

Minnesota Local Government Innovation & Redesign Guide



Navigating the New Normal

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Acknowledgements

In the summer of 2010, representatives of the Association of MN Counties, the League of Minnesota Cities, and the Minnesota School Boards Association invited me to a meeting to discuss innovation and redesign in local government. They were concerned that in the midst of a major budget crisis, with so many voices urging local government to innovate, no one had clearly defined what innovation was, much less how to accomplish it.

This innovation and redesign guide was conceived at that meeting as a way to bring some clarity, consistency, and research to the discussion. I agreed to do this project because I felt it was needed, but I felt great trepidation about whether I would be able to do this important topic justice.

Fortunately, the Association of MN Counties, the League of Minnesota Cities and the Minnesota School Boards Association volunteered the following experienced individuals to help review drafts of the guide:

Jack Swanson, Commissioner, Roseau County
Sara Folsted, County Administrator, Renville County
Shawn Gillen, City Administrator, City of Grand Rapids
Terry Schneider, Mayor, Minnetonka
Matt Fulton, City Manager, Coon Rapids
Carol Bomben, School Board Member, Eden Prairie
Roz Peterson, School Board Member, Lakeville
Kevin Donovan, School Board Member, Mahtomedi
Tom Nelson, Acting School Superintendent, Stillwater
Nancy Straw, West Central Initiative, Fergus Falls
Tom Reiner, President, Northland Foundation, Duluth

I was concerned that this guide *not* be used as a reason to cut local government services. I believe wholeheartedly in the necessity of local public services. As Abraham Lincoln once said, "The legitimate object of government is to do for a community of people, whatever they need to have done but cannot do at all, or cannot do so well for themselves, in their separate and individual capacities." I do believe in the need to produce services efficiently and effectively, however.

I want to recognize others who made a major contribution to this guide:

- James Collins, a recent graduate of the Humphrey School of Public Affairs and the Carlson School of Management, provided able research assistance.
- Karen McCauley, an area administrator for the Public and Nonprofit Leadership Center at the Humphrey School of Public Affairs, was the creative force behind all of the graphics.
- Alison Ohlhoff, a freelance writer, performed the difficult editing task.

In Fall 2010, I taught a course entitled *Public Service Redesign*. This experience helped me focus my thoughts and let me experiment with ways of explaining the material. I want to thank my students for allowing me to learn with them. I also want to thank Ted Kolderie, Peter Hutchinson, Laurie Ohmann, and Jodi Sandfort for presenting to the class and teaching me more about innovation and redesign.



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This guide is intended to be read online. Its companion site, The Humphrey School of Public Affairs [Local Government Innovations Website](#), includes:

- Articles and chapters of books hyperlinked in the text
- More detail on the examples used in the text and additional examples
- A discussion board for readers to ask questions and help others
- Useful videos
- Past winners of the Minnesota Local Government Innovation Awards

Any word or phrase underlined in blue is hyperlinked to the source document(s). To access the content, place your cursor on the word or phrase, hold down the "control key" and hit "enter."

Sections of this guide can be read individually, but it's best to go through the first three chapters before jumping ahead.

Suggestions on how to make this "living" guide better are always appreciated. Send your thoughts to the [Public and Nonprofit Leadership Center](#).

Any city, county, or school that has implemented significant innovations and redesigns may submit an application for recognition.

Nominations are due to the [Public and Nonprofit Leadership Center](#) annually by the end of January. The best nominations will be recognized with awards at a ceremony in April and inclusion in the listing of innovations on the [Humphrey's School of Public Affairs Local Government Innovations Website](#).

Local Government Innovation will be the subject of blog postings on [PubTalk](#), the Public and Nonprofit Leadership Center's blog. Users of this guide will be able to post comments and questions that will be moderated by center staff.



I. Introduction

The purpose of this guide is to assist local elected and appointed officials in finding new and better ways to deliver public services.

You, as a local government official, just found out that the Minnesota legislature and governor enacted cuts this session that will reduce your revenue by 12.3 percent this year and 13.5 percent next year. What are you going to do?

To balance the budget last year, you cut out "extra activities," reduced staffing, and froze salaries. How are you going to find another 25 percent without cutting key services?

When faced with a similar problem, cities, counties, and schools throughout Minnesota have refused to let the traditional approach of tax increases and service cuts be their only response to budget shortfalls. Instead, they have chosen a path of innovation and service redesign. For example:

- Roseville implemented a false alarm charge
- 27 counties across the state formed joint powers agreements to purchase health care for low-income people and coordinate health care, public health, and social services
- The Forest Lake School District is integrating a charter school into its options for students
- New Market and Elko consolidated their cities
- Rice County formed a coalition of 14 nonprofits to improve nutrition among low-income families
- White Bear School District provides art education and enrichment through a collaboration with a nonprofit
- Dilworth created an ultra-high-speed telephone communication service for emergency communications
- North Mankato allowed the local soccer association to build new soccer fields.

Minnesota's new normal

Over the next decade, Minnesota cities, counties, and schools face challenges as difficult as anything they've faced since the Great Depression:

- Rapidly aging and increasingly diverse population
- Slumping housing market
- Global economic slowdown
- Rapidly rising healthcare costs
- Increasing energy prices
- Rising federal government deficit
- Slower-growing Minnesota economy
- Declining student achievement



These challenges will slow the growth of state income and sales taxes that have traditionally been used to support aids to local government. The [Minnesota Budget Trends Study Commission](#) found that Minnesota has a structural budget deficit that won't be resolved by a return to a better economy. Local property tax bases are stagnant and less federal aid is likely to be forthcoming. Yet Minnesota cities, counties, and schools face continued citizen demand for services and economic growth with expanding populations.

A [new normal](#) exists for Minnesota local government that will require major change.

Minnesota cities commissioned a study to project their revenues and expenditures through 2025 and developed [videos](#) to communicate their new normal.

Historically, tax increases and service cuts have been the response to reduced revenue. Some argue we don't need either of these, insisting instead that fundamental innovation and service redesign can solve our financial problems. The problem with this thinking is that the potential magnitude of savings from innovation and service redesign is likely far less than the size of the financial problems ahead.

Yet, redesign is still necessary: Minnesota local government officials *must* change their organizations. Accordingly, several foundations, Minnesota state government and the Minnesota Chamber of Commerce are taking a growing interest in this topic. (The Chamber, in fact, is funding six local government pilots to demonstrate the possibilities of redesign.)

“The fiscal constraints which plague the public sector are likely to persist. The current debate, which focuses exclusively on whether to cut spending or raise taxes, will not produce an adequate long term solution to the problems of public service delivery. Attention must be directed to changing the service delivery system itself to provide more value and satisfaction for the service delivery dollars spent.” ----[Citizens League, 1982](#)



The difficulty is discovering—and actually implementing—the innovation and redesign. This work can be perplexing, complicated and not easily replicated. With this guide as a starting point, our hope is that we will ultimately stimulate a broader discussion and idea exchange among local government officials.

Now is the time to innovate.

According to the [Alliance for Innovation](#), a time of crisis can be an opportunity for change. As local officials confront the challenges of the "new normal," they should:

- Be proactive, not reactive
- Embrace the future's possibilities
- Focus on community priorities
- Improve the organization
- Resize or restructure
- Develop new partnerships (Adopted from Thoreson, 2010).



Government has traditionally provided services and information, regulated economic activity, and provided direct loans to help its constituents. But thinking merely in these terms will not lead to innovation.

"If I asked my customers what they wanted, they'd have said a 'faster horse.'"—Henry Ford

True innovation provides a wholly new solution to a public problem and creates new public tools. It often challenges the status quo and stands out from the past. It may be creatively disruptive. Past examples of government innovation include contracting out, loan guarantees, grants, tax expenditures, selective fees and charges, vouchers and social regulation (Sandfort, 2010).

*"True innovation is a search for some new 'different. '"
—Education Evolving (2010, regarding schools)*

This guide is not about "best practices," which can "... present many methodological and practical pitfalls," according to Bardach (2009). Perhaps they should be called "better practices," because they only work if the settings are identical for the local government that is trying to copy someone else's solution. Of course, it can be useful to understand how some other jurisdiction defined a similar problem: "How is the problem addressed similarly or differently from our problem?" But the real task, then, is to develop a solution that fits the particular environment of your own government unit.



In 2009, a group of Minnesota foundations commissioned the [Public Strategies Group](#) to study public service redesign in state government. Their report, [Minnesota's Bottom Line: Better Results for Dollars Spent](#), outlined the following key innovation and redesign principles:

- Promote collaboration and sharing across levels and types of government
- Fund consumers of services rather than suppliers of services
- Offer flexibility in how things are done while strengthening accountability for results
- Integrate funding sources around needs of citizens rather than the convenience of the government
- Distinguish between the "deciding" function of government and the "doing"
- Strengthen accountability through greater transparency of actions and reporting
- Have a preference for results-inducing incentives over coercive forms of compliance.

Based on this list and other sources, we will address innovation and redesign tools in the later sections:

- **Charges, incentives and targeting:** "Results-inducing incentives" can be better than compliance in achieving public good. This section shows a methodology of using incentives within an organization, with employees and with citizens.
- **Collaboration:** Collaboration and other forms of service sharing are needed. This section provides examples of joint-efforts and discusses how they might be accomplished.
- **Competitive contracting:** Local government needs to decide what is done, but it doesn't need to perform the service. This section helps understand the dos and don'ts of contracting.
- **Prevention:** Not often thought of as innovation and redesign, prevention is used in some instances effectively. This section reviews the possibilities.
- **Community responsibility:** Over the years, local governments have assumed more and more of what was once private activity. This section suggests ways of focusing on what local government should and should not do.
- **Consumer choice:** Often, it is better to let citizens choose a service provider if possible. This section discusses the benefits and limitations of consumer choice.
- **Performance accountability:** Performance data is needed to define problems and to assess alternatives. This section presents a performance management system for local government use.

Before we get to these tools, it is necessary to understand what innovation and redesign is... and what it is not.

It is necessary to understand what innovation is... and what it is not.



II. Innovation and Redesign

What is innovation and service redesign?

In management, words like "improvement," "reengineer," "innovation," "restructure" and "redesign" are used interchangeably. But there are important differences in these concepts that are critical for Minnesota local government officials to understand.

Is pursuing new financial management techniques to improve cash flow innovation? Is rearranging employees' work tasks innovation? The short answer to these questions is "no." An activity that takes place in an office is probably not innovation, unless it requires major changes to the entire work or business process.

For instance, the state of Minnesota is using [LEAN](#), which is a set of tools that identify and reduce waste and defects with processes by engaging employees to improve productivity, reliability, staff morale and customer service. LEAN is working so well, in fact, that the MN Commission on Service Innovation is recommending it be extended to local government. But while this is a worthwhile process, it tends to be more about efficiency.

An activity that takes place in an office is probably not innovation, unless it requires major changes to the entire work or business process.

Case Example:

[State of MN Lean](#) Continuous Improvement Results

Minnesota Veterans Homes—Patient admissions process

Before: After an often lengthy admission application process, a prospective patient was placed on a waiting list. Once an open bed was identified, the admitting process usually took 7-10 days.

LEAN Process Applied

After: The time to fill an open bed now takes four days on average, and customer satisfaction has increased from 3.9 to 4.5 (on a 5-point scale) in less than a year. The process-improvement event included all Department of Veterans Affairs parties involved in the process, including a family member of a veteran.



Redesign is less about improving individual components of existing business processes and more about improving the *entire* business process using new thinking.

