

# Transforming the Culture and Machinery of Government Toward Sustained Improvement

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GROWTH & JUSTICE

Growth & Justice is a non-profit, non-partisan organization that researches and recommends public policies to make Minnesota's economy simultaneously more prosperous and fair. We support fair taxation and smart public sector investment — fiscally responsible, accountable investment that advances prosperity for all Minnesotans. Growth & Justice is a leading progressive voice on state issues.

# Executive Summary

State and local governments in Minnesota face unprecedented budgetary and demographic challenges at a time when the state also needs to invest wisely in human capital and infrastructure. Report after report from respected nonpartisan sources conclude that our state simply must become more efficient in delivering its goods and services. Based on its study of national and international trends, the highly regarded consulting group Deloitte Research concludes that all governments will need to adopt new approaches in order to meet the challenges – from organizational structures and operating practices to personnel systems and service delivery models.

Minnesota has a strong “good government” culture and a reform-oriented tradition upon which to build new approaches. But even this strong base has a weakness. From his analysis of innovative organizations in Minnesota, professor and author Paul Light concludes that innovators often fail to work on permanently changing bureaucracies and agencies, and toward changing how they operate to sustain innovation. Light’s research and that of others leads us to believe that attention needs to be focused on three fundamental areas in order to move from individual acts of innovation to a sustained focus on the transformation of the machinery of state and local government. These are:

- Finding and hiring the right people necessary to bring about transformation
- Identifying and incorporating the structural systems that support transformation
- Restoring faith in government by better engaging the public and encouraging their collaboration with political leaders and civil servants.

**The People Necessary to Bring About Transformation.** In his book *Good to Great*, author Jim Collins concludes that executives who ignited transformations from “good to great” first focused on getting the right people into their organizations and on getting those people into the right places. Although Collins primarily focused on the private sector in the book, in the accompanying monograph *Good to Great and the Social Sectors*, he finds that the principles applicable in the private sector also apply in the public sector.

To ignite and sustain the transformation of the culture and machinery of government, leaders at the state and local levels must focus on creating a highly flexible and adaptable work environment – an environment in which government officials are given the flexibility to hire new workers quickly, promote top talent, gather top experts to address complex challenges, and learn new skills that are critical to success and improved productivity. To accomplish this objective, state and local civil service systems must be redesigned in ways that encourage and provide the freedom to:

- Find, hire or promote, and organize people who will become leaders in transforming state and local government – leaders who are skilled in managing and adapting to change, analyzing work, managing projects, decision-making, leading, communicating, and resolving conflict.
- Efficiently secure experts when they are needed to address complex problems.
- Provide training to supply the tools for making transformation happen.

Leaders must task human resources systems with reviewing and revising the hiring procedures for key positions, to better reflect the skills and requirements of transformative leaders. Those systems also must serve as consulting and supporting resources for the selection of those leaders.

While it is important to create flexible government through actions such as civil service changes, such actions will not be sufficient by themselves. We believe that the transformation of the workings of government will not occur without two additional ingredients being added to the mix:

- A culture of teamwork and respect must be created in which political leaders and civil servants believe that each is pursuing the common good.
- Leaders in both the legislative and executive branches of government must personally embrace initiatives to transform the machinery of government and work to sustain the efforts for change.

**The Organizational Infrastructure to Support and Sustain Transformation.** Although successfully implemented by their champions, innovative ideas and redesigned services do not necessarily survive and beget further improvements. Two of the Minnesota organizations featured by Light in his book *Sustaining Innovation* were essentially dead before the book was published. Light calculates that roughly one-third of the 35 projects highlighted by David Osborne and Ted Gaebler in *Reinventing Government* either did not survive or were at serious risk by the time the book came out in paperback.

Lessons learned show the need to establish an organizational infrastructure designed to ensure success for efforts that promote innovation and transform state and local government. This message comes through in Light's observations about "single acts of innovation," in Osborne's lessons drawn from the experiences of Great Britain and Canada, and in the recommendations of the Minnesota Commission on Service Innovation. This organizational infrastructure should be built on a framework of five principle responsibilities:

- *Conduct Organizational Assessments* – Reviews of state and local government entities that determine opportunities for increased efficiency, effectiveness, and new ways of doing business.
- *Create an Improvement Clearinghouse* – A web-based resource center that provides information and resources for improving organizational performance and service delivery, plus benchmarking data for use by state and local governments in conjunction with performance measurement efforts.
- *Create Networks and Partnerships* – Link state and local governments to expert resources for solving challenges, such as the consultant referral network established by the Minnesota Council for Quality or the communities-of-practice model that features practitioners engaging in informal peer-to-peer collaboration to solve problems, share ideas, and develop relationships.
- *Serve as a Forum for Leaders and Professionals* – Share information on principles, processes, and practices that improve the innovation and performance of organizations, individuals, and communities.
- *Provide Venture Capital* – Intellectual and financial capital for early-stage, high-potential startup ideas for innovation and the transformation of organizations, programs, and services.

Options abound for carrying this out without creating a new layer of government. Possibilities include a nonprofit organization (for example, based on the model of the Minnesota Council for Quality); a public corporation (a corporation operating under government control, of which a county hospital is an example); or a combined effort of the Association of Minnesota Counties, League of Minnesota Cities, the State of Minnesota, and – perhaps – the Minnesota School Boards Association. One option, housed within state government, is to expand an existing program (e.g., the Continuous Improvement Program in Minnesota's Department of Administration).

There are several other elements needed, in addition to an imbedded and continuous emphasis on transformation of government:

- Individual agencies at the state and local levels need to be empowered and provided with the tools to bring about change within their operations. Two key tools that deserve attention are (1) business process improvement tools to increase efficiency and (2) performance measurement tools to enhance effectiveness and accountability.
- The legislature must continue to remove roadblocks to the redesign of programs and services, including a shift from mandating the delivery of programs and services to a focus on expected outcomes and accountability for achieving outcomes; simplification of program requirements, particularly in the delivery of health and human service programs; and providing for "charter agencies" that commit to producing measureable results, improving those results, and lowering operating expenses in return for being given waiver from certain rules and special authorities.

