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Faculty Working Papers

PUBLIC PRODUCTIVITY: PANACEA OR PLACEBO?

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#547

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Summary:

This paper expresses concern about public administrators' apparent preoccupation with productivity. The fact that government has responded to the recent "tax revolt" by proposing new measures to increase efficiency, rather than improve effectiveness, is used as an illustration of this tendency. The relationship between efficiency and effectiveness proposed by traditional economic models is criticized, and a new model based on a political perspective is advocated. Possible organizational dynamics which might be fueling this preoccupation with productivity in our public institutions are discussed. In addition, the potential dysfunctional consequences of administrators attending to the pressures, to increase efficiency, while overlooking warnings to improve effectiveness are addressed.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for ensuring the integrity and reliability of financial data. This section also outlines the various methods and tools used to collect and analyze financial information.

The second part of the document provides a detailed overview of the accounting process. It covers the steps involved in recording transactions, from initial identification to final reporting. This section also discusses the role of different accounting systems and the importance of regular audits to ensure compliance with relevant standards and regulations.

Appendix

The appendix contains supplementary information that supports the main body of the document. It includes detailed data tables, charts, and graphs that provide a more comprehensive view of the financial performance and trends discussed in the text. These visual aids are designed to help readers better understand the complex financial data and its implications.

Additionally, the appendix provides a list of references and sources used in the research and analysis. This section is intended to give credit to the original authors and provide a starting point for further exploration of the topics discussed in the document.

"My major objective for the new year is to improve the efficiency of providing public services to our community." A City Manager

"The cost of doing business with the government is beyond what the taxpayers are willing to consider." A Senator

"Proposition 13 clearly shows that the public thinks government has become too big and too expensive." A Newspaper Editor

The language of efficiency, productivity, balanced budgets, and zero growth is pervasive in the public and professional media. We are supposedly in the throes of a taxpayers' "revolt" against the burden of high governmental expenses and public officials at all levels have responded by waving the white flag of increased productivity.

For the most part, taxpayers' knowledge of, and interest in, the inner workings of government are not adequate for them to make specific and concrete recommendations about how government should be improved. Their message is much more simple and direct, "The cost of doing business with your organization is outrageously high and if we had less exorbitant alternatives we would take our business elsewhere." One way of interpreting this message is that government should increase the efficiency of its operations to reduce costs (taxes). This is the predominant contemporary response of officials at all levels of government. However, an alternative interpretation of this negative feedback from government's clients (and benefactors) is that the institution of government in our country as it is presently constituted has some fundamental structural and functional flaws.

This perspective questions the effectiveness of government, not just its efficiency. It suggests we look beyond the ledger sheet of public agencies and examine their ideologies, goals, policies, outputs, and design. Government's reaction to the referendums of 1978 poses two troubling questions: First, "Why have governmental officials interpreted this negative feedback exclusively as a problem of inefficiency?" Second, "What are the potential dangers for a public organization which becomes so preoccupied with matters of efficiency that it fails to recognize evidence of ineffectiveness?" Possible answers to each question will be considered in turn.

Productivity as a Panacea

A recent review of 15 years of Public Administration Review articles on the topic of administration in the public sector showed that the dominant recommendation for improving administrative practices was to increase efficiency. Seldom does one find suggestions for enhancing the effectiveness of government by improving the quality of its outputs, adapting to changing social and political conditions, or questioning the objectives being pursued by our public institutions. The closest one comes to finding these themes addressed regularly is in the periodic proposals for massive reorganization of the federal government. But as Mansfield points out, most of these plans have been politically motivated and have been marketed under the label of increased efficiency.¹

Most of the articles on public productivity treat efficiency as a means for obtaining the end of effectiveness. This formulation grows out of econometric positivistic reasoning that treats efficiency as an

independent variable in a regression equation predicting the dependent variable of effectiveness. In other words, efficiency is treated as a necessary, but not sufficient, condition for obtaining effectiveness.