Innovation and service delivery redesign is less about improving individual components of existing business processes and more about improving the *entire* business process (or service delivery system) using altogether new thinking. For example, contracting out service delivery from the current work force to a nonprofit, another government entity or a private company is redesign; as is consolidating two or more government entities.

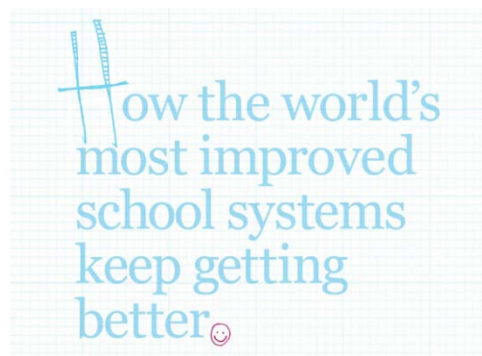
A good way to think about innovation and redesign is as a spectrum that spans from simple productivity improvements to complex system reform—or, in other words, from *incremental* to *fundamental* change.



Productivity improvements are projects that examine processes within the established business or service delivery model.

Productivity improvements are projects that examine processes within the established business or service delivery model. System Reform (or innovation and redesign) is at the end of the continuum, because it represents a new, fundamental, and big-impact change to a given problem. The Humphrey School of Public Affairs [Local Government Innovations](#) website has a list of recent examples of productivity improvements, reengineering, invention and system reform.

System reform can provide better services for citizens of local government, not just dollar savings. For example, [Hennepin County](#) is decentralizing its social services. While there may be additional costs associated with the decentralization, the customers may be better served by the change if it produces long-term benefits.



System reform is also being proposed in an exciting new study by McKinsey and Co. It suggests that schools at any level of competence can be improved if the correct system changes are introduced.

"This report identifies the reform elements that are replicable for school systems elsewhere as they move from poor to fair to good to great to excellent performance," stated [Mourshed, Chijioke and Barber \(2010\)](#).



Creating innovation and redesign



"I'll be happy to give you innovative thinking. What are the guidelines?"

There are no guidelines for creating innovation and redesign. So where do you start?

We recommend asking the following two questions to begin your journey:

"Are we doing the work *right*?"
(A productivity question)

"Are we doing the *right* work?"
(An innovation & redesign question)



The question on the right is the focus of this guide.

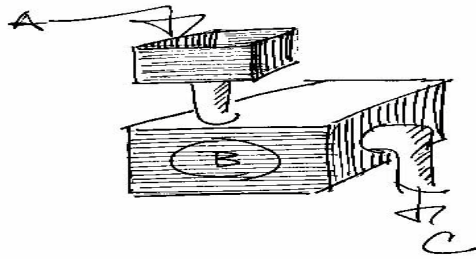
As Osborne and Hutchinson (2004) stated, "All outcomes happen on purpose." In other words, if we're doing the right work, we achieve the desired outcomes. Similarly, "[backwards mapping](#)" and "[design thinking](#)" start with the customer interaction and progress to the decision-makers. There should be a cost-effective path from the customer need to the service being provided, in addition to incentives. Incentives should be aligned to maximize the outcomes. This approach can be a useful tool for public service innovation and redesign.



A positive approach is better than compliance in many instances.

In the past, government has used rules, procedures and laws to coerce behavior of citizens. While well intended, this control approach isn't always effective. If the speed limit sign says 55 MPH, why does everyone go 60 MPH or more? Isn't there a law against it? A positive approach is better than compliance in many instances.

To consider innovation and redesign one needs to think methodically. The following is a simple, five-step approach to analyzing innovation and redesign that may help develop innovative solutions to the problems faced by local governments. This approach will be used in future chapters to illustrate the innovation and redesign concepts:



Step 1. Clearly define the problem

"A problem may be precisely defined as a discrepancy between goals and actual performance," (McClure, 2010). In the diagram to the left, the problem is that the inputs (A) aren't efficient and

aren't effectively producing the outcomes desired (C). An example would be students not learning enough in a school year to stay on schedule.

Bardach (2009) suggests these parameters for defining your problem:

- **Think of deficits or excesses:** An example is that there are too many students reading below grade level.
- **Make the definition evaluative:** A market failure or private troubles such as low living standards.
- **Quantify if possible:** Attempting to put numbers to the problem can force greater clarity.
- **Diagnose conditions that cause problems:** It's often useful to define at least one condition that causes the problem, such as lack of school performance because of decreased parental involvement.
- **Identify latent opportunities:** Just because a problem doesn't exist today doesn't mean it shouldn't be described now. For example, the roads may be fine now, but without adequate maintenance, their condition will deteriorate.
- **Avoid defining the solution into the "problem":** The classrooms in the neighborhood school "have too many students." There may be a problem of students not learning enough or teacher overburden. These are definable problems, but the number of students isn't a problem in and of itself.



- **Avoid accepting too easily the casual claims implicit in diagnostic problem definitions:** Inebriation may or may not be a problem, depending on whether the inebriated individual drives an automobile.
- **Iterate:** Start with a problem definition that seems correct, but leave open the possibility that going through the other four steps may change the definition of the problem.

Ohmann (2010) urged reformers to start "with an end in mind." What is the desired end or outcome? What is the value/dollar spent? If we do this well, the problem is easier to define.

This first step of defining the problem is the most important of all the steps. Without clarity and consensus on the problem, solution development is very difficult.

Defining the problem is the most important of all the steps.

Step 2. State the desired measurable outcome

What does the community want for a given function? Described in measurable terms, these are outcomes (C). For example, the desired measurable outcome for policing is to produce less measurable incidence of crime, not to have more hours of police patrol. Some outcomes are measurable, but not quantifiable (e.g., the condition exists or doesn't exist).

Step 3. Investigate why traditional approaches are not working

What is the current transformative process (business or service delivery processes or models) that takes the inputs and turns them into outcomes? The traditional



approach used to solve the problem is (B) in the graphic. What are the theories or assumptions that led to the selection of the traditional approach? Are those theories and assumptions still valid? What is the underlying problem?

"What needs to be altered to eliminate the existing perverse incentives?" asked [McClure \(2010\)](#). For example, jail time is a traditional approach to deterring crime. But are there better ways of deterring crime? For instance, does incarcerating juveniles actually lead to the desired outcome of them not returning to jail when they are freed, or is there a better alternative?

Step 3 could arguably come before Step 2 on an outcome. If you're having trouble defining the outcome, try investigating why the current approach isn't working. Or look at the reverse: Is the outcome misconceived?



Thinking is often constrained because of state or federal requirements. Don't stop because of a mandate. Report it and its cost to your state association and let them address it at the legislature or in Congress.

Step 4. Identify alternative theories or assumptions that address the problem

What alternate theories or assumptions would support getting from the problem to the desired outcome in a different way? Are there alternate theories or assumptions that could lead you from the problem (A) to outcomes (C)? On what basis would you change the current approach? Asking the question, "Why are we doing it the traditional way?" may lead to a new way.

Olmann (2010) suggested that there is a "current-state push" and a "future-state pull" that can lead to discovering new ways of attacking a problem—what isn't working currently (the push) and what may work better in the future (the pull). For example, the economic theory of competition might produce better outcomes for job-training programs if nonprofits perform the training rather than county government doing it.

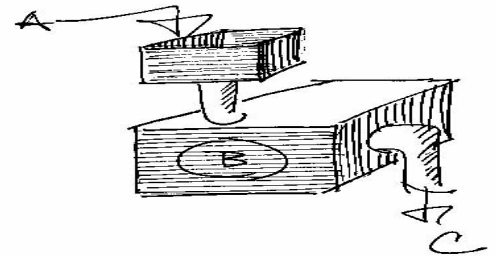
Insanity: doing the same thing over and over again and expecting different results. —Albert Einstein

Step 5. Innovate and redesign

Is there an innovation/redesign based on the alternate theory that would be more efficient and effective at reaching the outcomes? If the alternate theory were implemented (B Alternative), would it produce more outcomes (C) at the same or less cost? For example, paying a job-training unit per *employed* trainee might produce better outcomes than simply paying it per trainee.

According to [Sandfort](#) (2010), "[Innovation and redesign] requires taking risks because no empirical evidence currently exists to guide design options." Innovation, then, requires constant risk-taking, experimentation and action-learning to discover the best service methodology.

To illustrate this *problem to redesign* approach to innovation and redesign, consider the problem of pre-K learning:



Step 1. Clearly define the problem

Only 60 percent of children are prepared to learn in kindergarten.

Step 2. State the desired measurable outcome

100 percent of children are ready for kindergarten.



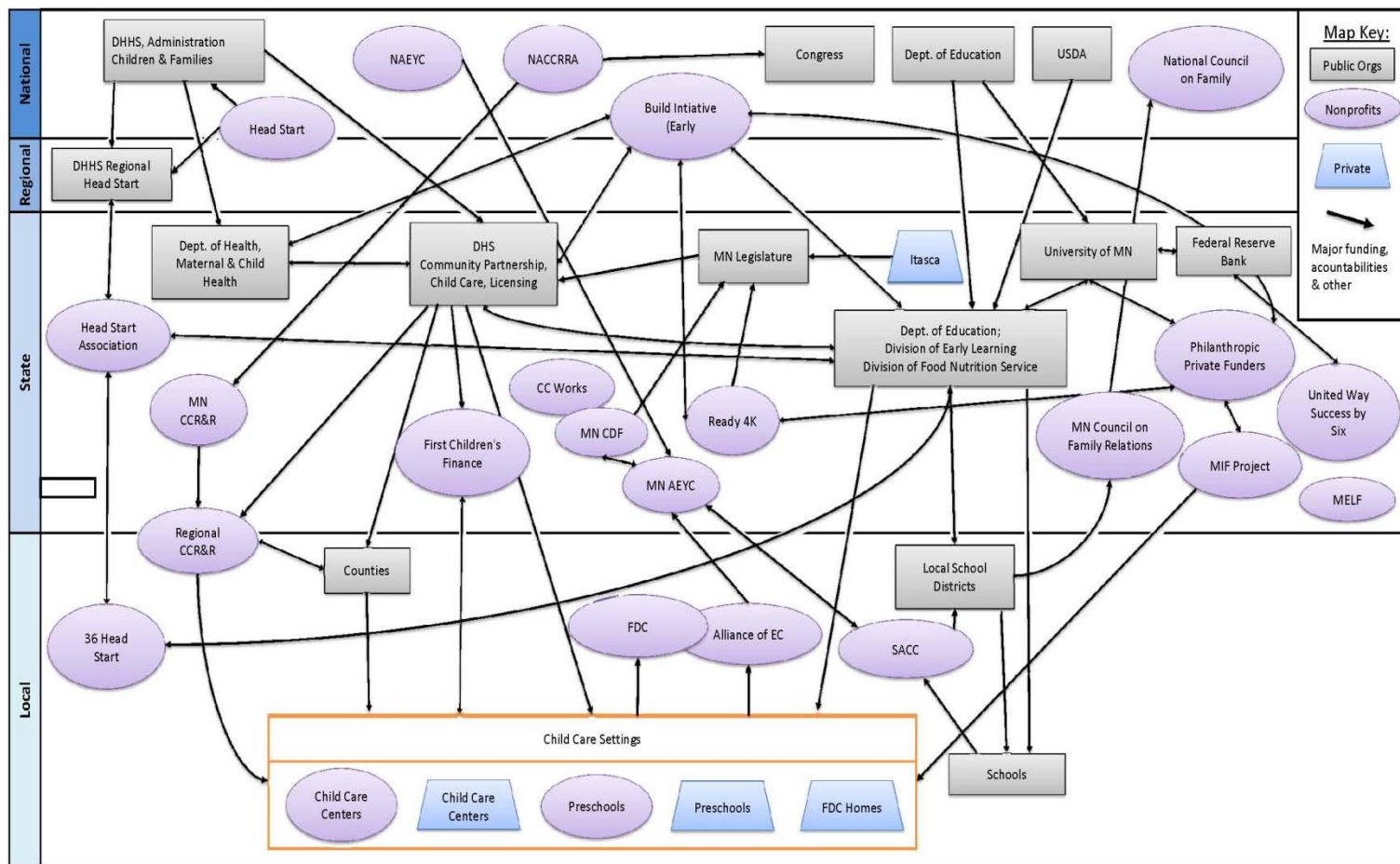
Step 3. Investigate why traditional approaches are not working

The early childhood system developed incrementally over the last 40 years. Multiple forms of public funding, distinct institutional responsibilities, and a market-based field have created a complex web of institutional actors, all with different understandings of the problem, desired outcomes and types of reasonable interventions. Figure One illustrates the various institutional relationships in Minnesota's early childhood system.