# Executive Summary

Investments will be needed to create the infrastructure necessary to support and sustain transformation. This need for upfront spending should not cause us to dismiss the idea out of hand. Why? First, it is a priority of the public. Minnesotans want to find room in the state budget for investing in the infrastructure needed to increase productivity – a top priority identified by participants in the recent series of conversations hosted by the Citizens League and TakeAction Minnesota, in partnership with the Bush Foundation. Second, while a reliable stream of revenue will be needed at the outset, entities established to foster government innovation and transformation likely could be substantially supported in the longer-term by the savings generated by state agencies and local governments as shared and consolidated services, business process improvements, and other changes are implemented.

**Restored Faith in Government.** Research reported by the IBM Center for the Business of Government shows that when citizens are directly engaged with government, policy and service-level decisions are seen as more legitimate, are challenged less frequently, and have a greater success rate. Actively engaging citizens leads to increased trust in government. A Deloitte Research study of trends finds governments are discovering that one of the best ways to meet the rising expectations of citizens is to get citizens directly involved in designing programs and services.

In late 2010 and early 2011, the Citizens League and TakeAction Minnesota, in partnership with the Bush Foundation, conducted workshops throughout Minnesota to ask citizens what values and priorities should guide solutions to state budget challenges for the long run. Those conversations revealed that participants wanted citizens involved in reform proposals as a method of overcoming barriers to reform. Participants reasoned that involving citizens would improve Minnesotans' understanding of the need for change and give citizens more confidence in approaches to reform that are recommended.

To restore the public's faith in government and engage citizens in solving challenges, state and local governments should:

- Shift from the traditional “information exchange” model to an “information processing” model, whereby citizens are actively involved in shaping governmental programs, not just consuming program services and observing governmental decisions.
- Harness the power of digital communication to identify new ideas for state and local governments. The communications and information technologies of state and local government can be employed to achieve this potential.

Beyond engagement, however, restoring faith in government also requires that political leaders and civil servants show citizens that they can collaborate in a culture of mutual trust and respect. Without this, there will be little reason to believe that citizen engagement will be meaningful. Success will depend on a network of relationships built on trust and respect, relationships that have been developed over time and through close interaction. These networks can be built through both informal approaches (such as active use of the communities-of-practice model) and more formal approaches (such as building on the model of the current House Redesign Caucus or re-establishing the former Advisory Council on State-Local Relations).

While the task of transforming the machinery of government may seem daunting, we should consider the words of Malcolm Gladwell in *The Tipping Point*: “Look at the world around you. It may seem like an immovable, implacable place. It is not. With the slightest push – in just the right place – it can be tipped.”



# Transforming the Culture and Machinery of Government Toward Sustained Improvement

State and local governments face unprecedented challenges.

- As the year began, the State of Minnesota faced a projected budget gap for the next biennium of \$5.0 billion, an estimated structural gap of nearly \$4.4 billion in the following biennium, and the likelihood that not even a better economy will resolve the problem.
- Internal pressures that drive the demand for services – an aging population, the expectations of citizens that services will be available when needed, and the heightened need for job retraining and food, medical and cash assistance during an economic downturn – beg for the resources to meet these demands.
- An underperforming economy, shaped by external forces, is slowing the growth of income and sales taxes and continues the stagnation of the local property tax base, with these challenges exacerbated by rising energy costs, a slumping housing market, and a very slow pace for recovery.

## Key Points:

There are impressive examples of innovative initiatives and efforts to redesign state and local government in Minnesota. Too often, however, the champions of these actions underestimate the importance of creating the organizational and management systems necessary to support and sustain the transformation of government. In order to realize ongoing impacts from transformative innovation and redesign efforts, state and local government must recognize the need for basic changes in their culture and management systems. To do this, governments must focus attention on three fundamental areas: the people necessary to bring about transformation, the systems that support transformation, and the need to restore faith in government by engaging citizens and securing collaboration among leaders.

At mid-year, as the special session of the Legislature concluded, a mix of budget cuts, spending shifts, and borrowing against future revenues provided a solution that re-opened state government but exacerbated the challenges of the future. A \$700 million delay in school payments and diverting \$640 million in proceeds from future tobacco lawsuit revenues into the next biennium's accounts almost certainly guarantees deficits in future years.

State and local governments continue to face a daunting dilemma. Simply cutting expenditures will not relieve increased demand for services. Raising revenues will not relieve the squeeze of the external forces. More than ever, to relieve the pressures and achieve a sustainable structural balance in the state budget, we must recognize that we cannot only focus on revenues and expenditures, but must actively focus on transforming state and local government. To paraphrase President Obama's 2009 inaugural address, to resolve the dilemma we must reframe the question and not ask whether government is too big or too small, but ask how well it works and how we can make it work better.

*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.*

*Jay Kiedrowski, Navigating the New Normal, 2011.*

The good news is that there is opportunity. Based on a combined total in 2010 of more than \$25 billion for annual state, county, and city budgets in Minnesota, the Commission on Service Innovation points out that if transformations in state and local government could achieve even a one percent reduction in the cost of government, this would generate at least \$250 million in annual savings. The redesign proposals in the *Minnesota's Bottom Line* report -- prepared by the Public Strategies Group for several of Minnesota's leading foundations -- total a net biennial savings of \$3 billion. Individual steps taken by state and local governments illustrate opportunities -- the consolidation of cities or multiple dispatch services, for example -- that sometimes reach into the millions of dollars.

## Building Greatness by Transforming State and Local Governments<sup>1</sup>

In his State of the State message in early 2011, Governor Dayton challenged leaders to “restore Minnesota to greatness ... at the state level, and at the county, city, township, and school district levels.”

In a Deloitte Research report studying national and international trends, it is noted that as “governments struggle to address the daunting challenges that face them, many find themselves shackled by the old ways of governing.” (Deloitte Research, 2006.) The authors argue that incremental changes will not be enough, “old systems with their roots in the Industrial Age must be replaced with new models” suited to the 21<sup>st</sup> century. This transformation, they conclude, “will require new approaches to every aspect of government, from organizational structures and operating practices to personnel systems and service delivery models.”

State and local governments in Minnesota must recognize these trends, embrace their principles, and emphasize practical and innovative approaches to transform how government works and how we can make it work better.

The results from initiatives already implemented at the state and local levels in Minnesota are evidence that state and local governments have recognized the need and have embarked on efforts to streamline services, reduce waste, improve efficiency, and implement system reform. The efforts are not new. Paul Light based his 1998 book, *Sustaining Innovation: Creating Nonprofit and Government Organizations that Innovate Naturally*, on a study of 26 Minnesota initiatives in which “innovation had become an expression of ordinary good practice.” And the efforts are not over. The Minnesota Chamber of Commerce, the Bush Foundation and the Association of Minnesota Counties, for example, are engaged in ongoing initiatives.



