PART ONE

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Setting the Agenda

Beyond the Bureaucratic Paradigm

Imagine how government would work if almost every operating decision—including the hiring and firing of individuals—were made on partisan political grounds; if many agencies spent their entire annual appropriations in the first three months of the fiscal year; if appropriations were made to agencies without anyone having formulated a spending and revenue budget for the jurisdiction as a whole; and if no agency or person in the executive branch had authority to oversee the activities of government agencies.

This state of affairs was, in fact, the norm in the United States in the nineteenth century. That it sounds so chaotic and backward to us is due to the success of early twentieth-century reformers in influencing politics and administration at the city, state, and federal levels. As a result of their influence, most Americans take for granted that administrative decisions should be made in a businesslike manner, that the executive branch should be organized hierarchically, that most agency heads should be appointed by the chief executive, that the appropriations process should begin when the chief executive submits an overall budget to the legislature, that most positions should be staffed by qualified people, that materials should be purchased from responsible vendors based on objective criteria, and that systems of fiscal control and accountability should be reliable.[1]

The political movements favoring this form of bureaucratic

government emerged partly in response to the social problems created by the transformation of the United States from an agrarian and highly decentralized society to an urban, industrial, and national society.[2] For government to address social problems in an efficient manner, reformers said repeatedly, government agencies needed to be administered much like the business organizations that, at the time, were bringing about the industrial transformation.[3] For Americans supporting the reform and reorganization movements, bureaucracy meant efficiency and efficiency meant good government.[4]

Bureaucratically minded reformers also placed a high value on the impersonal exercise of public authority. To this end, they argued that actions intended to control others should be based on the application of rules and that no action should be taken without authorization. When officials' actions could not be fully determined by applying rules, professional or technical expertise was to be relied on to make official action impersonal.[5] This outlook extended to hiring and purchasing. The consistent application of universal rules embodying the merit principle was expected to assure that government officials would act competently on behalf of the public interest, while simultaneously undermining the power of the party machines that dominated politics *and* administration.[6] The consistent application of universal rules in purchasing was expected to reduce government's operating costs and to have similar political consequences.[7]

The values of efficiency and impersonal administration along with prescriptions for putting them into practice in government constituted a compelling system of beliefs in the early twentieth century. This system may be termed the *bureaucratic reform vision.*

PERSISTENCE OF THE BUREAUCRATIC PARADIGM

The bureaucratic reform vision lost its hold on the political imagination of the reform constituency once civil service and executive budgeting had been put into place and the Great Depression posed new and pressing collective problems. As a belief system about public administration, by contrast, the

bureaucratic reform vision survived—although not wholly intact—such political changes as the Great Society and Reaganism and a series of efforts to improve management in government including systems analysis, management by objectives, and zero-based budgeting. Among the legacies of the bureaucratic reform movements are deeply ingrained habits of thought.[8] These habits of thought and the belief system that supports them are referred to in this book as the *bureaucratic paradigm*.[9]

In order to probe whether the bureaucratic paradigm is a good guide to public management a century after the reform movements began, it is important to be aware of the key beliefs it contains. The following beliefs are among those embedded in the bureaucratic paradigm that deserve close scrutiny.

- Specific delegations of authority define each role in the executive branch. Officials carrying out any given role should act only when expressly permitted to do so either by rule or by instructions given by superior authorities in the chain of command. Employees within the executive branch are responsible to their supervisors.

- In exercising authority, officials should apply rules and procedures in a uniform manner. The failure to obey rules should be met with an appropriate penalty.

- Experts in substantive matters—such as engineers, law-enforcement personnel, and social service providers—should be assigned to line agencies, while experts in budgeting, accounting, purchasing, personnel, and work methods should be assigned to centralized staff functions.

- The key responsibilities of the financial function are to prepare the executive budget and to prevent actual spending from exceeding appropriations. The key responsibilities of the purchasing function are to minimize the price paid to acquire goods and services from the private sector and to enforce purchasing rules. The key responsibilities of the personnel function include classifying jobs, examining applicants, and making appointments to positions.[10]

- The executive branch as a whole will operate honestly and efficiently as long as the centralized staff functions exercise unilateral control over line agencies' administrative actions.