Step 4. Identify alternative theories or assumptions that address the problem

While resources do exist and many programs are in place, they are not as cost-effective as they could be because of competing institutional understandings of the problem, solution and appropriate resources to close the gap between both. Clearer governance at the state-level with clear incentives would likely produce better outcomes in terms of public investment and children's school readiness.

Figure One: Early Childhood Education Policy Field in Minnesota, 2008 (Sandfort, 2010, JPAM)



Step 5. Innovate and redesign

A new relationship among all of the current players will improve the system. While some resources already exist and many programs are in place, they are not as cost-effective as they could be because of a diffused childhood educational system. Minnesota needs to take a systems approach to pre-K education if it wants to change the current figure (Figure One).

Limitations to the process

Innovation and redesign is not easy. The legislatively created [Minnesota Commission on Service Innovation](#) (2010) noted some major difficulties:

- Limited funding and resources
- Fear of buzzwords (i.e., consolidation)
- Natural resistance to change
- Unwillingness of government entities to consider new ideas
- Difficulty establishing autonomy and accountability for those workers exploring innovation
- Lack of vision
- Time crunch
- Failure to see government as one enterprise
- Lack of tools for steering—difficulty in getting institutions aligned for common objective
- Lack of incentives, or existing disincentives in the financial models

Adopt a "glass is half full" mindset. Having a cynical attitude towards innovation and redesign will undermine organizational efforts before they even begin.

While this list includes many impediments to innovation and redesign, we need to adopt a "glass is half full" mindset. Having a cynical attitude towards innovation and redesign will undermine organizational efforts before they even begin. For example, "time crunch" will always be an issue, but if we never prioritize to work on the more important tasks, little progress will be made. Incremental change, while important, will not achieve large-scale results.

Tradeoffs

While these new approaches to service delivery, financing and organizational management can be useful, they are not always perfect solutions and by no means should be considered a panacea. Local government officials will be grappling with hard decisions and often face the following trade-offs in deciding to undertake innovations:

- **Quality:** A new process may be cheaper, but is it as effective at solving the problem?
- **Efficiency:** The reverse question is also important: a new process may be more effective, but is it efficient?



- **Responsiveness:** A new process may be efficient and effective, but is it responsive to the user's needs?
- **Accountability:** Does the new approach inadvertently remove local elected officials from accountability for the outcome?
- **Equity:** Does the change have a disparate impact on the poor, the disadvantaged, the elderly, etc.? (Le Grand, 2007)



Want to learn more? Key references are on the next page for this chapter and the entire guide. Sources for additional information covered in the chapters on each topic will appear on The Humphrey School of Public Affairs [Local Government Innovations Website](#).

The following references were used the most for this guide and are recommended:

Bardach, E. (2009). [*A Practical Guide for Policy Analysis: The Eightfold Path to More Effective Problem Solving*](#) (3rd Ed.), Washington, DC: CQ Press.

Brandl, J. E. (1998). [*Money and Good Intentions Are Not Enough*](#). Washington: Brookings.

Brown, T. (2009). [*Change by Design: How Design Thinking Transforms Organizations and Inspires Innovation*](#), New York: Harper Collins.

Citizens League (1982). Report - [*A Positive Alternative: Redesigning Public Service Delivery*](#), 1-21.

Le Grand, J. (2007). [*The Other Invisible Hand: Delivering Public Services through Choice and Competition*](#), Princeton, N. J.: Princeton Press.

McClure, W. (2010). [*Large System Architecture: The Theory and Practice of System Reform*](#).

Osborne, D., & Hutchinson, P. (2004). [*The Price of Government: Getting the Results We Need in an Age of permanent Fiscal Crisis*](#)

Sandfort, J. (2010) Chapter 8: [*Reconstituting the Safety Net: \(New Principles and Design Elements to Better Support Low-Income Workers*](#) Forthcoming in [*Old Assumptions, New Realities: Economic Security for Working Families in the 21st Century*](#). Russell Sage Foundation. York: Basic Books)



III. Implementation

"...a significant body of research indicates that managers frequently do make change happen in their organizations."

— Fernandez and Rainey, 2006

"Courage is being scared to death, but saddling up anyway." John Wayne

We assume that *all* individuals are capable of some leadership.

Many government officials have good ideas that never see the light of day. The concepts in this guide may be thought-provoking, but they need to be implemented if local government is to become more efficient and effective.

Foremost, leadership is needed for successful implementation of innovation and redesign. Leadership in this context is not limited to those in executive and managerial positions—we assume that *all* individuals are capable of some leadership. Integrative Leadership, defined as cross-boundary leadership, is needed often for innovation and redesign.



Successful implementation requires government officials to step forward and dare to try something different. We must acknowledge the financial plight our governments face and conclude that there are better ways. Organizational change has to become the norm rather than the exception.

"Any intelligent fool can make things bigger and more complex...It takes a touch of genius and a lot of courage to move in the opposite direction." —Albert Einstein

Fernandez and Rainey (2006) outlined eight factors for managing successful organizational change. We'll use those eight factors to organize key ideas on implementation.

Factor 1: Ensure the need

We've already discussed the importance of correctly diagnosing the problem before attempting innovation and redesign. Problem definition is the first part of "ensuring the need." Getting stakeholders involved in defining the problem is helpful for their later engagement in solving the problem.

Once the problem has been defined, it is critical that the organizational leaders persuasively communicate the problem, as well as the need to solve the problem. Stakeholders are rarely supportive of solutions unless they fully understand the problem and why it must be solved urgently.

Stakeholders are rarely supportive of solutions unless they fully understand the problem and why it must be solved urgently. It is critical that stakeholders be involved in the development of the plan.



Factor 2: Provide a plan

With the need established, planning should begin on how a given change will be implemented. It is critical that stakeholders be involved in the development of the plan. Particularly important are the employees closest to the customer being served. They have the best perspective on what might be a better idea and how change might affect the citizen/customer.

"Two aspects of a course of action that appear crucial for organizational change in the public sector include the clarity or degree of specificity of the strategy and the extent to which the strategy rests on sound causal theory," according to Fernandez and Rainey (2006). The plan should include a timeline, resources required, clear goals, expected outcomes, etc. The plan should be formal, so that the authors are forced to consider the details of the change.

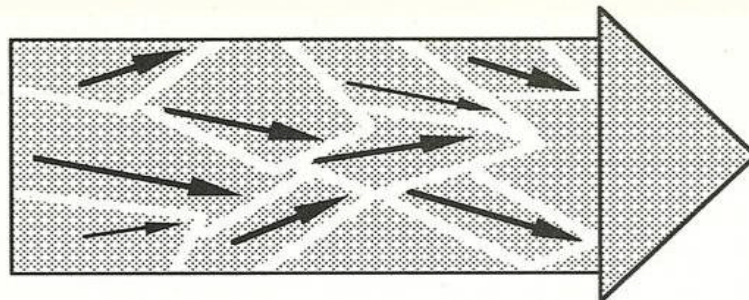


The plan should also be clear about any required cutbacks. Human resource experts tell us that early information about what is happening is the best approach to managing cutbacks. Attrition should be used wherever possible to minimize organizational disruption.

As we discussed earlier, an innovation or redesign needs a theoretical basis. In developing the plan, be diligent in detailing the why: Why will the plan, when implemented, result in a more efficient and effective service?

Factor 3: Build internal support for change and overcome resistance

The former CEO of Wells Fargo Corporation used to say that the customer comes second. Second, you ask? Yes, because employees must come first. **Leaders who don't have the support of their employees will fail on a change initiative.** The following graphic demonstrates the fact that not all employees have to be aligned perfectly with the change:



They should, however, not be going *against* the change. In innovation, redesign and change efforts, a certain degree of creativity is needed to successfully implement a broad concept at the lowest level of the organization. This required space for creativity keeps people from being fully aligned, and that's okay. Over time, a slightly misaligned person may have a better idea and may move the consensus in a better direction.

For a change to be accepted by public employees, a "shock or stimulus of significant magnitude is typically required for them to accept change as inevitable" ([Van de Ven, 1993](#)). The financial problems that local governments are currently experiencing may indeed be that shock. "A dual approach that creates pride in the organization's history and past success while arguing for a new way of doing things seems also to be effective at reducing resistance to change" (Fernandez and Rainey, 2006).

Many people view labor unions as impediments to successful change. While unions may sometimes be part of the problem, they can also be part of the solution. Early discussion with union leaders, labor-management committees and interest-based labor negotiations can help unions become partners in change endeavors. The Minnesota Council on Service Innovation indicated in their final report, "When given the opportunity to actively participate with key management personnel who have the authority to implement and act on innovative changes developed via labor/management teams, the Commission believes government employees will embrace changes in service delivery systems."

Not only can employees support change, but they are also the closest to the problems and can be helpful in discovering solutions to those problems.

In the City of Bloomington, snowplow drivers understood their mission and developed a better way to plow the streets.

Factor 4: Ensure political and top-management support and commitment

Who are the organizational leaders responsible for innovation and redesign? Both political and managerial leaders are critical. Managerial initiative without political acceptance is a recipe for failure. The reverse is also true. Elected officials have to convince managerial employees of the problems they face and the need for implementation of solutions to the problem. Retreats, working sessions, and private meetings are good ways of developing partnerships between the elected and managerial officials.

Early discussion with union leaders, labor-management committees, and interest-based labor negotiations can help unions become partners in change endeavors.



“Politics is a jungle – torn between doing the right thing and staying in office.” —John F. Kennedy, CA, 1955

Some experts stress the need for a "guiding coalition" to support a change. This guiding coalition is a group of people, preferably a cross-section of individuals in the organization, who lend legitimacy to the effort and can often marshal the resources and emotional support that help organizational members become positive about the change.

Factor 5: Build external support

In addition to building support with the internal stakeholders of a government organization, it is important to build support among the external stakeholders. These include the citizens, businesses, nonprofits, churches, the media, neighborhood organizations, educational institutions and others. A local community group may be able to convince the community that additional resources are needed to undertake an innovation or a redesign. An example would be the school referendum in Minneapolis to lower class sizes.

Factor 6: Provide resources

Resources are often cited as the greatest impediment to change efforts. This can be an excuse, or it may simply be an extension of the problem. If there is an innovation or redesign that makes sense in the long run, the problem morphs into finding short-term capital to invest in the long-term gain. The opportunity needs to be presented clearly for elected officials. School boards, city councils or county commissioners may ultimately be unwilling or unable to fund a change that requires significant dollars, but it will never be approved if it isn't presented.

Factor 7: Institutionalize change

It is an achievement if a government organization can complete an important innovation or redesign. But it is more important that a culture of innovation and redesign is developed within the organization. An organization with a culture that fosters and supports experimentation and change will produce continual successes over time with little intervention.