- Kiedrowski cites more than 75 examples of local government innovation in *Navigating the New Normal*, based on awards made by the University of Minnesota’s Public and Nonprofit Leadership Center to cities, counties, and school districts that have demonstrated results in improving local services, increasing efficiency and cost effectiveness, and implementing management process improvements. (See examples in Appendix 1.)
- The Minnesota Chamber of Commerce, the Bush Foundation, and local chamber partners are working on six service redesign pilot projects aimed at providing specific services more efficiently. (See examples in Appendix 1.)
- The cities of Annandale, Breezy Point, Chatfield, Columbia Heights, Cottage Grove, Elk River, Howard Lake, Luverne, Maple Lake, Minnetonka, Roseville, St. Anthony, Sartell, and Woodbury have been recognized by the League of Minnesota Cities in the last three years for initiatives that have improved the quality of a city service, introduced an effective or innovative way to solve a community problem, or saved money without compromising results for residents. (See examples in Appendix 1.)
- The Association of Minnesota Counties launched “Minnesota Redesign,” an initiative targeted toward better ways to provide services and currently focused on eight high-priority issue areas. (See examples in Appendix 1.)
- Over the last 25 years, Minnesota governments have received seven prestigious Innovations in American Government Awards from Harvard University and have been finalists for eight others. (See <http://www.innovations.harvard.edu>).

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<sup>1</sup> In this paper, “transforming government” means bringing about a dramatic change for the better in how government works. This change may be a reform of the structure or systems, or it may be in the form of changes that increase productivity. It may be accomplished through innovations, or by applying the best ideas of management from other sectors. Kiedrowski – a former Finance Commissioner and current Senior Fellow at the Humphrey Institute – argues that “innovation and service delivery redesign” is less about improving individual components of business practices and more about improving the entire business process. (Kiedrowski, p. 9.) While this distinction is useful, for the purposes of this paper, the generic term “transforming government” and specific terms such as “innovations” and “redesign” are linked together.

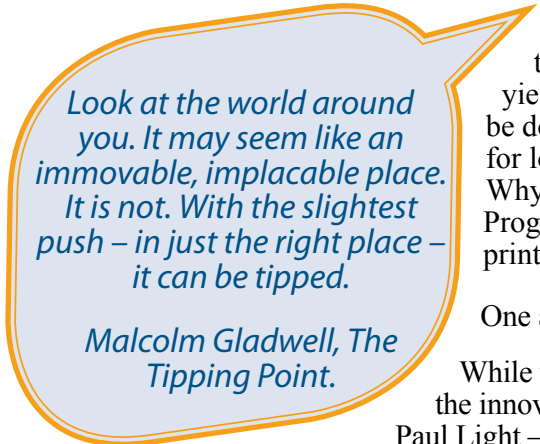
## In 2010 alone, the governor and Legislature:

- Created the Minnesota Commission on Service Innovation to provide the legislature with a strategic plan to reengineer the delivery of state and local government services. The Commission issued its first report and recommendations to the legislature in December 2010.
- Established the Commission on Local Results and Accountability to report to the Legislature regarding innovation ideas and unfunded mandates, to generate policy innovation and conduct research, to provide waivers to administrative rules and procedural statutes to local governments and nonprofits, and to offer grants to local governments for model service redesign.
- Organized the Collaborative Governance Council to develop recommendations to increase government cooperation, innovation, and collaboration at all levels, under the leadership of the State Auditor's Office.

In addition, the executive branch of state government has implemented Minnesota's Enterprise Lean, a coordinated state government initiative for improving the organizational performance and results in Minnesota's state government agencies. From the launch of the program in 2007 through 2010, 18 state agencies have held more than 160 events focused on Kaizen – a Japanese word for improvement, particularly continuous improvement. At the local level, Anoka County and the City of Minneapolis have both employed Kaizen events to improve and streamline business processes. Dakota County has implemented more than 20 process improvement studies and program evaluations over the last five years to make improvements in programs ranging from providing affordable housing to a supplemental nutrition program for women, infants, and children (WIC).

Foundations also are stepping forward to help meet the challenges that the State of Minnesota and its local governments face. Six foundations – the Bush, Blandin, Minneapolis, Minnesota Community, Northwest Area, and St. Paul Foundations, working with the Public Strategies Group – have come together to help decision-makers “imagine another way” to address Minnesota's structural budget challenge. In a March 2011 report entitled *Beyond the Bottom Line: Ideas for the Future of Public Investment in Minnesota*, the foundations offer 16 ideas for consideration by decision-makers. (See Appendix 1 for a list.) The authors argue that Minnesota could realize better outcomes from its state government while spending less money if the state took advantage of the opportunities to redesign both (1) the programs used to deliver service and (2) administrative systems of government.

## Making Transformation Happen and Sustaining the Results



*Look at the world around you. It may seem like an immovable, implacable place. It is not. With the slightest push – in just the right place – it can be tipped.*

*Malcolm Gladwell, The Tipping Point.*

The extensive examples for transforming state and local government through innovation and redesign are impressive. These initiatives have yielded many positive results. But, if there are so many models of what can be done, why don't local governments just pick up Kiedrowski's guidebook for local government innovation and redesign in Minnesota and get to work? Why don't state agencies re-double their efforts around the Enterprise Lean Program? Why don't the governor and the Legislature just follow the blueprint in *Beyond the Bottom Line*?

One answer is that they should and that some do. But, this will not be enough.

While yielding results and transforming individual programs in specific locales, the innovations of state and local governments in Minnesota are too often what Dr. Paul Light – a professor, founding principal investigator of the Organizational Performance Initiative and author of *Sustaining Innovation* -- calls “single acts of innovation.” In these cases, energy and resources almost exclusively are focused on implementing a single initiative (e.g., the consolidation of several public safety answering points into a joint public safety communications center). Exhausted by the effort, public-sector leaders often have very limited energy for the next innovation. Light suggests that the challenge is to create organizations with a sustained emphasis on transforming state and local government, which has not happened because we have too often ignored the need to create the organizational and management systems required to support and sustain transformation.