One reason why this perspective has dominated the literature of public administration is that it is buttressed by a strong feeling that it is impossible to measure the effectiveness of government because its goals are too smorphous. The ultimate objective of a democratic form of government is to be responsive to the vocalized needs of its constituencies. However, since these constituencies generally express conflicting expectations for government, it is difficult for public officials to compress these multiple, and often contradictory, expectations into a single comprehensive package of organizational goals for which they can obtain universal agreement. Consequently, it is natural for public officials to rely on less controversial and better understood measures of efficiency as the leading indicators of organizational performance. This choice is based on the logic that since it appears too difficult to directly measure government's effectiveness, at least we should develop good measures of its efficiency inasmuch as our econometric model indicates that increases in governmental efficiency will aid us in reaching the illusive goal of increased effectiveness.

Our concern with this line of reasoning is that while efficiency appears in the model as an intermediate step in reaching effectiveness, in practice it is often treated as if it were a substitute for effectiveness. The problem with concentrating an inordinate amount of attention on improving efficiency is that its instrumental role is easily forgotten. The old means becomes the new end and the old end is treated only as a slogan of the ideal.

If there is a tendency for this form of goal displacement to occur in public administration, it is important to understand its causal roots. These can be found in some very stable and durable organizational dynamics which are common to most public agencies. We will discuss four of the dynamics which we feel have lead to the current preoccupation with measuring and improving the efficiency of government. The first dynamic is reflected in the axiom: "Numbers collected will somehow, sometime, be used as measures of performance." One of the earliest examples of this phenomenon appeared in Blau's study of employment service offices in the 1940's. He showed that when this organization decided to have staff members account for their number of placements, rather than the number of interviews they conducted, supervisors started using this information in performance appraisals, and as a result interviewers became extremely competitive and began hoarding the job openings which could be most readily filled. The criterion for referring to job interviews became the likelihood of placement rather than an optimal match between candidate characteristics and job requirements.²

It has been frequently noted that public organizations have a propensity for collecting voluminous files of information about their internal operations. This practice reflects the need of administrators to appear conscientiously concerned, generally in a legislative hearing, about how they are expending public trust funds. It also demonstrates the efforts during this century to make public administration more bureaucratic and less political. The result of these

endemic organizational pressures to objectify administration by collecting statistics is that the abundance of quantitative reports in public agencies often obscures the alternative of using more qualitative assessments of performance. As long as numbers are treated as the only credible evidence of administrative competence, public administrators will continue to require that their subordinates spend inordinate amounts of time filling out form after form quantifying their activities.

The second organizational dynamic, which reinforces the extensive use of efficiency as a measure of performance, is that the scale of production is a highly visible aspect of public service programs and hence it draws the attention of clients and administrators alike. The advertising industry recognizes that when customers lack information about a product's primary characteristics (e.g., how well a soap gets out grease) they will judge it on the basis of its secondary characteristics (e.g., the attractiveness of its package). As we have noted, the average citizen in America treats government as though it were a magical black box. A taxpayer feeds his taxes into a slot, and services magically emerge from the bottom. Being generally ignorant about the transformation process inside, the public expresses its dissatisfaction with this process by questioning the shape, location, or size, of the box. Because of its visibility, size is frequently expressed as a cause of poor performance in government. This is manifested in comments like: "The public works department has grown three times its size in the past 10 years with only a 20% increase in population." "The number of teachers the school board says are required to educate

kids today is twice as large as when I went to school and the kids are not learning their math any better." "Our school district has only half as many remedial education teachers as another district." These criticisms tend to focus the attention of public officials on the form, rather than the substance, of government. Concern for monitoring the size and structure of government replaces concern for evaluating the process of governing. In education, the humane relationship between teachers and pupils becomes subordinate to the statistical relationship between size of studentbody and number of teachers. As a result, a measure of the efficiency of education is substituted for a measure of its effectiveness.