Culture is about the expected behaviors within an organization.

Cultural change is the most difficult of change efforts. Culture is about the expected behaviors within an organization. Are employees expected to take risk in improving their function? Is integrity a value that people treasure? Are results rewarded? Is security more important than positive change? Answering these questions and others determines what constitutes the culture of the organization. And even if a positive culture exists, it must still be nurtured, because culture can either improve or decline---It is not static.

The use of performance measurement, described in the last section, helps in this regard. If a unit of a local government struggles to meet its output and outcome goals, that unit will seek to find ways to change its approach to improve its results ([Judson, 1991](#)). If no evidence is used to hold the unit accountable, the unit may perpetually underperform without anyone realizing it.

Another issue is the pace of change. According to Fernandez and Rainey (2006), "Some experts underscore the need to adopt change gradually or incrementally on a small scale in order to build momentum and to demonstrate the benefits of change." Kotter (1995) in *Leading Change* argued that small wins are necessary to get larger wins and a change culture.

Factor 8: Pursue comprehensive change

Comprehensive change involves changing all of the subsystems of an organization to support system-wide change. For instance, a government organization that is trying to introduce a performance orientation needs a complimentary compensation system. According to Fernandez and Rainey (2006), "Changing only one or two subsystems will not generate sufficient force to bring about organizational transformation."

Pursuing comprehensive change is a daunting task. Yet, there are cities, counties and schools that consistently outperform others. They seem to produce more innovation than similar jurisdictions. Comprehensive change starts with a succession of small changes coupled with changes in government; support systems can bring about comprehensive change, but it takes a lengthy period of time.



Further readings and examples of Charges, Incentives and Targeting are available at The Humphrey School of Public Affairs [Local Government Innovations Website](#).



IV. Summary

"[In] the new public service...the role of public management is not to deliver services but to promote community, to help citizens articulate shared interests, to bring proper players to the table and broker agreements among them, and to function as 'proxy citizens.'" —Salamon, 2002

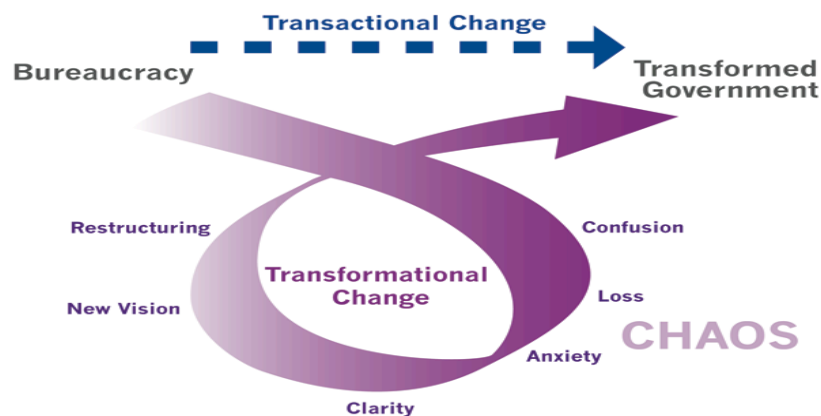
Innovation and redesign of local government service in Minnesota is both needed *and* possible. It is not *the* answer, but it is part of the answer. Local government, being closest to its citizens, has an opportunity to sharpen its focus—or even refocus altogether—to ensure it is efficiently and effectively providing the services citizens want. We simply need to think more broadly about the possibilities.

Problem definition is the best starting point. Too often we assume there is only one solution to a problem, but clearly defining the problem may produce non-traditional ways of addressing it.

Innovation and redesign requires taking risks in an environment not known for risk taking.

This guide is not a roadmap but a compass, intended to assist local elected and appointed officials in finding new and better ways of delivering needed local public services. It is not about line-item budget changes; it is about rethinking the problems that confront local governments and rethinking whether the traditional solutions are working. This requires taking risks in an environment not known for risk-taking.

We must understand that change takes time. As the following graphic from Public Strategies Group suggests, an organization will go through chaotic times before momentum is gained to accomplish a change. Significant change does not take a straight path.



Be it incentives, collaboration, contracting, prevention, community responsibility, consumer choice or performance accountability, we have many options for improving local government services. Leaders can recognize opportunities for change and work with their stakeholders to "find the better paths." It is not easy work, but we need to have the courage to try to discover those new routes.

"It is hard to fail, but it is worse never to have tried to succeed. In this life we get nothing save by effort." — President Teddy Roosevelt



Tools: Charges, Incentives & Targeting

"The policy making lesson of the contemporary economics of organization is this: construct policy so that individual and group interests coincide." ----John Brandl, 1998

A tried and true approach to redesign is aligning economic incentives to make policies more effective. We know that if a person has an incentive to do something, he or she is more likely to do it. Similarly, if a person has a reason *not* to do something, he or she is less likely to do it. For example, a higher sewer hook-up fee can result in less development because of the additional financial burden. Economic incentives may be related to paying for government or a government service, or they may be related to internal incentives to make the organization more productive. They may also be related to targeting fees or services to citizens most in need.

Paying for government services

Local governments primarily use general property taxes and state aids to fund their services. More and more frequently, local officials are faced with the question of which services should be funded by these general revenues, and which should be funded through a specific charge or tax? The provision of water by cities is an example of where general resources are *not* being used typically to support a service. Rather, cities charge citizens for water directly by the amount of usage (e.g., a fraction of a cent per gallon). In a sense, a person can choose how much to pay for water by regulating his or her household consumption. During a hot summer, a city could ban water use for sprinkling grass or it could simply charge more for the water.

Parks and libraries, on the other hand, are paid for by general resources. But in addition to this, cities and counties have historically used more than general resources, in part to accomplish a given goal. For instance, libraries assess users with fines for late returns. This is a case where the fine is an incentive to return the materials in a timely manner so that others have access to the materials. Similarly, some park programs are free while some require a fee.

Innovation and service redesign asks the question of whether the current mix of general resources and special charges is appropriate. Should water fees be increased to help support general city services? Should transportation to school be paid for on a subscription basis, rather than being paid out of general

Innovation and service redesign asks the question of whether the current mix of general resources and special charges is appropriate.



resources? If it were, would the people living farthest from the school pay more?

We charge some fees because certain people benefit directly from the service provided. Permit fees for developers, school fees for extracurricular activities, ambulance costs and restaurant inspections are all examples of this.

Minnesota has traditionally used general resources more than direct charges for services.

Should this continue?

Minnesota has traditionally used general resources more than direct charges for services. Should this continue? Common good versus special interest is the decider, but the bias toward common good could be shifted if there were a shortage of general revenues. For example, some cities and counties charge for response to home alarms on repeated calls. Parking is no longer free in some parks. A new approach might have prisoners pay for the expense of their jail time if they could afford it. Should there be a greater use or increase in share of assessments?

A local government may also choose to target the fees to those more capable of paying, i.e., means testing. The free lunch program in schools is one example of this. Another example is reduced park program fees for low-income or senior citizens. A government may also attempt to use "value capture" methods like tax-increment financing or assessments. Listed in the examples is the City of Minnetonka's innovative value capture for a new interchange.

It's imperative that local governments review fee discounts or special services regularly.

It's imperative that local governments review fee discounts or special services regularly. Often, a discount or a special service is enacted and then never—or infrequently—reviewed. Local governments should periodically reexamine these decisions. For instance, should a senior discount be retained with the number of seniors increasing? Are seniors those over 55, or 60, or 65, or the age of eligibility for social security, which is now 66 years old?

Incentives within local government

There are many incentives that can be used in local government. One is to make sure a given activity is charging for all of its costs, so that citizens don't overuse the service. Some local governments don't allocate overhead costs like accounting, human resources, elected officials, communications, payroll processing, etc. to departments when they consider the fees that are needed to offset the full costs of the function. Are overheads allocated to the water department so that the water charges pay for the total cost of water production? Are overheads allocated to special assessments?



Each year, many local government departments close the books with positive budget balances. Traditionally, there is no reward for the departments producing the positive balances. Should a department producing unspent balances be able to roll over a portion of the dollars to the following year? This would be an incentive that would help to avoid hasty end-of-year spending to simply use up unspent dollars.

Osborne and Gaebler (1992) used an approach to innovation and redesign to create adequate balances at year's end: "As originally conceived and implemented, [expenditure control] budgeting strategy gave each department the same basic mission and the same budget as in the previous year (with an inflation adjustment) but abolished the line-item specification of expenditures, permitting the department to keep any savings and reinvest them in other mission related activities." This could be a powerful technique to get departments thinking more creatively.

Another form of incentives is the tools schools use to motivate students to learn. The following photo depicts a school that has moved fully to an individualized testing-progress approach. Does this look different from a traditional classroom?



Employee incentives

Rewarding employees directly for performance is another way to motivate them. Osborne and Hutchinson (2004) cited the following examples of employee incentives that improve performance:



- Direct customer feedback
- Performance awards
- Performance cash bonuses
- Gain-sharing
- "Psychic" pay (telling employees they're doing a great job)
- Performance-based contracts
- Performance scorecards

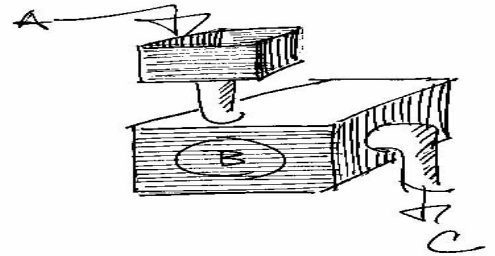


A controversial idea is to compensate employees partially or wholly on performance. This would require a well-functioning performance appraisal system in local government that sets specific and measurable goals for employees. Today, local government employees receive salary increases mostly for "time in grade" or for added education. A jurisdiction that wanted improved performance could consider blending performance evaluations with longevity in determining salary increases.

To illustrate the *problem to redesign* methodology for this chapter, an example of implementing a garbage-recycling program follows:

Step 1. Clearly define the problem

Need to recycle home garbage to save the cost of landfills and help improve the environment.



Step 2. State the desired measurable outcome

Separated garbage at all households will be recycled once every two weeks.

Step 3. Investigate why traditional approaches aren't working

Pass an ordinance requiring compliance. Send garbage inspectors out to give citations to those citizens violating the policy. Citizens become angry about inspections and government control.

Step 4. Identify alternative theories or assumptions that address the problem

Incentives are effective motivators for citizens when they believe they can save money.

Step 5. Innovate and Innovation/redesign

Give a discount on garbage collection fees for recycling. If the garbage collectors note the absence of recycling, they let the sanitation management know to eliminate the discount for the homeowner.

There are limitations to using economic incentives to accomplish a chosen policy more effectively:

- Not all people are motivated by economic incentives.
- Incentives can outgrow their usefulness.
- Targeting those in need can reduce a supportable majority for the program, because there are too few people receiving the benefit.
- Charges can become onerous and are not tax-deductible.