To transform state and local government in an ongoing way, we must recognize that it is essential to make basic changes in the culture and management systems of state and local government. To do this, we must focus attention on three fundamental areas: the people necessary to bring about transformation, the systems that support transformation, and the need to restore faith in government by engaging citizens and securing collaboration among leaders in government.



## The People Necessary to Bring About Transformation

We cannot escape the fact that leadership and people matter, both in making transformation happen and in sustaining it by making it part of the culture of the organization.

- In *Weird Ideas That Work*, Stanford University Professor Robert Sutton writes that after spending a decade tinkering with ideas about practices that promote, manage, and sustain innovation, “I’ve realized that the exact methods used to innovate are less important than building a company where people have the right attitudes toward their work and each other.” (Sutton, p.198.)
- In *Sustaining Innovation*, Light notes that leadership “is so important that some scholars see it as the sole factor in success” in bringing about innovation. (Light, p. 19.)
- In reflecting on the *Good to Great* principles as they apply to nonprofits and government, Jim Collins – author of several best selling books, including *Good to Great* -- concludes that the principles relating to leadership and “getting the right people on the bus” are as applicable to achieving greatness in the nonprofit and government sector as they are in the private sector. (Collins, *Good to Great and the Social Sectors*, pp. 13-17.)<sup>2</sup>

In *The Tipping Point* -- a book about change and how it comes about -- Malcolm Gladwell identifies how trends are sparked and take hold. He describes the process in terms of “social epidemics.” There are exceptional people in state agencies, local government offices, academia, the private sector and nonprofit organizations who are capable of starting “epidemics” that will transform state and local government. What we have to do is to find and empower them. To find them, we need to know who to look for.

- The people Gladwell would suggest we need climbing onto Collins’ metaphorical bus and sparking transformation for state and local government are: 1) Connectors, people who span many different worlds and have a special gift for bringing the people in these different worlds together; 2) Mavens, people whose judgment and opinions we trust and who can provide us with new information; and 3) Salespeople, people who are persuaders and are charismatic, with powerful negotiation skills.
- From his research, Light concludes that leaders in an innovating organization require vision, temperament, communication acumen, durability, and innovation skills, which he defines as the skills to move good ideas from invention to research and development to formal launch and on to fine tuning.
- On the basis of a battery of tests, Paula King and Nancy Roberts – authors of *Transforming Public Policy: Dynamics of Policy Entrepreneurship and Innovation* – suggest that innovators need to be highly intuitive, action-oriented, creative, critical, and analytical, with well-integrated personalities (Roberts and King, pp. 144-145.)
- From his research, Sutton suggests the following behavioral characteristics of the transformative leaders:

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<sup>2</sup> In an accompanying monograph that addresses the good-to-great principles as they apply to nonprofits and government, Collins concedes that “getting the wrong people off the bus can be more difficult [in the social sectors] than in business,” but he also finds that the basic principle of “first who” holds for nonprofits and government. He argues that nonprofits and governments must give more emphasis to “getting the right people into the right seats” and rigorously employing early evaluations of the performance of the people getting on the bus.



Transformative leaders	Non-transformative leaders
Manage by getting out of the way	Fail to let go; they hold tight and emphasize existing routine
Recognize the importance of salesmanship	Don't understand selling is crucial to cashing in on an idea
Find a balance between flexibility and rigidity – flexibility to see new ideas; rigor in verification	Hold onto beliefs, even in the face of verifiable fact
Know that discomfort is both inevitable and desirable	Are not able to accept being uncomfortable
Treat everything like a temporary condition	Begin with the assumption that nearly everything is a permanent condition
Make the change process as simple as possible	Impose complex processes for accepting new ideas and require rigorous application
Are willing to live with some of the nasty drawbacks of innovation	Emphasize the hazards of change and have near zero-tolerance for risk
Accept that failures will occur, but learn to fail faster	Focus on reducing the number of screw-ups
Live by the motto “open is good, closed is bad”	Keep ideas close

Source: Sutton, Chapter 15.

The authors of *Beyond the Bottom Line* advance the idea of implementing civil service reform to improve the ability of public sector leaders to get the right people – those with the skills discussed above – on the bus. They urge consideration of “more modern personnel systems [that] are built around the employee rather than around the job.” (*Beyond the Bottom Line*, p. 43.) Similarly, David Unmacht – director of the Organizational Management/Human Resources Group with public sector consultants Springsted and former administrator for Scott County – notes the importance of hiring using “organizationally-based” position descriptions that first focus on the skills required by the organization and create the expectation for movement to where these skills are needed in the organization. He contrasts this with hiring individuals into a specific position within a given department. Deloitte Research identifies “flexible government” among the major transformation trends exhibited by forward-thinking governments around the world. Deloitte Research defines flexible government as an environment in which government officials are given the flexibility to round up top experts to address complex challenges, hire new workers quickly, promote top talent, and learn new skills that are critical to success and improving productivity. (Deloitte Research, 2006.)

## Action Agenda: Ensure That State and Local Governments Have the Right People to Transform Government

- The governor and the Legislature, county boards and city councils, and other local governments should pursue a common objective of creating a highly flexible and adaptable work environment – an environment in which government officials are given the flexibility to hire new workers quickly, promote top talent, gather top experts to address complex challenges, and learn new skills critical to success and improving productivity. To accomplish this objective, state and local civil service systems will need to be redesigned.
  - ◆ As recommended in *Beyond the Bottom Line*, the governor should form a commission to redesign state and local government personnel systems in ways that encourage and provide freedom to:
    - Find, hire or promote, and organize people who will become leaders in transforming state and local government – leaders who are skilled in managing and adapting to change, analyzing work and managing projects, decision-making, leading, communicating, and resolving conflict.
    - Design position descriptions and hiring procedures to reflect the skills and requirements of transformative leaders.
    - Efficiently secure experts to address complex problems.
    - Use human resources departments as business partners with the program and service delivery units of the organization, providing consulting and support resources for the selection of transformative leaders.
    - Provide training to supply the tools for making transformation happen.

While creating flexible government through actions such as civil service changes is important, such actions will not by themselves be sufficient. We believe that the transition of the machinery of government will not occur without two additional ingredients being added to the mix – ingredients related to the people who strive for transformation.