Administrators have additional interests in measures of organizational size. A frequently used estimation of an administrator's status is the scale of the operations under his/her responsibility. Individual administrators generally have a desire to expand their power and influence to include larger and larger spheres of activities as a means of increasing their sense of prestige and accomplishment. Similarly, organizations have generally regarded the expansion of an administrator's realm of responsibility as a promotion of sorts, representing the organization's faith and confidence in the administrator's ability to manage. Because an increase in the scope of personal responsibility is a highly valued reward sought after by administrators there is a natural tendency for them to focus attention on indicators of organizational scale. As a consequence, indicators of sagging organizational performance may go unnoticed.

The third dynamic reinforcing a preoccupation with efficiency is that senior administrators with vested interests in the status quo are less threatened by proposals to improve efficiency than they are by proposals to increase effectiveness. Directors of local manpower service agencies often argue over who has responsibility for servicing multiple problem clients, the wording of an inter-agency coordination agreement, or the procedures for determining which agencies receive credit for successfully placing a client helped by several programs. However, there is rarely disagreement between these agencies on more substantial issues, such as, the legitimacy of their client treatment ideology, or the structure of the overall service delivery system.³ Hence, public criticisms of the manpower delivery system have generally been treated by its administrators as problems resulting from poor coordination between existing agencies. Contemporary government plans for improving the delivery of manpower services contain proposals for more coordination councils, integrated legislation to reduce opportunities for fraud by clients who are able to obtain identical services from multiple agencies, and formalized interagency referral procedures to widen, and smooth-out, client referral channels.

Since proposals for increased coordination in an interagency service delivery system are analogous to proposals for increased efficiency in a single organization, it is evident that manpower administrators prefer to work on the problem of inefficiency rather than the problem of ineffectiveness. Proposals which question the overall ability of the current system to adequately meet the needs

of the disadvantaged include suggestions which, if adopted, would substantially discount the value of the training and experience of current program administrators. For instance, if the private sector philosophy of competition were adopted and programs with radically new ideologies and technologies were introduced as competitors to existing agencies, current administrators would be ill-prepared to formulate successful strategies for responding to competition. It is hard to translate expertise in solving problems of inefficiency into strategies for controlling a turbulent environment.

The fourth efficiency reinforcing dynamic is the traditional division of responsibilities between the executive and legislative branches of our government. The role of the legislative branch is to translate the will of the people into governmental priorities, goals, and broad policies, and the role of the executive branch is to implement these policies by designing and administering governmental programs. It would appear that this time-honored division of labor has been interpreted as carrying with it an implicit division of responsibility for addressing the issues of efficiency and effectiveness in government. For instance, when the director of a public agency is asked to report on the performance of his/her agency to a legislative committee, the discussion focuses primarily on the volume of outputs and size of budget--aspects of efficiency. Seldom is the administrator asked to comment on the legitimacy of government pursuing the objective embodied in his/her agency's programs. Legitimacy is assumed to be a matter of faith. Therefore, to the extent that public administrators believe that debates about the goals and priorities of govern-

ment should properly fall within the domain of politicians, it may be inappropriate to search for articles on the effectiveness of government in the public administration literature.

To this point we have attempted to understand why there is a propensity for public administrators to rely primarily on the ruler of efficiency in measuring the success of their administrative endeavors. We have suggested that there are several dynamics inherent within the process of administering public organizations which act to reinforce this orientation, but have left unaddressed the matter of consequence. We will now consider the second part of our opening query about the taxpayers' revolt, namely, what are the potential dysfunctional consequences of utilizing efficiency as the principal criterion for measuring the performance of an organization? In other words, what are the costs of using a placebo?

Productivity as a Placebo

To adequately address this issue we first need to reconceptualize the relationship between efficiency and effectiveness based on a political, rather than an economic, model. The political economy model proposed by Wamsley and Zald provides an appropriate theoretical backdrop for re-thinking this relationship.⁴ This model treats organizations as clusters of resources nested in an environment of political and economic interests which are vying for control over these resources. Relevant interest groups might include suppliers, consumers, regulators, and internal organizational coalitions (e.g., staff vs. administrators). It is important to add organizational coalitions to the list of envi-

ronmental groups to emphasis the fact that an organization's staff is not an undifferentiated whole working harmoniously together with a singleness of purpose.

