

*Social Change and City Management*

Municipalities always have provided extensive local services. Since the turmoil of the 1960s, however, city governments have found it necessary to pay special attention to human problems. This concern for the disadvantaged undoubtedly has contributed to the fiscal squeeze faced by so many large cities. As cities took on new commitments, their spending increased at unprecedented rates. Much of this new money came from the federal government, as an outgrowth of the War on Poverty, Model Cities, Head Start, the Comprehensive Employment and Training Act (CETA), Urban Development Action Grants, Community Development Block Grants, and other programs. In many large cities whose changing demographic and social complexion had created an unprecedented need for social services to aid the elderly, the poor, and the disadvantaged, these programs were life-savers. But, as we explain in more detail in the next chapter, as the federal government cut domestic spending in the 1980s, many of these urban programs were eliminated, reduced substantially, or delivered in new ways. Cities had to search for less traditional methods of handling urban problems. Recent literature is full of discussions about ways to hold down costs by turning to alternative sources of urban services. Many see *contracting out* to the private sector as an especially promising option. Others urge greater cooperation between the public and private sectors. As a community struggles with serious financial difficulties, the private sector may be able to provide assistance and resources that normally would not be available to local government. Managing the politics of scarcity is no easy task.

As cities hold the line and try to get by on less, they face new political pressures. As long as the municipal treasury is expanding, everyone has hopes of getting more. But as the pie shrinks, the competition among groups to keep their share grows intense. Over time, it becomes difficult to obscure who is winning and who is losing: without growth it is harder to buy off the losers.<sup>30</sup> Fiscal stress produces dissatisfaction among interest groups, service recipients, and, not least, public employees. And this means disenchantment with elected officials and their appointees that voters do not forget at the polls.<sup>31</sup> Perhaps it is the fear of adverse public reaction (if not the loss of their jobs) that leads many local officials to embrace short-term solutions to their problems. For example, cutting the capital budget has been a favorite strategy—one that is now beginning to hurt. Evidence is mounting that the public infrastructure of our older cities and counties is deteriorating at an alarming rate because of deferred maintenance—inadequate expenditures for capital improvements. Another strategy, holding down personnel costs, has led many of the best-qualified and most highly motivated municipal employees to seek work elsewhere. This exodus may result in a long-term decline in management capacity.

Faced with financial constraints, urban public leadership must choose among several options: raise revenue by increasing taxes or fees, cut costs and services, and/or improve operating productivity. There is little popular support for tax-based revenue schemes, however, and although popular pressure is likely to keep costs down, the public does not want

services cut. In fact, most people want more and better services. Obviously, urban administrators have little choice, and they must increase productivity.

Beginning in the early 1990s some observers argued that productivity enhancement was not enough to "fix" the problems that plagued governments at all levels—federal, state, and local. Instead, the tough and critical problems facing modern governments require *fundamental* changes in the way cities are governed and managed. One prescription for change was offered by journalist David Osborne and former city manager Ted Gaebler. The two used the label "reinventing government" to describe their pragmatic approach to "curing" the problems of government. As the following section details, reinventing government and its academic counterpart, the NPM, stimulated an intense debate within political science about the proper role of government in contemporary society. Nearly two decades later this controversy has been largely resolved, with a resulting model of modern public management<sup>32</sup> that integrates in a productive way the strengths of traditional administrative processes and the calls for reform.

### HOW CITIES HAVE IMPROVED THEIR MANAGEMENT CAPACITY

#### REINVENTING GOVERNMENT: A PRAGMATIC RESPONSE TO FISCAL CRISIS

Osborne and Gaebler's book, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector*, made a big splash when it was released in 1992.<sup>33</sup> The success of the book was somewhat surprising, since the volume offered very little new in the way of management theory or practice. But, as the authors note in the preface, "We . . . are not inventing new ideas so much as *synthesizing the ideas and experiences of others*" (emphasis added).<sup>34</sup> And therein lay the success of the book. *Reinventing Government* is a classic example of being "in the right place at the right time," as Osborne and Gaebler were able to integrate the work of numerous academic theories (ideas) in a format that was easy to read, easy to understand, and easy to believe in (who among us likes big wasteful government?).