First, governments must create a culture of collaboration and respect in which political leaders and civil servants believe that each is pursuing the common good. This is a lesson that David Osborne – a senior partner in the Public Strategies Group and a widely read author – draws from the British experience in attempting to transform government in his book with Peter Plastrik, *Banishing Bureaucracy*. Success will depend on a network of relationships, built on trust and respect, which have been developed over time and through close interaction. William Snyder and Xavier Briggs have suggested that the public sector employ a private-sector tactic known as “communities of practice” – a type of network that features peer-to-peer collaboration where practitioners informally connect to solve problems, share ideas, and develop relationships.<sup>3</sup> Models built on initiatives both current (e.g., the House Redesign Caucus) and past (e.g., the Board of Government Innovation and Cooperation or the Advisory Council on State-Local Relations) also might be employed to help create a culture of teamwork, trust, and respect among political leaders and between political leaders and staff in the executive branches of government. The action agenda below outlines suggestions for creating an infrastructure to support transformation.

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3 William Snyder and Xavier Briggs – at the time the managing director of the Social Capital Group and a faculty member at Harvard, respectively – recommended the concept of “communities of practice” as a tool for government managers in “Communities of Practice: A New Tool for Government Managers,” a 2003 report prepared for the IBM Center on the Business of Government. Used successfully in large, private-sector companies as informal networks, these social learning systems complement an organization’s formal units by reaching across organizational boundaries. The Minnesota Council for Quality is exploring the idea of a “Community of Excellence Program” intended to help community leaders systematically identify and address community challenges, based on the theory that the same quality principles that have proven effective within organizations can be applied to address challenges across organizations.

Second, leaders must personally embrace the goal of transforming the culture and machinery of government, and work to sustain efforts to bring about change. Donald Savoie, author of *Thatcher, Reagan, Mulroney: In Search of a New Bureaucracy*, argues that Prime Minister Brian Mulroney's efforts in Canada failed where Prime Minister Margaret Thatcher's gained greater success in Great Britain because "Mulroney did not personally embrace the initiative, as Thatcher did .... Although Mulroney spoke Thatcher's language, he lacked her conviction." (Osborne and Plastrik, p. 323.) Without effective, sustained leadership, the implementation of innovations and redesign that will transform government will proceed too slowly, stagnate, and then lose its way. Savoie concluded that, if anything, Mulroney's "halfhearted efforts left managers more cynical about reforms than they had been when he was elected." (Osborne and Plastrik, p. 323.)

### **Action Agenda: Build a Culture of Trust and Respect to Support Acceptance of Ideas for Transforming Government**

- Elected officials and leaders in the executive branch of government should actively employ approaches designed to build a culture of trust and respect that is a necessary condition for the adoption of ideas to transform government. Options include both informal approaches, such as active use of the communities-of-practice model, and more formal approaches like using the model of the current House Redesign Caucus and formalizing it through legislation, or reestablishing and refocusing the former Advisory Council on State-Local Relations (which was implemented by executive order.)
- The governor, county and school boards, and mayors and city councils who seek to transform their organizations must bring leaders to their organizations that share their convictions and support these leaders in the difficult business of transforming government.



# The Systems That Can Support Transformation

Even when successfully implemented by their champions, many innovative ideas and redesigned services do not necessarily live on and do not necessarily beget further innovations. Two of the organizations selected by Light for *Sustaining Innovation* were essentially dead before the book was published. (Light, pp. 240-241.) Light’s analysis of the 35 projects highlighted in Osborne and Gaebler’s *Reinventing Government*, showed that roughly one-third were either dead or near-dead by the time the book came out in paperback. (Light, pp. xiii-xiv.)

Light concludes that too many of America’s most talented nonprofit and government innovators have been unwilling or unable to work with organizations to change bureaucracies and internal systems, resulting in their innovations becoming “single acts of heroism.” These leaders have underestimated or ignored the “bureaucratic and political obstacles to innovation.” (Light, pp. 27-28.)

To sustain a transformation of government, we must break down the barriers too often ignored by those whom Light calls “solitary innovators.” We must think in terms of the long-term success that involves reshaping bureaucracy, systems, and leadership, not just in terms of solving the current crisis. We believe there are two dimensions to this challenge. One dimension is the overarching challenge of creating systems to provide a continuing focus on innovation, redesign, and transformation of state and local government. A second dimension is creating systems within organizations that support transformation in the way the organization conducts its business.

“Any organization can innovate once – that much is clear from the hundreds of ‘How did it happen here?’ acts of innovation that take place every day in America’s nonprofit and government organizations. The challenge remains to innovate twice, thrice, and more. I believe that it is a challenge that can be met only by organizational design.”  
Paul Light, *Sustaining Innovation*.

Old ways of governing shackle both the ability of state and local government to make transformation happen and the ability to sustain transformation. Command-and-control structures drive organizations to tackle multi-dimensional problems within silos. Service models too often are driven by government bureaucracy, rather than the needs of those being served. Budgets measure performance based on outputs, not outcomes. Organizations built around management models for the Industrial Age do not meet the requirements of today. These barriers must be torn down and replaced with a government framework conducive to sustaining a culture receptive to government transformation. We need to create and nurture the conditions in which transformation can succeed.

As noted above, Osborne and Plastrik use the examples of Great Britain under Margaret Thatcher and Canada under Brian Mulroney as lessons for others who strive to transform government. “The contrast between Thatcher and Mulroney says volumes about what it takes to reinvent,” they write. (Osborne and Plastrik, p. 322.) They observe:

“The Commission believes that innovation needs to be imbedded into current government processes and governance in order to ensure that innovation efforts will be ongoing and continue well after the immediate crises facing the state have been resolved.”  
Commission on Service Innovation, 2010.

“There are many lessons to be learned from the British experience. It shows that reinvention requires collaboration between elected officials and civil servants.... More important... is the lesson the British learned about strategy.... [Thatcher’s] first attempts to reform the civil service bureaucracy – staff cuts and efficiency scrutinies – were inadequate. They did not create a domino effect, forcing everything else to change. In a word, they were not *strategic*. It was not until the Efficiency Unit developed strategies capable of creating the domino effect that she began to make headway.” (Osborne and Plastrik, p. 27.)

Minnesota’s Commission on Service Innovation may not have had the lesson of the Efficiency Unit in mind, but the Commission concludes that sustaining innovation in state and local governments will benefit from establishing “a governing structure or entity” designed to focus attention on and support innovation. The Commission cites as a specific barrier to innovation in government the lack of an overarching governing body to lead and sustain an “innovations management” process across all governing levels.