Real examples of charges, incentives and targeting include:

- [City of Chanhassen Tiered Water Pricing](#): This city instituted a fifth tier in its water pricing to have the largest users of water pay the highest rate. It also promotes water conservation.
- [Foster Children Placement Incentives](#): In 1998, Minnesota began to contract for adoption services. The State pays providers only when they complete certain activities designed to expedite adoptions. Through these contracts, private adoption agencies focus on the hardest to place children. Private providers work across the state, but select certain service areas toward which to target their efforts.
- [Roseville False Alarm Charges](#): The City of Roseville gives homeowners three false alarms from security systems. After that, the city charges \$100, \$135, \$170 and \$205 for repeated false alarms. (Roseville typically receives 1,200 alarms calls a year.)
- [PaySchool Program](#): MSBA, with MASA and the Service Coops as co-sponsors, have developed a no-cost program that allows parents to pay school fees by credit card and for the schools to allocate these funds appropriately to the correct lunch and activity accounts.
- [Q Comp](#): Nearly a third of Minnesota's K-12 teachers will have some form of incentive compensation under the Q-Compensation program begun in 2006. The 50 school districts and 54 charter schools participating in the Q-Comp program receive \$260 more per student from the state.
- [P-Card System](#): MASA, with MSBA and MASBO as co-sponsors, has developed an on-line credit card based invoice payment system. This system, while more secure and efficient for school districts, also provides a rebate to participating districts. This past year \$355,000 was rebated to school districts.
- [Minnetonka Interchange Financing](#): In order for Minnetonka based UnitedHealth Group to proceed with an expansion that would bring 1,600 more employees to its Minnetonka campus, a new interchange at Highway 169 and Bren Road needed to be built. United Health Group agreed to contribute \$5 million toward completion of the project.



- [Hennepin County Juvenile Detention Alternative Initiative](#): The Hennepin County Dept. of Community Corrections and Rehabilitations participated in the Juvenile Detention Alternatives Initiative, a collaboration of juvenile justice stakeholders who assign the least-restrictive, community-based alternatives for low-risk offenders.
- [Minneapolis “smart” parking meters](#): The latest way Minnesota’s largest city is attempting to maximize its parking revenue. One of the key features is the inability of a new parker to use the previous parker’s unused time.
- [Opportunity New York City](#): NYC offers cash incentives to its poorest citizens for socially acceptable behavior.
- [Incentives for personal responsibility for long-term care](#): Proposed by the Citizens League, similar to programs in other states, this program encourages families to care for elderly family members themselves, shifting the burden of long-term care back to the family rather than the state.
- It’s easy to “[Give a Compliment](#).” The City of Saint Paul has created an online tool for citizens to provide employees or offices with “psychic pay” in its “Give a Compliment” section of the city website.
- [Residential parking permits](#): The City of Saint Paul charges residents to alleviate parking problems in high-demand areas without installing meters or strict time rules.
- Mahnommen County Social Services: Mahnommen County has partnered with a local car dealership to purchase used cars for qualifying MFIP (public assistance) recipients who do not have reliable transportation, in order to make it possible for them to maintain work and thus move off public assistance. This has resulted in 75 percent of participating families leaving public assistance because they maintained employment.



Further readings and examples of Charges, Incentives and Targeting are available at The Humphrey School of Public Affairs [Local Government Innovations Website](#).



Tools: Collaboration



Used with permission.

Collaboration may be viewed as a continuum of inter-organizational relationships among organizations working together to solve problems:



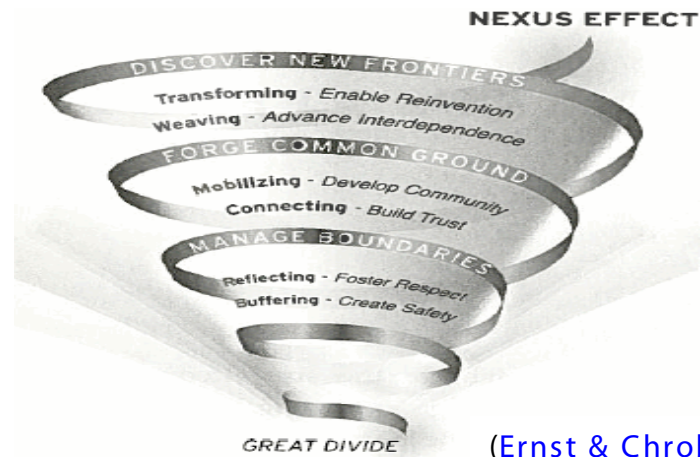
The simplest form of working together is cooperation. Two organizations discuss ways they could work together to make it easier for either or both organizations to improve their efficiency and effectiveness. Cooperation is usually informal. An example of this is a county and a city sharing data on a transportation issue.

Coordination, the next step on the continuum, requires deeper cooperation. One or both organizations make changes to help the other or both organizations. Again, it is likely an informal relationship. An example of this is a city and a school working out a schedule where a park is used for after-school athletics.



Collaboration is same-sector or multi-sector organizations working together to solve a problem. It has become a very popular approach to innovation and redesign. Some collaborations are surprisingly informal, while others require formality to make them work. An example is the [Health Careers Partnership](#) of Project for Pride in Living, Hennepin County, City of Minneapolis, Minneapolis schools, Minneapolis Community and Technical College, and Children's, Abbott Northwestern, and Hennepin County hospitals all working together to train low-income people from the Phillips neighborhood for jobs in the healthcare field.

The following schematic shows the steps for going from the great divide---think of usual relations between a school district and the city or cities in the district---to the nexus effect of creating a collaboration.



([Ernst & Chrobot-Mason](#), 2011)

Partnership is a formalized collaboration. Various organizations come together to solve a problem that they could not solve separately, and it requires more than just collaboration. An example of this is the [South Metropolitan Public Safety Training Center](#)—a joint-powers arrangement among a number of suburban cities and the Metropolitan Airports Commission.

Consolidation is the ultimate collaboration. Organizations decide to merge together to solve a problem more efficiently and effectively. A significant example is the merger of the Minneapolis Library System and the Hennepin County Library System. The surviving organization was the Hennepin County Library System, even though the city system had originally created and served as the county system.



Creating cooperation that leads all the way to consolidation is very difficult work and often fails. [Bryson, Crosby and Stone](#) (2006) developed a framework for understanding cross-sector collaborations and the conditions necessary for success:

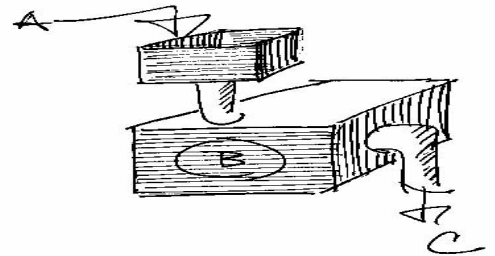
- **Initial conditions:** What are the likely requirements of all the actors?
- **Process:** What process is going to be used to develop a consensus among the actors?
- **Structure and governance:** With a consensus in hand, how will the collaboration be structured and governed?
- **Contingencies and constraints:** How will the collaboration be unwound if it doesn't work?
- **Outcomes and accountabilities:** What are the outcomes that will be used to determine if the effort was a success?

The [Minnesota Commission on Service Innovation](#) has recommended that the state establish a Shared Services/Consolidation program for state and local government entities.

To illustrate the *problem to redesign* methodology for this section, an example of the development of low-income housing follows:

Step 1. Clearly define the problem

The quality and affordability of housing for low-income people is inadequate.



Step 2. State the desired measurable outcome

Increase the satisfaction of low-income people with their housing choices.

Step 3. Investigate why traditional approaches aren't working

Government builds public housing units in large buildings. This leads to a concentration of poor people in a small area. Nationwide, these projects have proved problematic.

Step 4. Identify alternative theories or assumptions that address the problem

A collaboration of government, nonprofits and banks can bring more dynamic solutions to problem.



Step 5. Innovate and redesign

A collaboration of government, nonprofits, academic and private-sector institutions combines efforts to create successful new housing for low-income people.

As suggested previously, cooperation to consolidation has limitations. [Salamon](#) (2006) described these as needs:

- Management challenge, so the right people are at the table.
- Accountability challenge so everyone knows exactly who is responsible.
- Legitimacy challenge so citizens know who is accountable for success or failure.
- Tool knowledge so participants understand what a collaboration entails in reality.
- Design knowledge so participants can use a guide to assist them.
- Operating knowledge so collaboration can be sustained.

Real examples of collaboration choice include:

- [Merger of New Market and Elko](#): In 2005, the cities of Elko and New Market began exploring the implications of consolidating their two towns, and in 2006, voters approved. The cities will save an estimated \$2.9 million.
- [Minnesota School Food Buying Group](#) (MSFBG): Started by a charter group of 15 school districts representing 24 percent of MN student population, secured pricing direct from the food manufacturers lowering costs of food for school lunches.
- [Consolidation of Minneapolis and Hennepin County Libraries](#) In 2007, the Minneapolis Public Library Board, the City of Minneapolis, the Hennepin County Library Board and Hennepin County came together to merge overlapping library functions. By adopting a set of guiding principles, the two library systems consolidated; employees are now all a part of Hennepin County [Full Case Study available].
- [Smart Kids](#): Promotes the academic and social development of children by helping educators, parents and human service providers operate from a simple belief: all children can learn at high levels if the process of education is effectively organized in Rochester, MN.
- [Growing Up Healthy](#) in Rice County: An active coalition of



- 14 non-profit and government entities helping marginalized families with children 0-5 years in age.
- [Currie Ave. Housing Partnership](#): The Downtown Congregations to End Homelessness, the Downtown Business Council, local nonprofit agencies and Hennepin County provides permanent housing and support to people with disabilities who are long-term homeless.
 - [MN Chamber of Commerce](#) Local Collaboration Grants: The MN Chamber of Commerce is funding four efforts to improve local government services.
 - [JumpStart Duluth](#): A partnership of Community Action Duluth (CAD), Lutheran Social Service of MN (LSS), West Central Wisconsin Community Action, Inc, (West CAP) the Northern Communities Credit Union (NCCU) and the Twin Ports NAPA Auto Care Centers to meet the transportation needs of at-risk, low-income people.
 - [NE Middle Mile Fiber Project](#): Northeast Service Cooperative (comprised of St. Louis, Lake, Cook, Koochiching, Carlton, Pine, Itasca and Aitkin counties, a number of state and municipal agencies, the Arrowhead Library System, SISU Medical System, Minnesota Association of Mental Health Programs and 28 public school districts) is developing dark-fiber, wavelength services available to public and private sector technology service providers in un-served and underserved rural areas of Northeast Minnesota.
 - [Shared Fire and Emergency Services](#): A task force appointed by Governor Pawlenty has developed models for the merger of these services locally and released its report October 2010.
 - [East Metro Mental Crisis Mobile Team](#): Improves access to crisis services and meets mental health needs at the appropriate level of care across Ramsey, Washington and Dakota counties, including four health plans, three health systems, State Operated Services and DHS Adult Mental Health Division.
 - [Lakeville Ice Arena](#): The City of Lakeville, ISD 194, the Lakeville Housing and Redevelopment Authority and others have a long history of collaborating to finance, maintain, and manage Lakeville's ice areas.
 - [Kandiyohi and Big Stone Counties Shared 911 Service](#): The result of two years of planning and infrastructure development efforts between Kandiyohi County, Big Stone County, and State of Minnesota officials.
 - [NW Minnesota School Districts](#) and their technology



- Consortiums, in cooperation with MNSCU, are offering an ['OnLine College in the Schools'](#) program to provide AP level college credit courses online to students in very small school districts where such courses can't be provided on a local level.
- Values Health: A public-private partnership has extended healthcare coverage to people who cannot afford insurance but are not eligible for publicly funded healthcare programs. It includes 13 county governments, nine hospitals and 32 local employers.
- [Southwest Transit](#): Created in 1986 under a joint powers agreement among Chanhassen, Chaska and Eden Prairie to provide the three cities with public transit service.
- [Virginia-Eveleth Economic Development Authority](#): Formed in 1994 by a Joint Powers Agreement and serves to facilitate economic development in both cities.
- [St. Paul City, Parks, and Schools](#): These organizations are beginning a new effort to share facilities. For example, Dayton's Bluff Elementary shares facilities with St. Paul Parks and Recreation's Dayton's Bluff Recreation Center. This is happening across St. Paul.
- Horizon [Community Health Board](#): Effective January 2011, the rural counties of Douglas, Pope, Grant, Stevens and Traverse will administer public health programs together.
- [Annandale-Maple Lake-Howard Lake Wastewater Treatment Plant](#) Despite facing hurdles from state agencies and others, the Cities of Annandale, Maple Lake and Howard Lake collaborated to construct a joint wastewater treatment facility.
- [The Doorway](#): A collaborative effort of the St. Paul Public Library, the City of St. Paul, St Paul Parks and Recreation, MN College Access Network, MN Office of Higher Education, MN Private College Council and funders from the private sector to increase the number of St. Paul youth who pursue higher education.