Moreover, the underlying theme of the book—that government should "steer more and row less"—fit the post-Keynesian, neoconservative mood of the nation. The REGO (reinventing government) model offered federal, state, and local officials a managerial strategy for addressing in a practical fashion fiscal stress, retrenchment, and/or productivity enhancement. President Bill Clinton and Vice President Al Gore, for example, rode the reinventing government bandwagon for eight years and, with the help of Congress, produced in 1998 the first balanced federal budget since 1969 (including a \$69 billion surplus, which was followed by a \$124 billion surplus in 1999).<sup>35</sup> Similarly, state and local officials used Osborne and Gaebler's principles of REGO to help address their fiscal woes. REGO offers a "prescription" to frontline public officials (elected, appointed, and administrative) on how to manage public resources more efficiently, effectively, and responsibly in an environment defined by high citizen expectations and declining resources. It is little wonder, given the "do more with less" environment that has defined public administration

at all levels since the late 1970s, that REGO found committed followers who were willing to call for the adoption of all or some of the ten REGO principles.<sup>36</sup>

What started as a cottage industry in 1992 with *Reinventing Government* quickly turned into a franchise. In 1997, Osborne and Peter Plastrik published *Banishing Bureaucracy: The Five Strategies for Reinventing Government*.<sup>37</sup> Instead of ten principles, this work offers five strategies for reinvention: (1) the core strategy, which helps create clarity of purpose; (2) the consequences strategy, which focuses on creating consequences for performance; (3) the customer strategy, which puts the customer first; (4) the control strategy, which shifts control from the top and center; and (5) the culture strategy, which helps to create an entrepreneurial culture. The following year, Osborne and Victor Colón Rivera published *The Reinventing Government Workbook: Introducing Frontline Employees to Reinvention*.<sup>38</sup> This prepackaged, "canned," workbook serves as the basis for others to deliver workshops on reinventing government. Divided into four modules within which individual chapters focus on each of the ten REGO principles as presented in the original Osborne and Gaebler text, this workbook emphasizes problem-solving activities, brainteasers, and overhead material to illustrate and teach the reinventing government principles.

In our opinion, the best of the reinventing government books may be Osborne and Plastrik's 2000 publication, *The Reinventor's Fieldbook: Tools for Transforming Your Government*.<sup>39</sup> Finally, after two prescriptive texts and one workbook, they got it right. In nearly 700 pages, this book provides the "nuts-and-bolts," "lessons learned," "do's and don'ts" that government officials need to implement the broad strategies outlined in *Reinventing Government* and *Banishing Bureaucracy*. In the words of the authors, it "explains in detail the terrain you will encounter, the obstacles you will face, and the equipment and know-how (tools and competencies) you will need along the way."<sup>40</sup> The book provides real-world lessons of what has worked and what did not work, and why. The authors offer over seventy different "tools"—from activity-based costing to performance management to community empowerment. Finally, in 2004, Osborne, writing with Peter Hutchinson, published *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*.<sup>41</sup> The title of the text delivers its thesis very well.

What, then, should we make of the reinventing government movement? Certainly, and rightly so, REGO had its detractors. For example, we agree with the many state and local officials who considered both *Reinventing Government* and *Banishing Bureaucracy* to be "long on suggestions and short on steps for actual implementation."<sup>42</sup> But to Osborne and Plastrik's credit, publication of *The Reinventor's Fieldbook* helped to address this criticism. *Reinventing Government* and subsequent related publications drew so much attention, stimulated so many ideas, and generated so much response that any discussion of managing modern local government would be deficient without acknowledging its influence.

For now, let us offer two general outcomes of the REGO movement. First, to assess the degree to which federal, state, and local governments have implemented its principles, the movement has stimulated significant academic research conducted in the

behavioral tradition. This research is theoretically well grounded, empirical, and representative of the best research tradition in urban politics.<sup>43</sup>

The second major outcome of REGO has been its transition from the “field”—primarily the province of the practitioner—to the academy, where it was renamed and studied thoroughly and conscientiously. In other words, as public administration scholar Michael Spicer reminds us, “Reinventors do not appear to attach much importance to broad political and social ideas.”<sup>44</sup> Why should they? Given the day-to-day rush to manage the modern city, time for reflection is scarce. Instead, once again, according to Spicer, practitioners implementing REGO strategies in the field seem to follow a narrow “instrumental rationality” perspective, which suggests that the job of the urban manager is to achieve efficiently and effectively whatever ends or objectives he or she is called upon to pursue. Who, then, is to explore the relationship—the “fit,” if you will—between the reinventing government movement and the “idea of the state as a purposive association”?<sup>45</sup> The academy is where ideas, concepts, and paradigms are discussed—where, in Spicer’s words, the “history of political and social ideas” is debated. University professors are paid to ponder and write about broad political and social ideas. And this is exactly what has happened to the concept of reinventing government: it was moved to the academy and acquired a new name.