This model of conflicting interests suggests that organizational goals can be viewed as reflections, and legitimations, of interest group demands. Several years ago Yuchtman and Seashore criticized the use of goal accomplishment as a measure of organizational effectiveness because goals are frequently only rationalized statements about environmental conditions.⁵ The need to appear self-directed leads administrators to transform environmental constraints into statements of desired objectives.

Within a political economy perspective, efficiency and effectiveness are not treated as means and end. Instead, they are both viewed as end states preferred by vying interest groups. For instance, productivity in public agencies is generally emphasized by legislators, central program administrators, auditors, and taxpayers. This interest is countered by client and professional groups' emphasis on being responsive to changes in the environment, and producing high quality services.

The intensity of the competition between goals espoused by rival interest groups was documented in a recent study of the role conflict experienced by directors of manpower agencies.⁶ In this study salient interest groups were asked to rate the effectiveness of each local agency. When the ratings of effectiveness made by the directors, staff members, regional program administrators, and community leaders were compared, they were all negatively correlated. This suggests that each interest group was using different criteria for measuring

organizational effectiveness based on their divergent expectations of how organizational resources should be utilized. Indeed, it was shown that the professional staff's criteria for judging organizational effectiveness was the quality of services provided, the extent to which professionals' opinions were sought by administrators, and the opportunities provided by the agency for professional development. On the other hand, the central administrators preferred a highly structured organization that produced a high volume of client outputs, while the local community leaders emphasized the importance of agency staff members participating in activities which had a high degree of community visibility.

These results support the proposition that efficiency and effectiveness are often competing objectives which are preferred by different interest groups. They further point out that the pursuit of efficiency in many cases serves as a means for not achieving the end of effectiveness. In other words, efficiency and effectiveness are basically antithetical to one another. This is an important point to date the principal debate in the literature on productivity has been between those who argue that the concept of public productivity should include both efficiency and effectiveness, and those who counter that since productivity has historically been used in the private sector as a synonym for efficiency, changing the meaning for government applications would prove confusing.⁷ Our concern is that neither approach acknowledges that the complex relationship between efficiency and effectiveness cannot be fully represented using a simple additive model. The danger of not drawing attention to the contradictory

nature of this relationship is that it may lead many to the erroneous conclusion that the primary role of public administration is to simply solve the problem of increasing agency outputs per budget dollar. I say "simply" not to suggest that the technical solution to this problem is simple, but to raise an objection to the fact that it is being treated as a problem reduceable to applying technical solutions. Little attention is given to the fact that the best technical solution is often not a viable alternative because it is politically infeasible.⁸

This suggests that administrators should be characterized as dilemma managers, rather than as problem solvers. In that vein, one of their most challenging dilemmas arises from the need to enhance short-term stability (efficiency) while maintaining long-term adaptability (effectiveness). Stability is enhanced by increasing the efficiency of resource utilization, reducing diversity of internal interest groups to decrease conflict over objectives and preferred outcomes, increasing coordination, reducing redundancy, and attempting to standardize and formalize all work activities. The liability of administrators over-emphasizing this aspect of their management role is that every new effort to standardize organizational activities costs the organization a "degree of freedom" in its potential for adapting to changing environmental conditions.

For decades our governmental institution (especially the federal level) has operated as if it assumed that the environment should adapt to the needs of public agencies, rather than vice-versa. However, contemporary American organizations, citizen groups, and foreign countries are increasingly showing intolerance for this air of arrogance.

After Watergate, the CIA and FBI hearings, the Pentagon Papers, Proposition 13, the Indian sit-ins in the Bureau of Indian Affairs offices, indictments of Senators for graft in public office, and the anti-abortion, consumerism, and tax reduction movements, one must conclude that what was once perceived as a benign and placid environment has become increasingly turbulent, unpredictable, and reactive. This being the case it behoves public administrators to focus more attention on assessing the adaptive potential of their organizations.

