



Greater Louisville Project

The Greater Louisville Project

Lessons from America's Best-Run Cities

**Creating Entrepreneurial Government:
Tools for the 21st Century**

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White Paper

**A Series of Dialogues
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The National Academy of Public Administration**

Preface

“Lessons From the Best-Run Cities In America: Creating Entrepreneurial Government – Tools for the 21st Century” is the first in a series of events sponsored by The Greater Louisville Project with the goal of bringing best practice thinking to the design and implementation of the new merged, city-county government slated to come into existence in January, 2003.

The National Academy of Public Administration is acting as the lead partner with the Greater Louisville Project in this phase of its work. The Greater Louisville Project acknowledges and thanks NAPA and its fellows for their commitment and support in carrying out this initiative.

The Brookings Institution Center on Urban and Metropolitan Policy has been commissioned to produce a broad-based assessment of opportunities and challenges confronting the new regional City of Louisville/Jefferson County and to articulate a broad community agenda designed to fulfill the aspirations set by the citizens of Louisville and Jefferson County when they voted to create a new local government. The Brookings study will be published later this summer.

Each of the sessions in “Lessons from the Best-Run Cities in America” will be summarized in a series of white papers. Videotapes and transcripts of the seminars also will be available through The Greater Louisville Project web site and through displays at the Louisville Free Public Library and its branches, which will be in place in mid-July. The website is: www.greaterlouisvilleproject.org

The Greater Louisville Project is an initiative organized by The Community Foundation of Louisville in an effort to bring best practice thinking to the creation of the new, merged, city-county government in Louisville and Jefferson County, Kentucky. A Policy Board appointed by its foundation sponsors guides The Greater Louisville Project. C. Dennis Riggs, President and CEO of The Community Foundation of Louisville, serves as chairman. Its members include:

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“People in this community voted for merger because they were ready to take a leap forward. . . I think most of us know that if we just take the city and county governments that we have and put them together we won't ever achieve the kind of efficiency and effectiveness that would allow us to achieve those higher aspirations.

So this is the under-girding we're going to talk about today: How can we think fix the basic foundation of government, the nuts and bolts of it all, in order to free ourselves to go after some of those higher aspirations?”

*Opening Remarks,
Carolyn Gatz
Project Director*

Introduction

What would a local government look like that is designed to meet the challenges of the 21st century?

How would it be organized? What management tools can help it be visionary, effective, responsive?

And how can the best practices in administration be put into effect at the same time the Louisville officials face the tasks of assuring that services continue without disruption when two traditional bureaucracies make way for a single merged city-county government?

Those questions probably were not on the minds of citizens who voted to create a new metropolitan government for Greater Louisville, inspired by the vision that merger would bring new opportunities to the community and its residents.

But they are at the heart of the challenge that will face the new elected officials of Greater Louisville when they take office in January 2003.

This paper offers some answers to those questions presented by four expert panelists when they met in Louisville on April 25, 2002 with a cross-section of about 50 Louisville-area business, government and civic leaders.

If they had one key lesson, it was this:

Local leaders are likelier to achieve the community's most ambitious goals if they reject a traditional, bureaucratic vision of government in favor of an agile, resourceful, customer-oriented entrepreneurial model inspired by the best practices born in the world of business and honed by leaders in the public sector over the past 10 years.

The Panel Frames The Challenge

The speakers were:

Ted Gaebler, County Administrator of Nevada County, CA., and co-author of the landmark 1992 book Reinventing Government. As a consultant who has worked across the U.S. and abroad, he frequently helps governments reevaluate their goals and design new ways to provide services.

“All this requires is for you to take your existing resources --human, technological, capital -- and see what you have with new eyes. That’s the alchemy of reinventing government.”

“Think of today as Architecture 101: We will give you some building blocks, some building materials and you can think about it over the next year, or two, or three -- about the ones you want to use.”