The case study offered in Policy and Practice Box 1.1 shows the intersection of two of the themes discussed thus far in this chapter—fiscal stress caused by the Great Recession and Reinventing Government.

### THE NEW PUBLIC MANAGEMENT MODEL: AN ACADEMIC RESPONSE TO REGO

Osborne and Gaebler’s original groundbreaking work was published in 1992. But the *processes* associated with reinventing government—such as load shedding and/or contracting out public services (generally called “privatization”); an increased focus on organizational and individual performance and accountability; performance and expenditure-control budgeting; devolution of authority to the line level; and greater involvement of the community, neighborhood, and citizen in service delivery decisions—have been under way in earnest in the United States, Great Britain, Canada, Australia, New Zealand, Germany, and other Western nations since the late 1970s. For example, Margaret Thatcher (first elected in 1978) and Ronald Reagan (elected in 1980) brought a post-Keynesian approach to public administration<sup>46</sup> and helped to introduce what has alternatively been called “civic-regarding entrepreneurship,”<sup>47</sup> “the post-bureaucratic paradigm,”<sup>48</sup> “managerialism,”<sup>49</sup> “neo-managerialism,”<sup>50</sup> “market-based public administration,”<sup>51</sup> and “entrepreneurial government.”<sup>52</sup> But it was University of London professor Christopher Hood who in 1991 coined the term, the “New Public Management” or NPM model to capture the *academic* response to reinventing government, and it is Hood’s label that the literature seems to have adopted.<sup>53</sup>

Perhaps the best single text to explain the rise, institutionalization, and nature of the NPM from an academic perspective is *Public Management and Administration*. Now in

## REINVENTING PHOENIX CITY GOVERNMENT: RESPONDING TO THE GREAT RECESSION

The City of Phoenix, Arizona, is regarded as a well-run city, winning both national and international recognitions.<sup>1</sup> Incorporated in 1881, the city has grown from about 2,500 to more than 1.5 million residents, making it the sixth most populous city in America. Phoenix is the largest city in the United States to use the council-manager form of government, has an annual budget of over 3.5 billion dollars (in 2013), and employs about 14,500 city workers.

In 2013, according to then acting and now city manager Ed Zuercher, "Phoenix's 30 city departments . . . [were] well managed and operate[ed] at a high level of consistency." However, because of the Great Recession, the city of Phoenix faced a \$277 million deficit. City management decided "to step back from what felt comfortable and reconsider how some departments were organized from a different perspective." As such, Chief Financial Officer Jeff Dewitt in the Department of Finance approached city management and asked if he could "reinvent" his department. Dewitt noticed that some areas of operation were too lean, which was crippling the operation of the department as a whole.

To initiate the reinvention effort, a three-day workshop was held and employees were asked to discuss what they did each day and how they could perform the tasks better. In addition, the group undertook a comprehensive analysis of other finance departments across the country that were similar in size to Phoenix. According to city manager Zuercher, the reinvention results "were remarkable and led to sweeping changes in four areas."

1. *Strategic Reductions:* While some areas of the finance department were too lean, others were staff-heavy. Instead of employing the often-used management strategy of cross-the-board-reductions, Dewitt made cuts, sometimes in greater numbers than originally requested by his superiors, in those areas they were top-heavy and provided more resources to other "lean" areas. The result of the efforts was greater levels of efficiency in the use of human resources.
2. *Reclassifying Employees:* A reclassification analysis of the department showed that many changes needed to be made. For example, since the department was moving from an analog to digital data system, the positions of five existing account clerks were reclassified into two technology specialists. In fact, the reclassification effort showed that what was needed was not more staff, but individuals with the *right kind of skills in the right positions*. In total "70 positions were identified for reclassification through attrition."
3. *Restructuring the Physical Layout of the Department:* Over time as the finance department grew and took on new responsibilities, positions and functions were added in layers—"similar to a storage unit that is in need of reorganization." The department was reorganized such that staff performing similar duties, regardless of function, were housed in the same work space.
4. *Cultural Shift:* In order to secure buy-in from staff for reinvention changes, staff members were asked to submit ideas about how to make their workplace better. An intranet system was created to facilitate the submission of suggestions and a team was empowered to analyze and implement suggestions. One suggestion was to create an eProcurement system, which will be handled electronically from start to finish. The system was scheduled to go online in January of 2014.