## Action Agenda: Creating the Infrastructure to Sustain Transformation

- An organization designed to ensure ongoing innovation, redesign and transformation of state and local governments should be built on a framework of five principle responsibilities:
  - ◆ *Conduct Organizational Assessments* – Reviews of state and local government entities that determine opportunities for increased efficiency, effectiveness, and new ways of doing business.
  - ◆ *Create an Improvement Clearinghouse* – A web-based resource center that provides information and resources for improving organizational performance and service delivery, plus benchmarking data for use by state and local governments in conjunction with performance measurement efforts.
  - ◆ *Create Networks and Partnerships* – Link state and local governments to expert resources for solving challenges, such as the consultant referral network established by the Minnesota Council for Quality or the communities-of-practice model that features practitioners engaging in informal peer-to-peer collaboration to solve problems, share ideas, and develop relationships.
  - ◆ *Serve as a Forum for Leaders and Professionals* – Share information on principles, processes, and practices that improve the innovation and performance of organizations, individuals, and communities.
  - ◆ *Provide Venture Capital* – Intellectual and financial capital for early-stage, high-potential startup ideas for innovation and the transformation of organizations, programs, and services.
- Potential organizational models for a Minnesota center for innovation in government include:
  - ◆ A nonprofit organization, modeled on the Minnesota Council for Quality.<sup>4</sup>
  - ◆ A public corporation operating under government control – similar to a municipal hospital, for example – as suggested by the Commission on Service Innovation.
  - ◆ A center in the state government’s executive branch, created by expanding the focus of the Continuous Improvement Program in Minnesota’s Administration Department.
  - ◆ A “joint powers” organization – supported by the principals – that builds on the working relationship already in place among the Association of Minnesota Counties, the League of Minnesota Cities, and the Minnesota School Boards Association, and adds the State of Minnesota.

Also of note are the action agenda proposals in the previous section (see page 5) that can be employed to build a culture of collaboration, trust, and respect among political leaders and executive staff, as these proposals have implications for creating an infrastructure to support transformation.

Individual agencies also need to be empowered and provided with the tools needed to bring about change within their operations. In *Banishing Bureaucracy*, Ted Kolderie observes: “It is usually not possible to command large organizations to make painful changes in long-settled routines. It is possible, however, to redesign the institutional arrangement in which they operate, so that they come to perceive these changes as necessary and desirable, in their own interest.” (Osborne and Plastrik, p. 37.) Ultimately, the culture of agencies must revolve around their own initiative to innovate and redesign programs and services. Two key tools necessary for implementing change are:

- *Business process improvement tools to increase efficiency.* These tools focus on systematically working to optimize the processes for doing business within an organization to achieve more efficient results. Methodologies such as Six Sigma and Lean Thinking fall into this category.

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4 Minnesota Council for Quality is a nonprofit corporation that advances improvement and performance excellence within organizations, individuals, and communities. The Council helps leaders identify strengths and improvement opportunities and builds networks that bring information, resources, knowledge, and best practices to organizations desiring to improve.

- *Performance measurement tools to enhance effectiveness and accountability.* These link organizational goals to intended results, producing performance information related to the activities of the organization. Performance information is used to make resource decisions, but it also may be linked to a tool such as a “balanced scorecard” to focus and drive program implementation. Both the IBM Center for the Business of Government and Deloitte Research highlight performance measurement in their assessment of trends that are reshaping the public sector.

Another tool that embraces both process improvement and performance measurement among its criteria is the Baldrige framework, a continuous improvement model for gaining insight into an organization’s performance and opportunities for improvements. Initially developed for the private sector, governmental organizations at all levels (including several in Minnesota) now are pursuing performance excellence using the Baldrige framework.

The State of Minnesota and local governments both have enjoyed success in creating internal units to support the redesign of business practices and the transformation of service delivery. Examples at the state level include the Enterprise Lean Program in the Department of Administration, and the Office of the Legislative Auditor’s Program Evaluation unit. Dakota County’s Office of Planning and Analysis, and Results Minneapolis in that city are examples at the local level. But more emphasis and greater flexibility to redesign programs and services provided is needed.

## Action Agenda: Advancing Process Improvement within Organizations

- Although 18 state agencies have held Kaizen events in conjunction with Minnesota’s Enterprise Lean initiative, only nine state agencies have instituted formal continuous process improvement efforts. (Commission on Service Innovation, p. 25.) And fewer local governments have made an organizational commitment to employ ongoing formal efforts that implement business process improvement techniques and tools. To promote change:
  - ◆ The governor, the Legislature, and local government leaders should:
    - Support the recommendations of the Commission on Service Innovation to expand continuous process improvement further into state agencies and local governments, providing incentives for the adoption of these processes.
    - Champion the implementation of results-oriented government based on the implementation and use of performance information within their organizations.
  - ◆ With the support of their elected leaders, state agency heads and county and city administrators and managers should:
    - Establish the infrastructure – either within their organizations or with consulting resources – to support continuous business process improvement and performance measurement as part of the organization’s strategy for success.
    - Supply the leadership commitment to the effort that is necessary to bring about transformation in service delivery.
- The Legislature should continue to remove roadblocks to the implementation of innovation and redesign for programs and services, by:
  - ◆ Shifting away from mandating the delivery of programs and services to a focus instead on expected outcomes and accountability for achieving outcomes.
  - ◆ Simplifying program requirements, particularly in the delivery of health and human service programs.
  - ◆ Providing for “charter agencies” that commit to producing measureable results, improving those results, and lowering operating expenses in return for being given waivers from certain rules and special authorities – as recommended in both *Beyond the Bottom Line* and by the Commission on Service Innovation.

In late March, the Association of Minnesota Counties began pressing a new initiative – termed the Minnesota Accountable Government Innovation and Collaboration (MAGIC) Act – intended to allow counties to create new business models for government services in Minnesota in ways that can be tested, measured and replicated. The proposal would:

- Replace the “Dillon Rule” under which Minnesota currently operates (counties are prohibited from doing anything that is not explicitly authorized by state law) with the “Cooley Doctrine” (which would allow counties to do anything for the health, safety, and general welfare of the public that is not prohibited or prescribed by state law).
- Authorize counties to receive waivers from current rules if they follow a process that includes:
  - The submission of a detailed business plan with clear outcomes and performance measures.
  - A mechanism for state input and a reporting component to allow for adequate legislative oversight.
  - A methodology for sharing the results of the experiments in innovation.