Pam Syfert, City Manager of Charlotte, N.C., who is a believer in “managed competition” – the solicitation of bids for some traditional government services from private-sector business as well as public providers. Her government also is a pioneer in public-sector use of a management tool called the Balanced Scorecard. While Charlotte and Mecklenburg County have not merged, they have negotiated extensive consolidation of services over the past 20 years to eliminate duplication.

“You have a marvelous opportunity. Ask yourself, ‘If we were starting all over again to build a city, what would we do differently?’”

Dennis Hays, County Administrator for the consolidated government created in Wyandotte County/Kansas City, Kansas, in October 1997. While it is smaller than Louisville, that community’s recent experiences with merger reflect common challenges -- from the nuts and bolts of combining departments to effective communication with the public.

“This is a once-in-a-career opportunity to have a single body set policy for the community, a rare opportunity to speak as one voice... Take advantage of this time. Wherever you are going as a community, you will never have an opportunity to do this again.”

Robert J. O’Neill, President of the National Academy of Public Administration and moderator of the panel. A former executive of Fairfax County, VA, and City Manager in Hampton, VA, he has a record of innovation in performance-based management. An independent, nonpartisan organization chartered by Congress, NAPA assists federal, state and local governments improve effectiveness, efficiency and accountability.

Louisville is the first city of its size to vote to consolidate local government in 30 years, he said, so it is viewed nationally as a “model for how regions can work together in a more productive way in the 21st century.”

“You face a huge opportunity and a daunting task. We think your success will breed significant interest in replication.”

What Would a Local Government Designed to Meet the Challenges of the 21st Century Look Like?

In a word: Entrepreneurial.

It would borrow some of the best qualities from the entrepreneurial business model -- setting strategic goals and transforming them into action, encouraging experimentation and finding new ways of solving problems.

It is no accident that Kansas City's chief elected official is called "Mayor/CEO." Or that Charlotte calls its city operating units "businesses" -- "We asked ourselves," said city manager Pam Syfert, "What are we in the business of doing?" Or that Ted Gaebler urges: "We need to take our bureaucrats and let them act like they are owners."

What does that mean?

Entrepreneurial government thinks in terms of citizen/customer needs.

"We've always done it this way" may be the traditional mantra. Entrepreneurial leaders build organizations around the outcomes they want for the community -- not around decades-old organization charts or rules and long-established operating procedures.

At the same time, they explore creative, non-traditional paths to achieving those goals -- by seeking out partnerships, for example, and leveraging their resources to have a greater impact, by working with other community institutions from schools to business.

"Figure out how to take government's 6 or 7 percent of your local GNP and leverage the other 94 percent to add value to the lives of your citizens."

Ted Gaebler

Entrepreneurial government asks fundamental questions about its role.

With rising community expectations and limited resources, it looks at the hundreds of services traditionally executed by government and asks questions like: Would citizens define this as a critical mission? Should it be done by this level of government? Can competition cut costs or improve performance? Should we be doing this at all?

"What governments do, the role they play can be decided by you... Edison didn't set out to improve the candle. He had in mind an alternative light source. So you need to be thinking that: You need to provide an alternative government, not just a souped-up version of the old government."

Ted Gaebler

Entrepreneurial government is not afraid to take risks.

The public nature of government means mistakes can wind up as Page 1 embarrassments. But that must not deter the drive to innovate, to create a work culture where new ideas are valued.

“America, in the private sector, can fail its way to success. Didn't we live through the Edsel to get to the Mustang? Didn't we live through the debacle of New Coke? The private sector learns from mistakes and goes on. But somehow in government, we think our mistakes are fatal. We need to get that out of our head so we can get to the new ideas and fresh discoveries that will lead us past the status quo.”

Ted Gaebler

How Would It Be Organized?

Reinvention can take many forms, reflect different approaches, rely upon a variety of tools. What matters is leadership.

It starts with a mission and a vision.

Charlotte, for example, shapes its planning and operations around its mission and vision statements. (See Examples from Charlotte in the Appendix.) City government has also established five key focus areas as top priorities: community safety, transportation, development, restructuring government and supporting neighborhoods. City Council committees and city cabinet departments are organized around those focus areas, with an assistant city manager responsible for overseeing work in each area.