UNRAVELING THE BUREAUCRATIC PARADIGM

The bureaucratic paradigm has been criticized by intellectuals since the 1930s. Some criticized the idea that the formal organization is the principal determinant of efficiency and effectiveness.[11] Some urged that control be viewed as a process in which all employees strive to coordinate their work with others.[12] Some voices criticized the idea that the exercise of unilateral authority within hierarchies was a recipe for good government.[13] More argued that the meaning of economy and efficiency within the bureaucratic paradigm was conceptually muddled.[14] Many came to recommend that budgeters analyze social benefits and costs of government programs instead of focusing attention only on expenditures.[15] Some raised concerns about the tendency of line agency employees to adjust to staff agency's administrative systems by becoming constraint-oriented rather than mission-oriented.[16] A few intellectuals also found evidence for the proposition that the workings of some administrative systems contradicted common sense.[17] Many of these insights and arguments have been incorporated into mainstream practitioner and academic thinking about public management. Nonetheless, many of the beliefs of the bureaucratic paradigm have escaped serious challenge.[18]

The most important recent conceptual challenge to the bureaucratic paradigm arising in the world of practice is the notion that government organizations should be customer-driven and service-oriented. A recurring aspiration of public managers and overseers using these concepts is to solve operational problems by transforming their organizations into responsive, user-friendly, dynamic, and competitive providers of valuable services to customers. Thinking in terms of customers and service helps public managers and overseers articulate their concerns about the performance of the government operations for which they are accountable. When supplemented by analysis of how these concepts have been put into practice in other settings, reasoning about customers and service helps managers generate alternative solutions to the particular problems they have defined as meriting attention. In many instances, the range of alternatives generated in this fashion is substantially different from

that yielded by reasoning within the bureaucratic paradigm.[19]

Many public officials, alert to the power of these conceptual resources in the contemporary United States, are identifying those whom they believe to be their customers and are using methods of strategic service management to improve their operations.[20] For example, the U.S. Army Recruiting Command has developed an extremely sophisticated strategy to attract its external customers—qualified young Americans—to join the military.[21] This strategy is designed to satisfy these customers' needs for guaranteed future employment, occupational training, immediate income, self-esteem, individuality, and fair treatment so as to meet the internal customers' needs for a high-quality workforce. The Army recruiting operation's key service concept—reinforced by television advertising—is to provide external customers a "guaranteed reservation" for "seats" in training programs for specific military occupations. To support this service concept, Army contractors engineered a sophisticated information system known as REQUEST. Operated by specialized recruiters referred to as guidance counselors, the REQUEST system customizes the Army's offer of multiyear membership, employment, training, immediate cash, and other benefits. The more attractive the recruit—as judged from a battery of standardized tests—the better the offer. This example plainly illustrates how one government organization, in attempting to implement public policies—in this case, maintaining a large standing army capable of fighting wars and staffing it with volunteers—puts the customer-service approach into practice.[22]

Strategic service management is also practiced in situations where the government/citizen transaction is involuntary and when obligations are being imposed. An example of this kind of situation is the operation of taxation systems. Some revenue agencies now identify taxpaying individuals and businesses as their customers; others identify the collective interests of the people who pay taxes and receive government services as the customer, while conceiving of service provision as a way of cost-effectively facilitating voluntary compliance.[23] Such revenue agencies are making operational changes—for example, simplifying tax forms, writing instructions in plain English, providing taxpayer assistance, and building the capacity to produce timely

refunds—with the aim of making it easier and more rewarding for people to comply with their obligations. This approach to managing revenue agencies puts into practice in a compliance context two key principles of service operations management: first, that customers participate in the production and delivery of services, and, second, that the service-delivery process tends to operate more smoothly when customers understand what is expected of them and feel that the organization and its service providers are making a reasonable effort to accommodate their needs.

FORMULATING AN ALTERNATIVE

The concept of a customer-driven service organization is thus a tool used increasingly by public officials to define and solve problems.[24] At a higher level of generality, this concept also provides many of the resources needed to formulate a coherent alternative to the bureaucratic paradigm.[25] The outlines of this alternative and its mode of identifying and attacking the vulnerabilities of the bureaucratic paradigm are already coming into focus. The following paired statements highlight the main rhetorical battle lines:[26]

- A bureaucratic agency is focused on its own needs and perspectives. A customer-driven agency is focused on customer needs and perspectives.

- A bureaucratic agency is focused on the roles and responsibilities of its parts. A customer-driven agency is focused on enabling the whole organization to function as a team.

- A bureaucratic agency defines itself both by the amount of resources it controls and by the tasks it performs. A customer-driven agency defines itself by the results it achieves for its customers.

- A bureaucratic agency controls costs. A customer-driven agency creates value net of cost.

- A bureaucratic agency sticks to routine. A customer-driven agency modifies its operations in response to changing demands for its services.

- A bureaucratic agency fights for turf. A customer-driven agency competes for business.

- A bureaucratic agency insists on following standard procedures. A customer-driven agency builds choice into its operating systems when doing so serves a purpose.

- A bureaucratic agency announces policies and plans. A customer-driven agency engages in two-way communication with its customers in order to assess and revise its operating strategy.