(continued)

## SYSTEMS ANALYSIS AND LOCAL POLICYMAKING

## SYSTEMS THEORY

Systems theory is based on the belief that policy can be considered a response by a political system to various forces and pressures produced from its environment. Known as the "open systems" framework, this conceptualization of how local policy is made is important for at least two reasons.

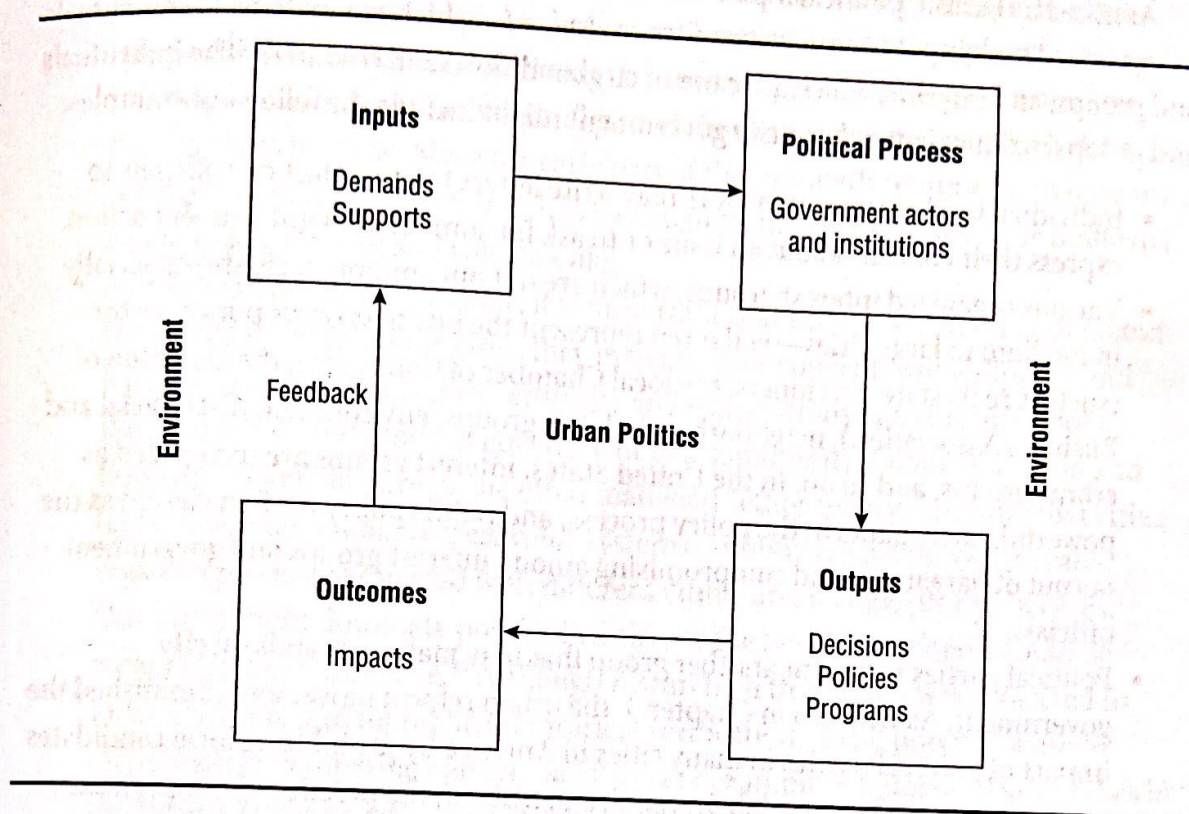
First, while not terribly sophisticated, it is an intuitive, instructive, and useful paradigm (model) for understanding what, in reality, is often an extremely complex process. That is, in the case of some public policies, it would take great effort and time to reconstruct the path from "idea, demand, issue, or concern" to actual passage and implementation.<sup>63</sup> In fact, it might be impossible to capture the full dynamics of the process, since the participation of some individuals or groups in the deliberations might not be known, by omission or by choice. In order to understand complex phenomena, therefore, models or abstractions of reality are required. And these models need to be straightforward and understandable if they are to help at all in penetrating the central mysteries of the policymaking process.

Second, systems analysis is important because it requires us to see the big picture and understand how parts of the system are interrelated. It is not enough to know, for example, that a university town has passed a new ordinance prohibiting "block parties" (gatherings of hundreds of students, at which alcoholic beverages are often consumed until the wee hours of the morning). Such a policy was probably adopted in response to pressures from a number of local groups, including nonpartying neighborhood residents and the local police department. In short, the policies that a city government passes, as well as those that its officials choose not to pass, are responses to a host of supports and demands placed on the local political system. A change in one system component usually triggers a change in another part of the system.