An organization's ability to react constructively to a rapidly changing and uncertain environment is a function of two characteristics: internal variety, and structural flexibility. Ashby's Law of Requisite Variety posits that it takes variety to destroy variety.⁹ In organizational terminology this means that an organization should contain a staff whose professional backgrounds, training, and task assignments, collectively represent a "pool of variability" which is equal to the variety in the environmental information being monitored. Otherwise, in a turbulent and heterogeneous environment potentially critical information will not be noticed, or decipherable, or the appropriate suggestion for formulating an adaptive response will not be forthcoming from the staff.

Pearl Harbor is a tragic example of a poor adaptive response due to insufficient internal variety. Admiral Kimmel's command post in Hawaii had received repeated intelligence reports warning of a possible attack on Pearl Harbor but consistently discounted the possibility because all members of the group shared an illusion of invulnerability. Similarly, President Johnson's ingroup, the "Tuesday Cabinet," kept

escalating the Vietnam war despite repeated setbacks and defeats. This was done because group members shared a belief that if the United States demonstrated a significant enough commitment to win the war, North Vietnam would back down from a confrontation with a superpower. In both cases warning signals from the environment were discounted because all members of the organization interpreted them in the same manner. With a larger pool of variability in these analysis groups these classic blunders in foreign policy may have been averted.

Adaptability is also enhanced by a flexible organizational structure. An organization might have a staff which represents a high degree of variety, in terms of their values, background, and expertise, but nullify this adaptive potential by forcing members to interact with one another according to highly standardized and formalized procedures. The "cookie cutter" approach to designing organizations and tasks tends to be maladaptive in turbulent environments because it acts as a damper on the creative potential of members. Structural flexibility can be enhanced in a number of ways. These include: 1. Discrediting the natural tendency to rely heavily on precedents and standard operating procedures.¹⁰ 2. Reducing the requirements for tight coordination between task units and hierarchical levels, so as to achieve a state of "loose-coupling" wherein semi-autonomous units are encouraged to adapt to localized environmental conditions.¹¹ 3. Building redundancy into the organizational structure as a means of stimulating competition and debates, and reducing the probability of systemic failure.¹² 4. Simulating environmental crises (administrative fire drills) to

determine whether the organization's structure facilitates rapid and creative responses. 5. Utilizing consultants (e.g., retired "sages") to spot bottlenecks in the administrative apparatus.

Clearly, there are constraints on public organizations which place a ceiling on their maximum feasible adaptive potential. Wildavsky's essay on the unlikelihood of designing a truly responsive public agency points out this fact extremely well.¹³ But to argue that it is impossible for public administrators to become totally responsive to their environment misses the point. Our concern is that the contemporary treatment of public productivity obscures the fact that administrators have dual responsibilities for improving both stability (efficiency) and adaptability (effectiveness). When administrators become preoccupied with improving internal efficiency they tend to view their environment through the wrong end of the telescope. This has the effect of making potential crises appear very small and very distant.

Irving Janis' book Victims of Group Think has drawn attention to this tendency in government.¹⁴ Janis noted that many of the notorious failures of the United States to react appropriately to pending crises in international affairs (e.g., Bay of Pigs, Vietnam, and Korean, wars) stemmed from the tendency of the group of policy analysts and administrators addressing these issues to rationalize away warning signals, misinterpret information, and adopt group norms which discouraged disagreement and debate over alternatives. The group viewed itself as inherently moral and invulnerable to serious blunder, and yielded to strong internal pressures to preserve feelings of loyalty and unanimity. Hopefully, the past mistakes of officials responsible for national defense can serve as lessons for officials administering domestic

programs so that their insensitivity to changing environmental conditions does not become a national offense.