This proposal is consistent with elements of the Action Agenda recommended here and should be given further consideration as it is fleshed out and its implications – both legal and practical – are considered.

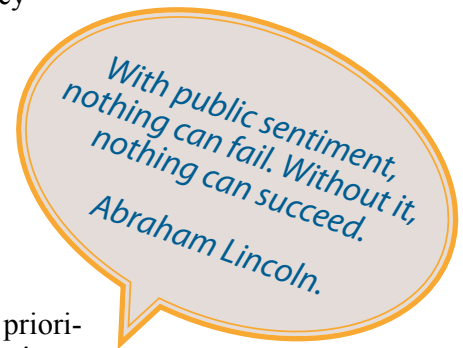
Finally, it is important to recognize that creating the infrastructure to support and sustain transformation will require an investment. This reality should not cause us to dismiss the idea out of hand just because it requires some upfront spending. Why? First, it is a priority of the public. Minnesotans want to find room in the state budget for investing in the infrastructure needed to increase productivity. This was among the top four priorities identified by participants in the recent series of conversations hosted by the Citizens League and TakeAction Minnesota, in partnership with the Bush Foundation. Second, while a reliable stream of revenue will be needed at the outset, entities established to foster government innovation and transformation and their “venture capital” activities likely could be substantially supported in the longer-term from some of the savings they generate, as state agencies and local governments share and consolidate services, engage in business process improvements, and make other efficiency-enhancing changes.

- The Commission on Service Innovation proposed a Return on Service Innovation (ROSI) fund, a revolving fund replenished by state and local government entities that generate a return on investing in innovation. (Commission on Service Innovation, p. 29.)
- Another option is a savings-sharing model, designed to maintain incentives for state and local agencies to innovate and redesign programs and services – as well as to contribute to reductions in the state’s budget deficit. Under this model, a share of the savings related to investments in innovation or redesign might be returned to the state or local government general fund, a share to the individual agency (or agencies) generating the savings, and a share to fund the transformation entity. The savings-sharing model is similar to how the Budget Incentive Program has worked in Dakota County for over a decade.



## Restoring the Public's Faith in Government

Research shows that when the public is directly engaged with government, policy and service-level decisions are seen as more legitimate, are challenged less frequently, and have a greater success rate. By actively engaging the public, trust in government increases. (IBM Center for the Business of Government, 2006.) Governments are discovering that one of the best ways to meet citizens' rising expectations is to get citizens directly involved in designing programs and services. (Deloitte Research, 2006.)



Minnesotans reflect these conclusions. In late 2010 and early 2011, the Citizens League and TakeAction Minnesota, in partnership with the Bush Foundation, conducted 38 workshops throughout Minnesota to ask citizens what values and priorities should guide solutions to state's long-run budget challenges. These conversations showed that participants wanted citizens involved in reform proposals as a way to overcome barriers to reform. Participants reasoned that involving citizens would improve Minnesotans' understanding of the need for change and give citizens more confidence in reform approaches that are recommended. (Citizens League, March 4, 2011.)

However, we have work to do. A Wilder Research survey conducted for the Bush Foundation found Minnesota residents have the least trust in the leadership of "labor unions, media, and state government" (Wilder Research, 2010 Household Survey in Minnesota).<sup>5</sup> In a broader sample, a Pew Research Center survey (2010) found that by almost all measures, the general public is less positive toward government than they have been in decades.

In *Wisdom of the Crowds*, James Surowiecki posits that if you get a crowd of independent, self-interested individuals to work in a decentralized way on a problem and do not attempt to direct them from the top down, their collective decision is likely to be better than what leading experts could come up with. This idea has important implications for governments and public policy. (Deloitte Research, 2006.). In particular, it suggests that governments seeking to improve their innovation and decision-making should build mechanisms to aggregate information and knowledge from diverse groups of citizens.

Rutgers University professor Marc Holzer and his colleagues conclude that a range of new information and communication technologies "have the potential to help make citizen participation an even more dynamic element of the policy-making process." (*Restoring Trust in Government: The Potential of Digital Citizen Participation*, 2004.) In short, the Internet and other advanced technologies make harnessing "the wisdom of the crowds" eminently possible. State and local government information technology and communications shops can be harnessed to achieve this possibility.

<sup>5</sup> It should be noted that when compared with the average U.S. adult, Minnesotans are more trusting of leaders, based on a Harris poll conducted in 2010 and cited in the Wilder Research report.



## Action Agenda: Harness the Power of Digital Communication

- In working with citizens, state and local governments should shift from the traditional information-exchange model to an information-processing model, whereby citizens are actively involved in shaping governmental programs, not just as consumers of program services and governmental decisions. Lukensmeyer and Torres discuss this idea in detail in *Public Deliberation: A Manager's Guide to Citizen Engagement* (2006).
- Sutton suggests that one way to bring about creative, transformative solutions for organizations and operations is to “show [people] an old idea they don't know about” and see new ways to use these old ideas. (Sutton, p. 24.) By harnessing the power of the digital communication, we have the opportunity to show state and local governments new ideas, such as by:
  - ◆ Creating a website specifically devoted to linking sites and ideas about transforming state and local government and sharing ideas for innovation. The mission of the site would be to promote the transfer of ideas from where they are proven to places where they are not known and have not been applied before.
  - ◆ As recommended by the Commission on Service Innovation, establishing an information clearing-house for shared services in Minnesota.

These activities could be carried out through the infrastructure recommended to sustain transformation (see page 10).



## Conclusion

We close with a conclusion from the **Commission on Service Innovation**:

*Citizens are expecting more from their government than ever before. Yet Minnesota's state and local government are facing historic challenges. If the state accepts these challenges and acts boldly, this could be its finest hour. Marginal changes will deliver marginal results. Transformative change is imperative.*

*Commission on Service Innovation, 2010.*

Transforming state and local government from good to great is the central idea of the sources cited in this report: the strategic plan of the Commission on Service Innovation; Jay Kiedrowski's guidebook for local governments, *Navigating the New Normal*; the work of the Minnesota Chamber of Commerce, local chambers, and local governments; *Beyond the Bottom Line*, the report commissioned by leading Minnesota foundations and prepared by the Public Strategies Group; and the other authors cited in this paper. This report on *Transforming the Culture and Machinery of Government* adds to the body of ideas for transforming state and local government by focusing on building the infrastructure of people and systems to make transformation happen and to sustain the results.