Further readings and examples of Collaboration are available at The Humphrey School of Public Affairs [Local Government Innovations Website](#).



Tools: Competitive Contracting

"Competition is the single fastest route to savings without eliminating services. When public agencies are required to compete, they unleash the creative potential of their employees, because the incentives for success and penalties for failure are so direct." — Osborne and Hutchinson, 2004)

Competitive contracting starts with the idea that it is the government's responsibility to decide what public services will be provided and who will pay for those services. A Citizens League report (1982) noted these parameters for decision-making:

- **Decider:** Government, or government and others
- **Objective:** What is to be accomplished and how?
- **Provider:** Any organization or person

Separating the decider role from the provider role can create competition among those who want to provide the service. The providers can be nonprofit organizations, private organizations or other government organizations. Interestingly, elected officials are more likely to use competitive contracting than appointed officials (Leland and Sminowa, 2010).

Osborne and Hutchinson (2004) argued there is power in competition:

- Provides more bang for the buck
- Forces public (or private) services to respond to the needs of their customers
- Rewards innovation
- Boosts morale
- Helps boost public faith in government.

Local governments today use competitive contracting for many things, including purchases, professional services, leases and more. Some traditional service provision—competitive contracts like school bus services, garbage hauling, job training and road improvements—are also being contracted out.

The key to competitive contracting is specifying measurable outcomes for the contractor. In the same way local government officials need to specify measurable outcomes for their own workforces, it is critical that measurable outcomes be part of contracting for a service. Alberta, Canada has a great guide on [performance contracting](#).

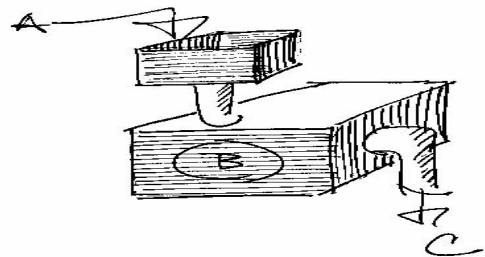


A common form of competitive contracting is local government service sharing. One local government decides not to provide a service directly, instead contracting with another government to provide the service. There are many shared arrangements for police, fire, emergency services, education classes, social services and others. Minnesota also has administrative services provided through a joint-powers arrangement and from specially created public organizations. Examples of these services include school service sharing, public-safety training facilities, cash management, etc.

To illustrate the *problem to redesign* methodology for this section, an example of garbage collection contracting follows:

Step 1. Clearly define the problem

Need one garbage service to collect residential garbage on a weekly basis.



Step 2. State the desired measurable outcome

Efficient garbage collection with no complaints and improved neighborhood conditions.

Step 3. Investigate why traditional approaches aren't working

The city manages the workers and equipment needed to collect the residential garbage. While effective, it is more costly than it needs to be.

Step 4. Identify alternative theories or assumptions that address the problem

Competition will increase efficiency and possibly effectiveness. Bidding out a service results in bidders competing to secure the bid. Bidders can include the government itself.

Step 5. Innovate and redesign

The city undertakes competitive bidding for some or all of the service. The city of Minneapolis, for example, uses private garbage collectors for half the city and city sanitation workers for the other half. The competition between the two reduces costs and ensures good quality over time.



Any local government official who has used competitive contracting knows the difficulties. In fact, [Dehoog and Salamon](#) (2002) argued that "... the presence of numerous intervening factors has made it difficult to show that this tool is more effective than direct government services." They list these problems inherent to competitive contracting:

- Loss of control
- Excessive [administrative] costs
- Lack of sufficient providers
- Role ambiguities
- Organizational complexity

[Sandfort](#) (2010) also stated, "Administratively, it is assumed that competition among such private agencies leads to great efficiencies and higher quality services, although this assumption is not backed up with much empirical evidence [for social service, education and healthcare]." (Bickers 2007; Heinrich and Choi 2007; Van Slyke 2003)."

Yet, many local government officials and others will point out that real savings can occur with competitive bidding. The issue often isn't contracting or not, it is whether there are clear performance measures that can be used to determine service success for either the local government providers or the contracting providers. Garbage collection is a good example because it is easy to know whether the performance measure of weekly collection without harm has occurred (citizens call immediately if the garbage is not collected properly).

Real examples of competitive contracting include:

- [Hennepin County Job Training through PPL](#): Job training services are outsourced to Project Pride in Living, a capable nonprofit specializing in job skills training and employment placement [Full Case Study].
- [Construction of County and City Highways by private contractors](#): It is now commonplace across the state for counties and cities to contract with private construction firms to build roads, repair infrastructure or remodel or build public buildings rather than maintaining their own construction personnel.
- [Washington County](#) property tax administration outsourcing: Rather than providing its own services in-house, Washington County pays Ramsey County to administer its property tax duties.



- [School bus transportation](#): Many local governments now contract out to various private companies rather than providing an in-house service.
- Hennepin and Ramsey Counties' Accountable Care Application: Their application to the federal government would reward them for achieving better health outcomes for low-income patients with chronic health conditions by coordinating care between the hospital, clinics, primary care and social services.
- [North Suburban TIES Members Collaborative Document Management System](#): Helps school districts manage the growing burden of data retention mandates by using Oracle's Universal Content Manager
- [South Metropolitan Public Safety Training Center](#): A joint-powers arrangement among a number of suburban cities and the Metropolitan Airports Commission.
- [Maplewood and North St. Paul Recreation Sharing](#): North St. Paul will be buying its recreation programming from Maplewood.



Further readings and examples of Competitive Contracting are available at The Humphrey School of Public Affairs [Local Government Innovations Website](#).



Tools: Prevention

"The best way to solve a problem is not to have it occur in the first place." —Anonymous

Prevention is an obvious approach to public problems. While we're familiar with thinking about prevention when it comes to healthcare or public safety, we may not realize that many of the activities of government can also be classified as prevention.

Preventative solutions to public problems should be considered as a transformative way of thinking about local government activities.

However, prevention is often not utilized fully, because there can be great political pressure on government to enact action-oriented solutions and respond reactively rather than proactively. In spite of this, preventative solutions to public problems should be considered as a transformative way of thinking about local government activities. For example, squad cars policing a neighborhood may not be as effective at deterring crime as an active neighborhood community watch program would be—and they are certainly more expensive.

The key to effective prevention is not a specific program, but instead a new way of thinking. Preventative thinking—and the ability to embrace preventative solutions—requires a total-systems approach to problem definition and subsequent problem solving. In thinking about healthcare, we are often very knowledgeable about preventative approaches—we understand the value inherent to them, in both quality of life and in cost, especially when compared to a crisis or an "emergency room" approach. Just as it's reasonable to eat healthy and exercise regularly to maintain good health, governments should think about what they can do to maintain or build solid communities and avoid costly, intense responses later.

Preventative thinking—and the ability to embrace preventative solutions—requires a total-systems approach to problem definition and subsequent problem solving.

So what does it take to begin using preventative thinking in government? As stated earlier, many activities of local government are already preventative: street sweeping prevents litter and leaves from clogging storm sewers, leash laws and dog licensing prevent injury and the spread of animal diseases, building inspections prevent accidents and loss of life or property. Even though we think about these kinds of solutions, many of them have eventually become considered regulatory rather than preventative.

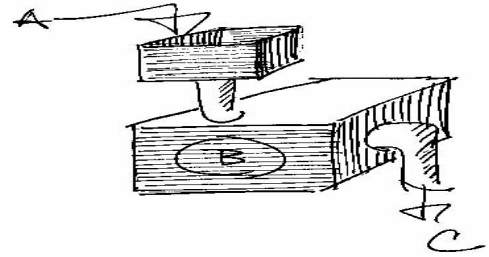
In the context of service delivery innovation and redesign, prevention requires *total systems thinking* and *clear problem definition*. The first step, just as in other areas of innovation and service delivery redesign, is to define the problem.



To illustrate the *problem to redesign* methodology for this section, we use the example of City of Minneapolis' "Plow Pal" program:

Step 1. Clearly define the problem

Citizens are not aware of snow emergencies and therefore fail to follow snow emergency protocol for street parking.



Step 2. State the desired measurable outcome

Fewer cars towed and snow-less streets.

Step 3. Investigate why traditional approaches aren't working

Post snow emergency information online and provide information to local media outlets (television, radio, etc.).

Step 4. Identify alternative theories or assumptions that address the problem

Greater citizen awareness will result in fewer necessary tows; nearness and personalization of snow emergency status will help citizens follow protocol.

Step 5. Innovation and redesign

The City of Minneapolis launched its "Plow Pal" program that encourages citizens to take an active role in their neighborhoods to remind their neighbors of snow emergency protocol and provides them with posters to place in areas visible to the public. This program prevents the need for towing cars by encouraging neighbors to look out for each other.

Interestingly, there is little regarding prevention in the public management or innovation literature. Much has been researched and written about prevention within certain policy or program areas; however, there is a relative dearth of research on the general use of preventative thinking in public management, administration or its use in service delivery innovation and redesign. Prevention is about policy design rather than management.

Prevention is about policy design rather than management.



Real examples of prevention include:

- [Neighborhood Crime Watch in North St. Paul](#): A program is advertised to citizens as "neighbors helping neighbors" to build meaningful neighborhood relationships that enhance public safety.
- [Vision Screening](#): It is a requirement in the State of Minnesota that all schoolchildren undergo vision screenings in order to catch child vision problems that could have consequences to both their health and academic performance.
- [Dakota County WIC Scheduling System](#): Prevents no-shows by allowing for more convenient scheduling practices for its Women, Infant and Children's (WIC) food program.
- [Farmington Pollution Prevention Program](#): Works to prevent pollution from occurring in the first place, rather than paying for expensive clean-up afterwards.
- [Eden Prairie's 20-40-15 Program](#): A program intended to improve energy efficiency in all Eden Prairie facilities by 20 percent and increase the fuel efficiency of its vehicle fleet by 40 percent, all by the year 2015.
- [Dilworth's Code RED](#): An ultra-high-speed telephone communication service for emergency notifications and the distribution of important information.
- [Rain-barrel, composting and burn-barrel information in Becker County](#): Made available to residents on the county website.
- [Mankato's Lost Pet Program](#): Prevents the costly euthanizing of animals in the city pound by posting pictures of the animals online.
- [Falcon Heights ClickFix](#): A way for citizens to report problems through their cell phones in the City of Falcon Heights.
- [Ramsey County/St. Paul Gang Prevention](#): Efforts are proving successful at diverting unsupervised young people into meaningful activities.
- [Fit City Duluth](#): A partnership between Duluth and the St. Louis County public health department to encourage physical activity and improve air quality by providing the opportunity for people to walk and bike safely in the community.
- [Kandiyohi County Healthy Eating in Schools Project](#): Public health staff work with schools to offer healthier options at the school's concession stands in order to prevent child obesity.



