involved in inherently risky ventures.

### *The Degree of Risk and Exposure*

Articulating an organizational mission meant simultaneously to establish the terms on which the organization will be accountable to its political overseers and to guide the organization's operations and investments in the future is inherently risky. No one can be sure what the political environment will expect or demand from an organization in the future. No one can know for sure what is publicly valuable. And no one can be sure what an organization will be capable of doing. Thus, in stating an organizational mission one takes a gamble—even in promising more of the same, for if the organization does not change, its political or substantive task environment might.

How big a gamble a particular strategy involves can, in principle, be measured by comparing its political and operational requirements to the existing political and administrative realities. We can think about the existing situation as fixed and incapable of change. Or, we can assume that the political and administrative environment contains possibilities not yet exploited and will change rather than remain constant.

Those unexploited possibilities could be represented analytically as probability distributions (subjectively imagined). Thus, in thinking about what is politically possible, we might visualize a distribution of probabilities over different conceivable mandates for an organization. And in thinking about what is operationally possible, we could imagine a probability distribution over different operational capabilities. Scenarios at the center of these distributions would be easier to achieve than those at their ends.

The question for the strategist, then, is not only what is now at the intersection of political support, substantive value, and administrative feasibility, but whether the intersection includes conditions that are likely or quite unlikely to occur. Obviously, the more one includes relatively unlikely events in the solution represented by an articulated strategy, the more risk one takes with that strategy. If one proposes a strategy that is politically sustainable with a high probability, but operationally feasible with only a low probability, that strategy is riskier than one that is high probability in both dimensions.

Ruckelshaus's and Miller's strategies seem quite different in terms of the risk they incorporated. Ironically, neither strategy emphasized the status quo. Even though that would have been the safest strategy in

operational terms, it would have been quite disastrous in political terms. The political environment was demanding a change. Hence, all of their strategic options were riskier than those that face someone taking over an organization operating in calmer political waters.

Still, they chose strategies that had much different degrees of risk associated with them. Ruckelshaus's strategy was more conservative than Miller's. In terms of political support, Ruckelshaus's goal of pollution abatement spoke more to the center of the balance of political forces than Miller's goal of humanizing treatment for kids. In operational terms, pollution abatement created fewer demands than humanizing treatment. As for substantive value, pollution abatement seemed far more likely to create it than humanizing treatment—that is, the hypotheses tying environmental degradation to aesthetic and health damages that could be reduced by eliminating pollution seemed much more firmly established than the hypotheses linking community treatment of juvenile delinquency to reduced juvenile crime. In this sense, Ruckelshaus served as "steward" of the EPA, while Miller "bet the company."

#### *Whose Vision and Purposes?*

Indeed, the boldness of Miller's strategy still offends many people, for to expose society to this degree of risk seems inappropriate in managing public sector enterprises. This observation raises the third important dimension on which public sector strategies can vary: the extent to which the strategy is understood as a statement of public purposes as opposed to an expression of the goals of the individual organizational leader.

In the end a strategy for an organization states the purposes of an organization and therefore, inevitably, proposes how important, competing social values are to be balanced. When Ruckelshaus declared that the EPA would pursue pollution abatement, it became clear that, for a while at least, the definition of public value would favor environmental cleanup over unfettered economic growth. When Miller declared that under his tenure DYS would seek to humanize treatment for children, it became clear that, for a while at least, public value would favor the social development of delinquents over short-run crime control.

But who makes such statements about public value and with what kind of authorization? If these goals are understood as accurate interpretations of the balance of political forces impinging on an organization's activities (for example, if they are at the center of the aspirations announced in recent legislation), then they can be understood as having been authorized by the political process. In this respect the organiza-

tional leader merely articulates in more concrete, particular language what the contemporary political will demands.

Alternatively, they can be seen as working assumptions about what constitutes public value nominated by public managers for consideration by citizens, overseers, clients, and beneficiaries. If the assumptions incur substantial opposition or engender no particular enthusiasm, managers might well modify the strategy (although silent accord is often the best they can hope for).

A third possibility is to see the strategic statement as an expression of the manager's own, individually held conception of public value. If this happens to accord with the current political forces, then a fortunate coincidence has occurred—the right person has filled the job at the right time. If the values expressed in the individually preferred strategy are out of alignment with the political forces, however, then managers face a difficult pragmatic and moral choice. They can keep pressing for the legitimacy of the purposes for which they stand, hoping that time and operational success will widen the tolerance of the political process for them and their purposes, or they can rebalance the political forces to favor them and their efforts. Alternatively, they can resign. Or, as a final option, they can become the instruments of the political forces making claims on them and adjust their own individual views of what is desirable to reflect those claims.

Which of these paths organizational strategists take is an important normative and psychological question confronting managers. I will discuss it extensively in Chapter 8. For now, it is enough to observe that the political pressures and the limitations of organizational capacities both do and should make claims on managers' conception of what is worth doing. Managers should not be prisoners of these constraints, for there is always some room for maneuver, and they should feel the right and the obligation to contribute their own views. But the views that are worth offering are those that interpret the possibilities of a given situation. That is what it means to have a strategy as distinct from a personal conception of what constitutes public value.<sup>108</sup>

Note that the degree of risk associated with a particular strategy depends on whose goal is expressed in the strategy. If the manager chooses a strategy that is at the center of existing political forces, consistent with the organization's current operating capabilities, and widely viewed as substantively valuable, then there is relatively little risk, and one can view the strategy as being almost entirely produced by the situation. The manager in this case would be nothing more than an agent of the circumstances.

By contrast, if the manager adopts a strategy that challenges the existing politics, rests on a novel idea of what is substantively valuable, and depends on significant changes in the operating capabilities of his or her organization, then there is a great deal of risk. There is also a stronger tendency to identify the purpose of the organization as the manager's purpose rather than anybody else's and to query its legitimacy as well as its feasibility.

For these reasons, most public managers tend to stay well within the political, substantive, and operational mainstream.<sup>109</sup> They cannot operate well outside these constraints without exposing themselves to significant risks and criticisms. Still, on occasion, public managers find the courage to operate this way, pay the price, and leave behind them either disasters or remarkable achievements depending on how their gamble pays off. In this regard it is interesting that Ruckelshaus left the EPA to wide applause, and Miller resigned from DYS under fire; yet Miller probably made the greater contribution to public value because he significantly widened the political and operational space within which juvenile justice could operate. DYS became an adaptable and innovative organization able to respond to varied political demands and heterogeneous claims from its clients.

Note, finally, that how risky a particular strategy is depends not only on the degree of predictability and congruence in the existing setting but also on the skill of the manager. Some managers are much better at diagnosing and operating on their political environments than others. Some are better at envisioning and properly reckoning the substantive value of their enterprises. Some are better at using techniques of administrative influence to make their organizations perform and change. What diagnostic and managerial techniques the best public managers use to effectively engage their political environments are the subjects of Chapters 4 and 5; I discuss the techniques they use to transform their operational capabilities in Chapters 6 and 7.

## PART II

# BUILDING SUPPORT AND LEGITIMACY