It builds a community with shared values.

Employees can help articulate the internal values that will shape their work together -- such characteristics as teamwork, for example, appreciating diversity, taking responsibility, respecting new ideas. Once established, it is critical to communicate and reinforce those values: Print them on paycheck stubs. Discuss them in employee e-mails. Robert O'Neill once gave \$50 gift certificates to workers who could recite them when stopped in a hallway. One value of values: They provide a common language. You believe in taking initiative? Then you need to let the employee try her new idea. You want to encourage accountability? Maybe front-line citizen service workers should be authorized to settle modest claims on the spot without three supervisors signing off.

"You keep a strong, talented employee base by engaging them to see that working for city government is not just a job: They are part of achieving the mission and values of that organization. They are part of building their community."

Pam Syfert

It defines its goals in terms of outcomes.

That is, it focuses on community needs and translates them into goals for government. To take a Charlotte example, the city's focus on community safety is framed in terms of citizens feeling increasingly secure. In working with neighborhood groups, city leaders learned that reducing crime was just part of the picture. "Small things also made people feel unsafe," such as graffiti and overgrown vacant lots. At the same time, Charlotte targets larger community challenges influencing crime, such as jobs, education and housing.

It assesses its work by asking: “Are we making a difference in the community?”

Traditionally, government has viewed its work in “outputs:” dollars spent, calls received, arrests made. The alternative: to carefully choose outcomes explicitly focused on goals set for the organization in the context of community goals. And then carefully select measures designed to track progress toward achieving those goals and outcomes.

For example, to measure improvements in its city neighborhoods, Charlotte has developed a “Quality of Life Index” in cooperation with the University of North Carolina that looks at a dozen indicators ranging from unemployment to the condition of streets and sidewalks. Revised every two years, it is used by government and shared with citizens. It functions as a kind of public report card on the state of the city -- and a way to monitor progress over time.

“Cross-functional teams” are where its work gets done.

Call them ad hoc committees. Call them task forces. They call them “Focus Area Cabinets” in Charlotte, where city department heads join forces to plan strategies working across traditional department, and even institutional, boundaries to work on cross-cutting issues and problem solving.

Because the challenges facing cities and communities are complex and multi-dimensional, some governments have gone so far as to eliminate traditional functional departments to organize in new ways by creating parallel structures -- by neighborhood, for example. By any name, in any form, it is these collaborative teams drawn from across functional departments that tackle problems most effectively -- not just on a temporary basis, not just for special cases, but in day-in, day-out operations. Building new houses alone won't restore a neighborhood in distress, for example: Creating a vibrant neighborhood requires sustained work in arenas from retail development to public safety to cleanup and building a sense of community.

“Historically we have structured government so engineers worked in rooms with other engineers and finance people worked with finance people. But the real high-performance work of the organization is in multidisciplinary teams.”

Robert O'Neill

“If you have people focused on what the goals are, you have less argument about turf and more focus on, ‘OK, what is the best way to achieve this goal?’”

Pam Syfert

What Are the Critical Tools?

The last decade has seen an explosion of interest in new management tools and in richer uses of technology in both government and business. The experiences in other communities -- and in the private sector -- can help Louisville's new leaders make the most of resources and translate mission into tangible improvement and accomplishment.

Management structures emphasizing accountability for change.

Well-articulated missions are only as effective as their reflection in the day-to-day work of employees on the front line. Especially in times of change, such as Louisville's city-county merger, it's critical to invest in training and development, said Robert O'Neill: "You ought to spend more, not less, because you're really going to ask people to step up."

