

Management Insights

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Tactics for Reforming Support Services

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In the first of this series on internal support services I outlined some new patterns of thinking that can help reduce costs and improve service quality. I illustrated how the old strategies of consolidation and centralization come from the same failed assumptions used by the Soviets. And, I showed why focusing on value - results per dollar - can lead to conclusions very different from those based just on reducing cost.



Are there any circumstances where it makes sense for a state to have several different print centers? Or, is it necessarily bad for a city to have multiple clusters of software programmers reporting to different departments? In the second of this series I described how the federal government uses a strategy called franchising to actually take advantage of such circumstances.

Choice and competition may seem "inefficient" to old-line thinkers. Yet, the evidence suggests that these strategies, appropriately deployed, produce higher service quality at less cost than do centralized bureaucracies.

In this, the final column in the series, I will outline some concrete tactics for applying the "new thinking" of marketplace dynamics.

These tactics involve four sets of actors. The tactics provide a basis for these four actors to collaborate to create the outcomes every jurisdiction wants from its internal services: compliance with regulations, great service quality, an enterprise-wide perspective and all this at the lowest possible cost.

The key actors are:

Chief executives and their staff. People like city managers, mayors, county executives, governors, legislatures and other jurisdiction-wide elected officials look out for the collective interests of the citizens they serve and are stewards of the "enterprise perspective."

Customers. These are the consumers of internal services. They are accountable for the wise and judicious use of resources, and they hold providers accountable for value in the services they receive.

Compliers. These are often the same people as customers: Line agencies that deliver services to citizens. For example, when the public works department is following rules and regulations, it is a complier. In their role as compliers, they are accountable for following rules.

Providers. These are staff agencies that deliver services to line agencies. Often, they deliver both services to support agencies as well as obligations to comply with rules and regulations of the jurisdiction.

These actors can collaborate, rather than contest one another. And, they can use the tactics listed below to produce the outcomes their jurisdiction seeks from internal services:

- Make value - results for the money - the bottom line of all internal services. Measure it regularly.
- Separate services that involve setting policy, or winning compliance to rules and regulations, from services that are intended to support line agencies. The former are for the benefit of all citizens, and the latter are for the benefit of the line agency. These two "masters" cannot be served well by the same delivery system. There will always be a tension between service, on the one hand, and control on the other. Both functions are equally important; there can be compliance value as well as service-quality value.
- Fund policy and compliance services through regular appropriations. This makes the providers of these services accountable to the collective interests of the citizens whom they serve; not the agencies they are regulating.
- Whenever possible, have the customers of all other internal services pay for the service. This makes the customers accountable for how much they consume. And, since their customers fund service providers, it makes providers strongly accountable for value.
- Whenever possible, give customers multiple choices of a source from which to buy internal services. Competition will improve value. Let the market determine which of these providers survive.
- When public policy dictates that there must be a single source of supply for a particular service, give great care to put control of this monopoly in the hands of its customers. A customer board that sets the rates charged, approves the budget and other strategic plans, keeps the monopoly focused on creating value for its customers. These tactics are derived from the four big lessons described in earlier columns:
 - Get clear about the results you seek to produce through internal services. Start there.
 - Develop strategies for managing the polarities between serving line agencies and regulating them. Develop separate delivery systems for each of these two important purposes.
 - Focus on value, not cost.
 - Make everyone strongly accountable for value. When appropriate, use market place dynamics to strengthen accountability.

Challenge the assumptions of the old ways of thinking about internal services. Large centralized bureaucracies are not always the best option. There are appropriate ways to use the power of markets to achieve desired results.