- Southeast MN Chemical Dependency Pilot Project: Utilizes county funds in a nontraditional way to fund “healthcare navigators” to help chemically dependent individuals stay sober by assisting them with housing, mental health and primary medical care.

However, prevention is not without its limitations. Prevention doesn’t always work as expected and it can be hard to get public support for spending money on prevention. Strong evidence of cause and effect (which can be time-consuming and expensive to produce) is often needed to continue prevention funding.

In Minnesota, we have a wide variety of nonprofit organizations that perform prevention-related work and are leaders in preventative thinking. It is important to remember that prevention work does not have to be conducted by government employees; many nonprofits currently receive grants from government authorities to perform prevention work.



Further readings and examples of Prevention are available at The Humphrey School of Public Affairs [Local Government Innovations Website](#).

Prevention Strategies offers a variety of their reports on drug and alcohol prevention in schools online at <http://www.preventionstrategies.com/>



Tools: Community Responsibility

"The two reasons that community could become a possible instrument of policy and a potential source of efficiency and innovation are that communities can inspire effort and creativity and they can get by with lower costs for management and oversight." — John Brandl, 1998

Self-interest is a clear and accepted economic concept. Yet, there are frequent examples of people doing things out of a sense of responsibility that may not be in their best economic interest. Can that sense of self-responsibility be developed and nurtured to provide public goods? The local community (churches, civic groups, businesses, interested people, etc.) often provides services that government does not provide directly:

- Food shelves
- Counseling
- Temporary assistance
- Volunteer firefighters
- Volunteer teaching assistants
- Roadside pick-up of trash
- Shared neighborhood responsibility for a public park, parkway, or garden.

What are the appropriate functions local government should undertake, and which functions should be returned to the community?

"We had better recognize from the start," asserted Schumpeter (1947), "that exclusive reliance on a purely altruistic sense of duty is as unrealistic as would a wholesale denial of its possibilities." Local government in the past was not as involved in the community life as it is today. Problems were either dealt with by the community, or they were not dealt with at all. Today we've reached a point where fiscal stress on local governments is so great, we must ask the tough questions: What are the appropriate functions we should undertake, and which functions should we return to the community?

A good example of this is youth sports activities. A young person may participate in a public sports team through his/her school or park recreation center, but there are also privately funded "club" or "traveling" team options. The president of St. Cloud State University has said that further budget cuts may require the discontinuation of the collegiate football team. Brandl (1998) made the argument that the community may provide the public service less expensively than the government, saving society valuable resources.



Phrases like "load-shedding" and "do it yourself" are part of community responsibility. Community rehabilitation of juvenile offenders is an alternative to government jails. Do we have to have organized sports at a park, or could the children organize themselves into teams?

Public volunteering may become more popular. The ushers at the Guthrie Theater are all volunteers, for instance. If nonprofits use volunteers for up to 10 percent or more of their workforce, should local governments do so as well? Today, there are volunteer teacher's aides in the schools, volunteer fire fighters in cities, and volunteers in the sheriffs' offices in the counties. Can this be expanded?

Nonprofits have proliferated in Minnesota as part of a community response to those things that either government isn't doing, doesn't do well or needs help doing. Can nonprofits become major players in supplanting government activities? A resource like a public senior center may need to become a community responsibility.

Technology has increased the opportunities for community involvement. For example, citizen drivers can call 911 to report roadside emergencies. Or, a new smart phone application allows citizens to take a picture of a pothole and transmit the image and precise location to the appropriate local officials.

To illustrate the *problem to redesign* methodology for this section, an example of new soccer fields follows:

Step 1. Clearly define the problem

Need for additional grass fields for recreation.

Step 2. State the desired measurable outcome

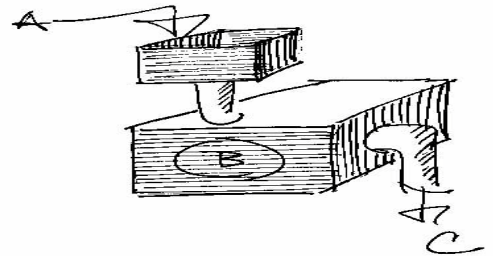
Create four more soccer fields in the North Mankato area.

Step 3. Investigate why traditional approaches aren't working

City buys land and develops new fields for soccer by itself; the city has to maintain the parks and someone has to schedule the use of the parks, all at significant costs.

Step 4. Identify alternative theories or assumptions that address the problem

Youth sports are a community responsibility, not a government one.



Step 5. Innovate and redesign

The North Mankato Soccer Association helped fund the construction of four new soccer fields on Mankato Area Public School property working with the City of North Mankato. A local engineering firm provided the grading plan at cost.

Real examples of community responsibility include:

- [Minneapolis Downtown Improvement District](#): A nonprofit organization whose mission is to preserve and beautify the Minneapolis downtown area; they chiefly achieve this by removing graffiti, picking up litter and assisting pedestrians.
- [Chisago County Unwanted Medications Disposal Program](#): Provides Chisago County residents a place to safely dispose of unwanted medications.
- [North Mankato Soccer Fields](#): An instance in which the community stepped in to finance and build soccer fields.
- [Albert Lea and Freeborn County Humane Society Animal Services](#): A nonprofit organization that provides the animal control services in Freeborn County.
- [White Bear Arts Education](#): Provides art education and enrichment in the White Bear Lake community.
- [Volunteering in Red Wing](#): Due to budget constraints, the City of Red Wing now has a volunteer coordinator who recruits volunteers to execute activities formerly done by city employees.
- [Friends of the Park in Redwood Falls](#): An independent organization that operates under the umbrella of Redwood Area Communities Foundation, Inc. The board's mission is to have a source of funds through tax-deductible private donations, grants and fundraisers that can be used to maintain and improve Alexander Ramsey Park.
- [Defined Contribution Pension Plans](#): These plans shift the investment decisions from the government to the individual.

Obviously, the quality of community efforts can vary across the state. Family incomes, geography, and local traditions may hinder the ability of some communities to respond like others. And some communities may not have the necessary leadership. Furthermore, taxpayers may resent paying their "fair share" for government and then being asked to support some things that government traditionally provided.



Further information is available at The Humphrey School of Public Affairs [Local Government Innovations Website](#).



Tools: Consumer Choice

"Certainly, the growing prominence of vouchers in the United States is hinged to the pervasive tenants of privatization and devolution, but even the G.I. Bill, which provided college assistance to World War II veterans, was at its core a voucher program." —[Steurle and Twombly, 2002](#)

Rather than contracting for service provision for citizen consumption, government can again decide what service is needed and then let any certified provider compete directly for the citizen's service. In this case, the funding is granted to the provider based on the number of eligible citizens who are provided the service. Brandl (1998) saw this arrangement as follows:

1. Citizens choose among potential suppliers
2. Splitting purchaser and producer
3. De-bureaucratization
4. Explicit provision for attainment of social objectives
5. Independent monitoring

A well-known example of funding consumers directly is the G.I. Bill following World War II. It worked in this way: Each G.I., if he chose, received the "right" to go to college free of charge. The federal government then paid the respective colleges and universities the appropriate tuition. This allowed all colleges and universities to compete for the soldier students and let the soldier students personally decide which institutions were best for them.

Le Grand (2007) noted three key points about consumer choice:

- **Competition:** It must be real
- **Choice:** It must be informed
- **Cream-skimming:** It must be avoided

[Steurle and Twombly](#), (2002) described the steps of a consumer choice program:

1. Find funding source(s) for suppliers
2. Specify service
3. Determine eligibility
4. Clarify supplier standards
5. Ensure adequate consumer knowledge
6. Have consumers select supplier
7. Monitor and enforce standards
8. Coordinate the program



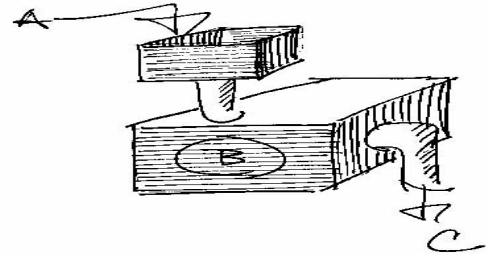
Each of these steps is important or a choice experiment can easily fail. For instance, the step of determining eligibility is needed to ensure that the competitors don't select the easiest and cheapest consumers. This has been a fear of charter schools and open enrollment in Minnesota schools—that only the best students will be attracted to these options, leaving public schools with the more difficult students.

There is also a need to ensure that the competitors are fully capable of performing the consumer service per the standards set by the government that is establishing the program. For example, Section 8 vouchers are used to assist the poor in securing adequate housing. The recipient is allowed to select the housing unit of his or her choice, but the housing unit has to meet all of the community standards for housing.

To illustrate the *problem to redesign* methodology for this section, an example of open enrollment for high school students follows:

Step 1. Clearly define the problem

Need to provide enriched classes for high school students in Minnesota.



Step 2. State the desired measurable outcome

All high school students have an opportunity to take enriched classes.

Step 3. Investigate why traditional approaches aren't working

It is very expensive to offer advanced classes in each high school statewide to provide the opportunities some students need.

Step 4. Identify alternative theories or assumptions that address the problem

Competition will increase efficiency. Choice will improve effectiveness.

Step 5. Innovate and redesign

Allow high school students to take college courses from state colleges and universities for high school credit (i.e. open enrollment)



[Steurle and Twombly](#) (2002) named some of the difficulties of instituting consumer choice:

- Ensuring competition from suppliers
- Overcoming information asymmetries
- Managing access
- Evaluating performance
- Coordinating with other subsidy programs
- Managing adverse selection

Real examples of consumer choice include:

- [Charter Schools](#): In Minnesota, charter schools have been around since the late 1980s. They allow for greater site self-determination and administrative flexibility. This is a good example of systems redesign that enables consumer choice.
- [Open Enrollment](#): Allows Minnesotans to choose where their children go to school rather than the traditional approach of zoning to neighborhood schools.
- [Post- Secondary Options](#): School districts across the state and MNSCU colleges are facilitating high school students' transition to college by easing them into a few college classes at the high school level.
- [Federal Housing Section 8 Certificates](#): Allow program customers to choose their own housing, rather than forcing them into traditional housing projects.
- [Daycare Subsidies](#): Administered at the state and county level, these allow program recipients to choose their own daycare provider.



Further readings and examples of Consumer Choice are available at The Humphrey School of Public Affairs [Local Government Innovations Website](#).



Tools: Performance Accountability

"Now is the time for governmental leaders to ensure that the organizations they lead are taking responsibility for achieving results that matter to the public - by practicing performance management."

—[National Advisory Commission on Performance Management](#)

In the age of knowledge and information, we should regularly collect data regarding organizational performance and analyze it. This is extremely important because innovation and redesign is nearly impossible without adequate performance management data. How does a local government know if an innovation was a success unless specific outcomes were projected at the outset and results gathered at the end? Performance measurement is critical to quality management of local governments in the information era.