Among tools that help build accountability:

- **An Employee University** -- that is, a workforce training program designed to build a culture around common values, a sense of mission, and a vision for what the government is trying to achieve. In O'Neill's view, managers would attend, then teach it to other workers. That sort of unifying training experience has special relevance for merging governments, said Dennis Hays. After Kansas City's consolidation, some employees felt victims of "a hostile takeover," a perception that still lingers four years later.
- **Executive agreements** for managers that reinforce strategic values. One framework suggested by O'Neill sets out three criteria for performance: First, the senior manager must deliver the service -- see that garbage is picked up, for example. Second, the manager must do her job in ways that help the city become better at delivering that service down the road -- that extra value to the organization of "making sure you are better tomorrow than you are today." If that means taking risks and making mistakes, that's OK in an organization that truly values innovation. Third, to earn the highest performance rating, a manager would be required to make a contribution to the success of activities in another department or to a broader organizational objective.
- **Financial incentives** when goals are met. That could mean pay increases or simple \$300 bonuses for workers when assessment measures show substantial progress.
- **An approach called "Venture Teams"** that offer workers, often non-managers, resources -- say \$1,000 -- to attack a problem: to research who is dealing with it effectively somewhere else and figure out how to replicate it.

"If you could do any one thing that would make a difference, what would it be in your organization? That's what you want them to focus on. What will make things exponentially better?"

Robert O'Neill

The Balanced Scorecard framework.

First introduced for business, this tool for establishing goals and measuring performance got its public-sector debut in Charlotte after City Manager Pam Syfert read an article in *The Harvard Business Review*. "I thought, this is exactly what we need." Its appeal, she said, is the richness of its four perspectives: The customer or citizen perspective. The financial perspective. The internal processes perspective. ("Are we developing the structures to help us achieve our goals?") The learning/growth perspective. ("Are we helping employees learn and change?")

"For businesses, the financial perspective is at the top. We switched that around and said in our government, in our city, it's what the customer, the citizen wants from government that's most important."

Pam Syfert

Managed competition.

From Indianapolis to Charlotte, cities have put out to bid dozens of traditional government services from garbage collection to building maintenance -- letting public departments submit proposals along with private sector businesses. The goal: cost savings and elimination of roles judged less central to government's mission. Often undertaken in cooperation with employee unions, governments have been able to look for efficiencies without threatening jobs. In some cases public agencies win the contract -- and they may also get good ideas from companies they bid against.

"Why is it that in the private sector we worship competition -- we know that in America it drives innovation, it raises morale, it increases productivity -- but somehow when it comes to government we think we can't compete?"

Ted Gaebler

Performance-based budgeting.

Just as planning is shaped by a strategy that focuses on outcomes, the budget process can be designed around outcomes rather than traditional balance sheets that delineate expenditures by departments. By linking spending and results, such systems help policy-makers and citizens determine what activities are cost-effective in reaching their goals and what impact increases and decreases have on programs.

Technology -- beyond "repaving the cow path"

Most governments are only beginning to explore ways technology can reshape operations and relationships. The arenas for change include:

- **Transparency:** Citizens can read everything from budgets to expense accounts to program report cards online.
- **Transactions:** From paying tax bills to applying for permits, more interactions with government can be handled from home or office.
- **Transformed communications:** Instead of relying solely on the media to get the word out, government connects directly with residents in new ways, via email or cable, for example, announcing the junk pickup schedule, plans for a park closing or requests for citizen input on a new traffic system.

"Often what we do with technology is make major investments to repave the cow path... The idea is to ask: 'Is this a platform that can substantially change the way we do work in order to add value?'"

Robert O'Neill

Implementing Change: Lessons from Kansas City and Charlotte

Managing change is a common theme in the experiences of Kansas City and Charlotte -- and each community offers some key lessons.

Kansas City: Making the most of momentum. Getting the word out.

With its four years of post-merger experience, the main message Kansas City's Dennis Hays has for Metro Louisville leaders is to appreciate the importance of communication.

Public perceptions lagged behind accomplishment as government officials wrestled with practical problems in Wyandotte County, according to Hays. The new government's employees felt anxiety about change. And some citizen groups, faced with a new government structure, struggled to figure out how to make their voices heard.

"We failed miserably in the area of communication -- one with the special-interest groups in the community and two, internally with our employees. Somehow we got lost in the quagmire, the nuts and bolts of doing it and we lost sight of communicating what we were so busy doing."