Political scientist David Easton, in a series of influential books published in the 1950s and 1960s, applied systems theory—which was originally developed in the natural sciences—to politics.<sup>64</sup> His open (or natural) systems framework demonstrated how local environments shape the policy process and how authoritative decision makers such as city council members, mayors, city managers, and local bureaucrats respond to these environmental inputs by making local policies.

As the systems model presented in Figure 1.1 shows, the urban political system is comprised of several key features.<sup>65</sup> Underpinning all these features, of course, is the *environment* that surrounds the city government. Environmental factors such as the economy, technology, interest groups, intergovernmental relations, natural and man-made disasters, neighborhood groups, the media, and others can impact the policy process at any place in the system. Most often, these environmental stimuli serve as inputs to the system, usually as supports and demands. But it is important to remember that environmental factors such as representatives of neighborhood associations can be sitting in the city council chambers as the council formulates and votes on municipal policies. Also, citizens may

Figure 1.1 Urban Political Systems Model



SOURCE: Reprinted with permission from John P. Pelissero, "The Political Environment of Cities in the Twenty-first Century," in John P. Pelissero, ed., *Cities, Politics, and Policy: A Comparative Analysis* (Washington, D.C.: CQ Press, 2003), p. 4.

carry signs of protest or support outside of city hall, or local builders may lobby council members for changes in a policy immediately after a new ordinance has been passed (the outputs box in the model) or after the policy has been in place for several months (the outcomes box in the model). In short, environmental factors play a pivotal role in shaping the policy process.

Inputs from the environment are transmitted to the political system, where authoritative action takes place. In this stage of the policy process, official policymakers such as the city manager and council members interact to formulate policy. If there is sufficient support for a policy, the council passes an ordinance. This output, in the words of David Easton, represents the "authoritative allocation of values."<sup>66</sup> In terms of the example cited above, the college town's new policy states that block parties will no longer be allowed, under penalty of law. Since such policies have impacts, individuals and the community then have the opportunity to "consume" the outputs and offer assessments of the outcomes of governmental policies. This feedback loop is critical, since it produces vital information that permits the political system to modify, correct, and/or do away with defective policies.

Just as the thermostat in your house allows for changes in temperature, the feedback loop allows policymakers to change policies to fit the political climate of the community. In a democracy, we expect and demand that political systems will be open and responsive.

As noted by Easton, political inputs drawn from the environment are fed into the political system. These inputs come in two forms: *demands*, which emanate from individuals and groups, and *supports*, which arise out of city conditions and resources. The individuals and groups making demands on city government might include the following examples:

- Individual local citizens or visitors may write letters to or contact city officials to express their concern about an issue or to ask for some type of government action.
- Various organized interest groups, which are not uncommon in cities—especially in medium to large cities—will often represent the business or corporate sector (such as real estate developers, the local Chamber of Commerce, the Downtown Business Association), neighborhoods, labor groups, environmentalists, racial and ethnic groups, and so on. In the United States, interest groups are recognized as powerful participants in the policy process, and public policy is often viewed as the output of bargaining and compromising among interest groups and government officials.
- Political parties represent another group that may make demands on city government. As we learn in Chapter 3, the urban reform movement diminished the impact of political parties in many cities in America by prohibiting local candidates from running under party labels, requiring, instead, the practice of nonpartisan elections. Nevertheless, in most large cities, political parties are flourishing, and even in those cities that use nonpartisan ballots, political parties remain active, playing the role of “informal” brokers.
- Finally, the media—the so-called Fourth Estate—is another powerful player in local politics. Many a politician and/or city regime has suffered or prospered at the hands of the mighty media. In a democracy, a free and open press is considered essential, for the print and electronic media serve as watchdogs of the public interest. Newspapers, political talk shows, and evening newscasts reach and influence millions of citizens in urban America.

Supports, according to Easton, represent the second broad type of input into the political system. Supports come from the environment in two varieties, as *active* and *latent* components. Active support—such as voting in city elections, obeying local laws, paying taxes and utility fees—is critical to the functioning of local government. The withdrawal of active support for city government decision makers and institutions can erode the stability of a local political system.

The second type of supports from the environment is latent in nature. Four types of latent environmental subsystems are present in cities: physical, political culture, socioeconomic, and intergovernmental.

- The latent physical support subsystem includes the local climate, geography, and the built environment. Climate and geography affect the types and range of