- A bureaucratic agency separates the work of thinking from that of doing. A customer-driven agency empowers front-line employees to make judgments about how to improve customer service and value.[27]

The fact that this kind of rhetoric is coming into common use suggests that a new alternative to the bureaucratic paradigm—one that builds on much prior practical and intellectual work—is now available. As this alternative becomes well-formulated and well-accepted, it may become the frame of reference for most efforts to diagnose operational problems in the public sector and to find solutions to them. The time is ripe, therefore, to define as carefully as possible what this alternative is. *Breaking Through Bureaucracy* takes on this task.[28]

In characterizing the post-bureaucratic paradigm, this book draws a series of contrasts with its bureaucratic predecessor at two different levels of generality. At the general level, the two paradigms are compared on their respective claims about how government production processes should be managed, how control should be exercised, and what ideas public employees should care deeply about. At the specific level, the two paradigms are compared on their claims about how relations among centralized staff agencies, line agencies, and overseers should be managed.[29]

TARGETING THE STAFF AGENCIES

Staff/line/overseer relations are an ideal focus for our attention because their historic pattern constitutes a major obstacle to continued experimentation with the customer-service approach. Staff agencies exercise enormous influence over the

management of government operations because overseers give them authority to control all the inputs to line agency production processes: money, labor, information systems, data, office space, materials, equipment, training, travel, and the like. Staff agencies tend to exercise their authority in accord with laws and regulations whose consequences are rarely subjected to systematic analysis. Furthermore, staff agencies are generally known for their lack of responsiveness to what line agencies ask of them.[30] Absent a change in their operational routines, staff agencies are the likely bottlenecks in the process of putting the post-bureaucratic paradigm into practice. This bottleneck is illustrated and analyzed in chapter 2.

Breaking Through Bureaucracy then explores an exemplary effort to eliminate this potential bottleneck, which, as mentioned in the preface, took place during the 1983–90 period in Minnesota state government. This effort initially foundered on resistance to change. Many staff agency employees were horrified by the idea that they should be responsive to line agencies. The head of purchasing insisted that if his unit were responsive, line agencies would buy Cadillacs instead of Chevrolets. Personnel experts envisioned the demise of "the system" of rules protecting merit employment, equal access, and affirmative action. Information managers worried that agencies did not have the expertise to manage information resources efficiently and effectively.

These fears reflected the cultures of the organizations for which such individuals had worked for most of their careers. They had internalized the values of impersonal administration and economy and efficiency, as well as the reformers' belief that line agencies were staffed by people who would subvert the public interest if not strictly controlled by central authorities. To them, being responsive to agencies implied abandoning their missions.

In instigating organizational change, executives in the Department of Administration made use of the conceptual resources discussed above.[31] At first, most managers looked puzzled when asked to identify their customers. "It was an interesting question to them, but it wasn't one that had been thought through at all," recalls the assistant commissioner of administration for

agency services at the time.[32] The term *customer* was simply not part of the working vocabulary of the department.[33]

When pressed, a common response of staff employees was that the public as a whole is the customer. The executives were not satisfied with this answer. They knew that line agencies were angered by poor service quality, rising costs, and counterproductive rules, and that certain legislators were alarmed that control over line agencies was not being effectively exercised. Department of Administration executives therefore insisted that each staff agency decide whether line agencies or overseers were their customers.

Managers and employees working for internal services, such as the central motor pool and the central office-supply store, had always thought of themselves as providing services to users. They were willing to conceptualize users as clients but resisted the idea that users were customers to whom they would be accountable. The customer concept was even more problematic for staff units who were control-oriented. Their purpose was not to satisfy agency needs; indeed, some employees working in these areas said their purpose was control. Department of Administration executives argued instead that the purpose of control activities is to meet the governor's and legislature's needs for analysis of administrative policies, generalized compliance with statewide norms, and information that helps overseers hold line agencies accountable directly for their performance. They argued that overseers are the customers of control activities, just as line agencies are the customers of service activities.

Executives became increasingly confident in using the customer concept. They insisted that staff personnel identify their customers. They claimed that the principal responsibility of each staff agency's employees is to serve their customers. They made sure that employees knew what their customers believed constituted service quality. All the while, they had to explain why it is appropriate for staff agency employees to be accountable to either overseers or line agencies as customers.

The arguments crafted by executives made more sense to staff agency employees as they became more familiar with them. One manager recalls that for two years he thought the deputy com-

missioner was "totally off his rocker," but that one day he "woke up and decided he was absolutely right."[34] Many others also came to similar conclusions. Filling some key middle-management slots with individuals who understood and agreed with this new way of thinking and working was instrumental to deepening its acceptance.[35] Many other factors also came into play. Not least among them was building the organizational and technological supports that enabled staff employees to succeed in the eyes of their customers.