A great organization is one that delivers superior performance and makes a distinctive impact over a period of time. (*Good to Great and the Social Sectors*, p. 5.) If the State of Minnesota and its local governments heed the advice of the mavens, connectors, and salespeople already actively engaged in the effort to transform government, we will succeed in meeting Governor Dayton's charge to "restore Minnesota to greatness" at all levels.



### Examples from Navigating the New Normal:

**Increasing efficiency through consolidation.** In 2005, the cities of Elko and New Market began exploring the implications of consolidation for their two towns. In 2006, voters approved. The cities will save an estimated \$2.9 million.

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 operations and services.

**Increasing effectiveness through collaboration.** The Northeast Service Cooperative is developing a fiber optic pathway that will be available to public and private sector technology service providers in un-served and underserved rural areas of Northeast Minnesota. This cooperative is comprised of eight northeastern Minnesota 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.

The East Metro Adult Crisis Stabilization program has improved access to mental health crisis services across Ramsey, Washington and Dakota Counties, working through four health plans, three health systems, State Operated Services and the Adult Mental Health Division of Minnesota's Department of Human Services.

**Implementing improved processes for greater efficiency.** Concerned with wasted time from high rates of “no shows” for appointments, Dakota County analyzed the scheduling process and procedures for the Women, Infants, and Children (WIC) food program and implemented improved scheduling practices to dramatically decrease “no shows.”

The Bloomington School District sought out student, parent, teacher and community input in determining budgeting values and priorities, as well as ideas for savings. The resulting improvements saved the district more than \$3 million.

**Replacing old ways of doing business with redesigned programs.** The Southeast MN Chemical Dependency Pilot Project refocused the use of county funds to provide “healthcare navigators.” The “navigators” help chemically dependent individuals stay sober by assisting them with housing, mental health and primary medical care.

Kandiyohi and Big Stone Counties now share 911 calling services, the result of a planning and infrastructure development collaboration between both counties and the State of Minnesota.

## Examples: Partnerships among Chambers and Local Governments

Increasing efficiency in the City of Owatonna. The city is conducting research and implementing recommendations to improve efficiency the areas of human resources and purchasing; reduce duplication among programs; and improve document and records control. Implementation is underway, with estimated savings of \$210,000 to \$260,000 targeted.

Other pilot projects underway include:

- ◆ Redesign of case management in Crow Wing County
- ◆ Redesign of service delivery, as a joint initiative of Todd and Crow Wing Counties
- ◆ A “one-stop shop” for developers in the City of Rochester.
- ◆ Consolidation of Mower County public safety dispatch.
- ◆ Recommendations for improved transit operating efficiencies in the metropolitan regions.

## Examples: City Initiatives

- ◆ The Cities of Annandale, Maple Lake, and Howard Lake collaborated to construct a joint wastewater treatment facility. It would have cost approximately \$45 million to build a separate plant for each city. Instead, the combined system was constructed for \$26 million. (With grant monies received from a number of sources, the total net outlay was \$19.5 million.)
- ◆ The City of Roseville led the way in bringing together 20 entities involved in joint powers agreements to share information and coordinate long-term planning efforts with respect to information technology. The partnership has led to greater economies of scale and higher functionality and has fundamentally changed how Roseville and the other partnering entities carry out their IT support functions
- ◆ The City of Woodbury fully integrated its public safety services, cross-training police officers to be firefighters or paramedics. Benefits of this approach include improved response times and greater organizational flexibility to meet changing service demands. The integration model chosen has proven to be more cost effective than other models that the city had considered for providing services (e.g., a traditional, 24-hour, full-time fire department).

## Examples: Minnesota Redesign

**Human Service Delivery Authority (SDA) implementation.** In 2009, the Minnesota Legislature passed the State-County Results, Accountability and Service Delivery Reform Act, authorizing counties to form voluntary single- or multi-county service delivery authorities (SDAs) and apply for waivers from statutes and administrative rules for the purposes of administering human services programs. In December 2010 a request for proposals for counties interested in forming service delivery authorities was issued, with proposals reviewed by reviewed by the State-County Results Accountability and Redesign Council in June 2011.

In advance of the request for proposals, 12 counties in southeastern Minnesota initiated discussion of a multi-county service delivery partnership and have engaged with DHS on a “transformation contract” to explore shared delivery for child support, child care, and long-term care asset determination. Financial benefits are anticipated through improved efficiency and administrative simplification.

The Association of Minnesota Counties is working on other redesign initiatives that address water resources governance; planning and zoning regulations; child support services; revenue diversification; law enforcement; ownership of Minnesota’s road network; and metropolitan area governance.

Program Redesign Ideas	System Redesign Ideas
Improving health outcomes, with a focus on payment reform using a total cost of care approach	Adopting an approach to the state’s budget based on outcomes.
Delivering integrated human services, emphasizing the elimination of silos in which current human service programs operate and giving the counties, which deliver services on behalf of the state, real flexibility and accountability in delivering services.	Engaging in performance contracting.
	Implementing civil service reform.
Targeting tax expenditures to those expenditures that get the best results per dollar invested.	Making results matter through performance management.
Pursuing a “global” Medicaid waiver to provide maximum flexibility and innovation possibilities for designing Medicaid delivery.	Piloting with select agencies a “Charter Agency” model that provides increased flexibility (e.g., waivers from bureaucratic requirements) in return for implementation of results-based systems and measurable results (and improvements in those results).
Achieving better special education outcomes by initiating an intervention prevention model, rather than waiting for students to fail before providing assistance.	Establishing an “innovation fund,” based on a disciplined investment approach that demands measurable returns and outcomes.
Creating a new state-county relationship that holds counties accountable for results – rather than mandated levels of service – in exchange for increased flexibility.	Implementing entrepreneurial management.
Shifting resources from prisons to community and local corrections and investing in substance abuse programs to reduce recidivism and avoid building additional prison space.	Adopting proven modern compliance practices
	Service sharing.

For further detail, go to [www.hhh.umn.edu](http://www.hhh.umn.edu); [www.mnchamber.com](http://www.mnchamber.com); [www.lmc.org](http://www.lmc.org); [www.mncounties.org/redesign](http://www.mncounties.org/redesign); <http://tinyurl.com/Bush-Foundation-BBL-Report>.



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