Dennis Hays

The creation of a new government also generates a positive energy that it's critical to harness, said Hays. Wait to make too many decisions and you risk having people "own" the old way and resist change. At the same time, Kansas City has learned change can be achieved only at a certain pace:

"Consolidation is not an event. Consolidation is a journey. In our community we failed to realize that. People said, 'Did you do it? Is it over?' Four years later, I can tell you it's ongoing."

Dennis Hays

Charlotte: You keep raising the bar.

It's continuous work on defining, refining and integrating planning and management makes Charlotte a role model for many communities. Twenty- to 25-year plans for transportation, downtown and land use. Ten-year needs assessments. Five-year capital projects planning. An internal structure that integrates its goals and a variety of management tools right down to individual employee performance plans.

But it took incremental steps over decades to accomplish, said City Manager Pam Syfert. Asked about efficiencies that came from the consolidation of services, she said some, such as a reduced workforce in their police department, unfolded as retirements and job shifts occurred over time: "You don't achieve them all at once. Our goal is to be fair to the employees."

And establishing ways to measure government's effectiveness is a process of continual revision.

"I am a big proponent of finding outcome measures that say, 'Are we making a difference?' But you can't get so wrapped up in the idea that they have to be 100 percent reliable that you will still be having the same conversations 60 years from now... I've come to the conclusion that you figure out what you want to accomplish in your community, what are some ways to do it and come up with measures that are at least halfway valid in helping you figure out if you are doing better or worse and where you can concentrate your efforts."

Pam Syfert

Indeed, that reflects one of the most important lessons from Charlotte: To expect the reinvention of government to be a continual process of experimentation and innovation -- a work in progress.

"We just learn and we keep trying. No matter what you've done for your community you can always see that there's a bar out there that can be raised."

Pam Syfert

"Ask yourself what it is impossible to do -- that, if it could be done, would fundamentally change government for the better. And remember, if someone says, 'That's impossible,' it is not a statement about truth, it is about their perceptions."

Ted Gaebler

A glossary

balanced scorecard: A management instrument that translates an organization's mission and strategy into a comprehensive set of performance measures to provide a framework for strategic measures and management. The scorecard measures organizational performance across four perspectives: financial, customers, internal practices and learning/growth.

core process: The fundamental activities or group of activities so critical to an organization's success that failure to perform them in an exemplary manner will result in deterioration of the organization's mission.

mission: An enduring statement of purpose; the organization's reason for existence. The mission describes what the organization does, who it does it for and how it does it.

outcome measure: An assessment of the results of a program activity as compared to its intended purpose

output measure: Tabulation, calculation or recording of activity or effort

performance goal: A target level of an activity expressed as a tangible, measurable objective against which actual achievement can be compared

performance management: The use of performance measurement information to help set agreed-upon performance goals, allocate and prioritize resources, inform managers to either confirm or change current policy or program directions to meet those goals and report on the success of meeting those goals.

performance measure: A quantitative or qualitative characterization of performance

performance measurement: A process of assessing progress toward achieving predetermined goals, including information on the efficiency with which resources are transformed into goods and services (outputs), the quality of those outputs (how well they are delivered to clients and the extent to which clients are satisfied) and outcomes (the results of a program activity compared to its intended purpose) and the effectiveness of government operations in terms of their specific contributions to program objectives.

stakeholder: Any person or group that can place a claim on, or influence, the organization's resources or outputs; is affected by those outputs; or has an interest in or expectation of the organization.

strategic goal: a long-range change target that guides an organization's efforts in moving toward a desired future state.

strategic objective: A broad, time-phased measurable accomplishment required to realize the successful completion of a strategic goal.

strategic planning: a continuous and systematic process whereby guiding members of an organization make decisions about its future, develop the necessary procedures and operations to achieve that future and determine how success is to be measured

vision: an idealized view of a desirable and potentially achievable future state; where or what an organization would like to be in the future

Source: U.S. National Performance Review