The industrial era of the last century was characterized by management that was:

- Mechanistic
- Centralized
- Limited in its view of the organization
- Oriented toward rational and structural solutions
- Overly focused on certainty and control
- Reliant on one right answer

However, times have changed. Modern organizations are not as rigidly hierarchical and centralized as their predecessors. In today's knowledge and information era, we find management that is:

- Organic or humanistic
- Decentralized
- Demanding of a holistic, systems framework
- Interested in an array of options, including culture
- Intent on finding the right question
- Valuing principle and flexibility

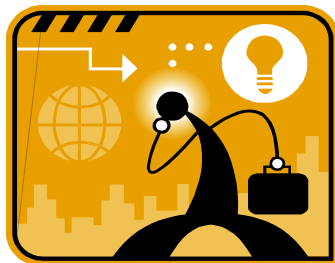


The [Minnesota Commission on Service Innovation](#) contrasted the bureaucratic (similar to industrial) era and the new knowledge era as follows:

From	To
Bureaucracy	Innovative Government
Statute & rule directed	Mission & results directed
Hierarchy driven	Team & network driven
Centralized control	Decentralization & empowerment
Primarily accountable for conformance to rules	Primarily accountable for results
Manage costs	Manage value
Assume people cheat; control them	Assume people perform; empower them
Quality defined as adherence to standards	Quality defined as meeting or exceeding expectations of those served
Exclusive service mandate	Choice & competition
Focus on what's best for the organization	Focus on what's best for those being directly served & for citizens

The Knowledge Era

The knowledge era offers managers flexibility in how work gets done while strengthening organizational, managerial and individual accountability for results. However, many of us in the public sector, for a variety of reasons, have been unable to make this shift in managerial thinking. One of the largest shortcomings of local government is the lack of actionable data as compared to the private sector.



In the private sector many look to stock price, sales results or quarterly profits as indicators of performance or organizational success. For many public organizations, performance measurement can be more difficult—or at least more time-consuming—for managers to quantify.

First, there's the question of what is the desired result. Next, when the appropriate data exist, there is rarely a performance management system in place that ties performance, budget, evaluation and strategic priority information together. Other times, we have the opposite problem: Too much information is provided, and we're left with decision-makers suffering from "analysis paralysis." It is important to remember that strategic selection of performance measures is the way to improved results.



Did you know?

In 2010 the Minnesota Legislature created a [Council on Local Results and Innovation](#). By February 2011, the Council will establish 10 performance outcome measures for Minnesota cities and counties. Upon the establishment of these strategically chosen performance outcome measures, the Council will create a model local government performance management system. If cities and counties create performance management systems and submit results on the 10 performance measures, they can receive up to \$25,000 from the state and be exempt from levy limits.

[Moynihan and Pandey](#) (2010) did an analysis "seeking to conceptualize and empirically test how external environmental influences and internal management factors combine to create performance." They found that the following factors were positively associated with organizational effectiveness:

- Support of elected officials
- Support of the media
- A developmental organizational culture
- Establishing a focus on results through goal clarity
- Decentralizing decision-making authority

In light of these findings, performance management systems make sense. The following figure shows a systems approach to leadership through performance measurement for Minnesota State Government ([Kiedrowski and Collins, 2010](#)):



[HF 3862 5-6-2010, Minnesota Civic Compact](#), was introduced in the 2010 legislative session by Representative [Marquart](#) and others. This legislation prescribes a performance management system for the State of Minnesota. The following is a description of a similar system for local governments.

Strategic plan

Periodically, an organization needs to define or redefine its mission, goals and strategies. It needs to have an active strategy for what it is trying to accomplish. How is this city, county or school different? This strategy needs to articulate organizational goals expressed in measurable terms. For example, reduce crime rate by 25 percent, increase annual progress to 90 percent of students, help 75 percent of individuals on welfare become fully employed, etc.

In the second phase of this exercise, each department and unit should create their own strategic plan with their own mission, goals and strategies aligned with those of the overall organization.

Performance budget

Based on the organization's strategic plan, each department and unit will develop performance measures (both output and outcome) as part of their budget submissions. Decisions on the allocation of resources in the final budget should be based on alignment with the strategic planning, the likely success of program goals and the quality of the proposed performance measures. Decision-making should be about service levels and accomplishment of goals, not the traditional line-item analysis. These performance measures are best developed by frontline staff and reviewed by key decision-makers.



The [Minnesota Commission on Service Innovation](#) suggested revising the way budgeting is done in state and local government. Their suggestions, as shown in the following table, support performance budgeting but go beyond it to “innovation” budgeting.



	CURRENT BUREAUCRATIC RULES	NEW RULES
Goal	Protect the Status Quo	Promote Innovation
Starting Point	Last year's budget costs (the BASE)	Revenue available this year (Price of Government)
Focus of attention	What to cut Subtracting from the base	What to keep Using available revenue to buy results: Getting the most value from each dollar
If shortfall is 15% ...	100% of the focus is on the 15% to be cut	100% of the focus is on the 85% to be spent well
Budget Submission	Justification for costs	Offer to produce specific results at a specific price
Agency Incentives	Make cuts hard	Innovate to produce the most results for the money
Budget Analyst's job	Find hidden / unnecessary costs	Find the most value - Evaluate and compare the value of alternatives
Elected official's job	Choose what programs to cut or taxes to raise GET BLAMED	Choose results that citizens value at a price they are willing to pay
Debate	What to cut What to tax	How to get better results
Budget represents	Next year's costs – and starting point	Performance agreements that link money to results

Employee objectives and learning

A key to performance management is having all employees of the organization aligned with the strategic plan and program goals. From the senior executives to frontline staff, all managers should set personal performance objectives that will be assessed in their annual performance appraisals. A part of the employee appraisal will be a learning and development plan for each employee in the organization. This will help to get all employees engaged in developing and using performance measures.

Managers should be proactive in working with union leaders to improve the productivity and development of all covered employees. Periodic employee surveys are a useful way to ensure that employee morale is high and that they are enthusiastic about providing improved services.

A key to performance management is having all employees of the organization aligned with the strategic plan and program goals.



Local government employees are typically high-caliber and can contribute significantly to progress if engaged appropriately.

Program operations and improvement

Each local government department or unit must continually improve its program operations. Some of the improved productivity will come from better technology use, improved operational processes and employee suggestions for improvement. Local government employees are typically high-caliber and can contribute significantly to progress if engaged appropriately. Local government needs to ensure that state accounting and information systems can provide the performance data needed by its employees.

Customer impact

Local government organizations need to get better at formally measuring citizen satisfaction with local services. Surveying local customers to determine service success is necessary to ensure that government priorities are correct and that service delivery is meeting expectations. These survey results should be available for any citizen or employee to evaluate. All local government employees need to understand that the customer is their focus, and that they will be judged in part by the service they provide. While helpful, surveys do not negate the need for strong citizen participation with their elected officials.

Program evaluation

One of the greatest organizational sins is to assume that new or continuing programs are delivering promised benefits. Evaluations must be undertaken. All departments and agencies should do this periodically as part of their performance management efforts. All of the evaluation information should be fed back into the strategic planning process and the setting of program goals and performance measures. A good source on program evaluations is [Mattessich](#) (2003).

Performance leadership through performance measures

Central to the performance management schematic is the phrase "performance leadership through measures." Leadership is critical to innovation and redesign and is addressed in the implementation chapter. Performance measures are the life-blood of a performance management system. Data—about the problems, whether strategies are working, outputs are matching expectations, employees are meeting their objectives, productivity is increasing, citizens are satisfied, and programs are meeting needs as desired—is necessary to draw insights on results. Innovation and redesign efforts can be evidence-based with performance measures.



Leaders of an organization need to be clear about what results are to be accomplished. People in the organization need to know the specific annual goals or what outcomes are desired—not only for their organization, but also for their unit and themselves. And, citizens need to know what their local government is trying to accomplish.

The elected officials and executives should hold at least bi-annual results reviews with all of the departments to ensure that they are utilizing this performance management system and reviewing their performance beyond the budget deliberations.

By implementing a high quality performance management system in local governments, citizens can expect more cost-efficient and effective solutions for the dollars they're paying in taxes and fees. The performance measures can be used to track performance year-to-year, and even benchmark a jurisdiction with similar jurisdictions. The credit-rating agencies also value performance management in their ratings, so jurisdictions can save interest costs as well.

To illustrate the *problem to redesign* methodology for this section, an example of implementing a performance management system follows:

Step 1. Clearly define the problem

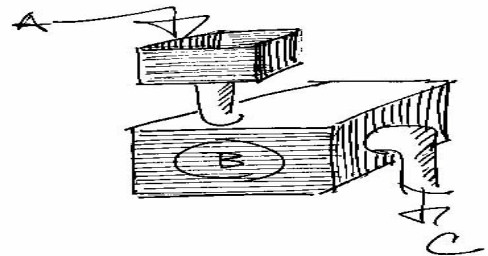
Need to improve efficiency and effectiveness of local services to reduce costs or get more value for dollars spent.

Step 2. State the desired measurable outcome

Better, more cost-effective local government services.

Step 3. Investigate why traditional approaches are not working

Blanket trust in government to do the right thing is presumed. Command-and-control approach to ordering activities to get the work done is used. No clear performance measures to judge the results of government services exist. Presumptions of success predominate.



Step 4. Identify alternative theories or assumptions that address the problem

Performance information will help clarify underlying problems, set measurable outcomes and help improve efficiency and effectiveness. Evidence matters, not merely assumptions about what works. Both elected and appointed officials can demonstrate results from services provided.

Step 5. Innovate and redesign

Implement a performance management system.

Limitations of performance management systems

- **Implementation is burdensome:** Collection of certain performance measures is costly. The federal government often requires the collection of certain performance measures that are not useful. Furthermore, grant funding often requires the use of performance measures. Smaller governments should focus on the 10 or so key performance measures they want to track.
- **Determining outcome measures is difficult:** Outcome measures consider the societal benefits of services provided. For example, strong K-12 education results in graduates going on to college or a trade school and contributing to a strong Minnesota workforce and a robust economy. It is difficult and costly to track students from a given school over time. An alternative is to use output measures as proxies for outcomes. An output measure for K-12 education would be the progress students make during their time in the school district.
- **They need political support:** Some politicians worry about setting measurable goals because they may be measured on whether they accomplish them or not. On the other hand, elected officials who can demonstrate measurable results may find it easier to get reelected.

Examples of performance accountability

- **Hennepin County Public Health and Human Services Performance Management System:** Includes not only objective performance measures but also a robust process for assessing citizen's satisfaction with county human services.
- [St. Louis Park Strategic Planning](#): Uses citizen input to determine community values and priorities that guide its budget, management and evaluation activities.
- [Woodbury Performance Measures](#): Provides Woodbury citizens with 20 years worth of performance analyses in a user-friendly, actionable format.



- ["Results Minneapolis" Performance Measurement](#): A system created by the City of Minneapolis that provides City leadership with information on program and business unit performance.
- [Bloomington School District Budget for Success](#): A program that sought out student, parent, teacher and community input in determining budgeting values and priorities, as well as ideas for savings that resulted in more than \$3 million saved.
- [Minnetonka Performance Bonuses](#): Awarded to employees who exhibit superior performance and contribute to overall organizational performance.
- [Olmsted County Online Marriage Applications](#): Program allows Olmsted County residents to apply online for marriage applications, speeding up the processing time and allowing for greater customer convenience. This is a good example of continuous improvement through the use of performance measures.
- [Dilworth Citizen Survey](#): An annual survey that helps the city of Dilworth better understand citizen concerns and views on service delivery.
- [St. Paul School's Student Progress Measurement](#): St. Paul Public Schools makes its performance and evaluation information available to the public and researchers alike via the St. Paul Public Schools website.
- [Crow Wing County Customer Survey](#): An online survey tool that allows citizens to provide feedback on the county services they receive.
- [Mankato's "Your Take"](#): A section of the city website that allows citizens to easily respond to questions to which the city would appreciate feedback.
- [Click, See, Fix](#): An online program used by the City of Falcon Heights that allows residents to submit pothole information online and allows the city to more quickly respond to infrastructure needs.



Further readings and examples of performance accountability are available at The Humphrey School of Public Affairs [Local Government Innovations Website](#).