Conclusion

The reaction of government to the recent tax revolt has been used to highlight the fact that public administration is dominated by an efficiency orientation grounded in an econometric model of effectiveness. Clearly, the nature of the production process affects the type, and quality, of outputs. However, the failure to recognize that efficiency and effectiveness should also be viewed as basically antithetical systemic goals obscures the need for administrators to balance their emphasis on stability and adaptability. A system preoccupied with increasing productivity is ill-prepared to adapt to changing environmental conditions.

The central argument of this paper has been that the lack of attention to issues of organizational effectiveness in public administration is not due to a lack of expressed concern for their importance. Instead, our view is that insufficient day-to-day attention is being focused on improving effectiveness because it is overshadowed by a preoccupation with increasing efficiency. We have tried to highlight some of the organizational dynamics fueling the tendency to treat productivity as if it were a panacea for public organizations, and discussed some of the possible dysfunctional consequences of attributing to productivity (like a placebo) exaggerated curative powers.

Finally, much work remains to be done before the field will

possess a full understanding of why the folly of pursuing A (efficiency), while hoping for B (effectiveness), is so pervasive in our public institutions. In the meantime, it is hoped that this discussion of the antithetical nature of the relationship between efficiency and effectiveness will add a note of caution to the current enthusiasm for increasing public productivity.

NOTES

1. Henry Mansfield, "Federal Executive Reorganization: Thirty Years of Experience," Public Administration Review, 29: 332-345, 1969.
2. Peter M. Blau, The Dynamics of Bureaucracy, Chicago: University of Chicago Press, 1955.
3. See Roland L. Warren, Ann Bergunder, and Stephen Rose. The Structure of Urban Reform, Lexington, Mass.: D. C. Heath, 1974; and Kenneth J. Benson, Joseph T. Kunce, Charles A. Thompson, and David L. Allen, Coordinating Human Services, Columbia, Mo.: Regional Rehabilitation Institute, University Missouri-Columbia, Research Series Number 6, 1973.
4. Gary L. Wamsley and Mayer N. Zald, "The Political Economy of Public Organizations." Public Administration Review, 33: 62-72, 1973.
5. Ephraim Yuchtman and Stanley E. Seashore, "A System Resource Approach to Organizational Effectiveness." American Sociological Review, 32: 891-903, 1967.
6. David A. Whetten, "Coping with Incompatible Expectations: An Integrated View of Role Conflict." Administrative Science Quarterly, 23: 254-271, 1978.
7. For examples of each perspective see: John P. Ross and Jesse Burkhead, Productivity in the Local Government Sector, Lexington, Mass.: D.C. Heath, 1974; Donald C. Kull, "Productivity Programs in the Federal Government," Public Administration Review, 38: 5-9, 1979; Urban Institute and International City Management Association, Measuring the Effectiveness of Basic Municipal Services, Washington, D.C.: The Urban Institute, 1974; Harry P. Hatry, Improving Productivity and Productivity Measurement in Local Governments, Washington, D.C.: National Commission on Productivity, 1971; Harry P. Hatry, "The Status of Productivity Measurement in the Public Sector," Public Administration Review, 38: 28-33, 1979.
8. The recent article by Robert E. Quinn, "Productivity and the Process of Organizational Improvement: Why We Can't Talk to One Another," Public Administration Review, 38: 41-44, 1979, is one of the few to acknowledge the contradictory nature of efficiency and effectiveness.
9. See Karl E. Weick, The Social Psychology of Organizing, Reading, Mass.: Addison-Wesley, 1969, p. 40.

10. Jeffrey Pfeffer and Gerald Salancik, The External Control of Organizations, New York: Harper & Row, 1978; Karl E. Weick, "Enactment Processes in Organizations," in New Directions In Organizational Behavior, eds., Barry M. Staw and Gerald R. Salancik, Chicago: St. Clair Press, 1977.
11. See Howard E. Aldrich, "Centralization versus Decentralization in the Design of Human Service Delivery Systems: A Response to Gouldner's Lament," in Issues in Service Delivery in Human Service Organizations, eds. Rosemary Sarri and Yeheskel Hasenfeld. New York: Columbia University Press, 1978; Karl Weick "Educational Organizations as Loosely Coupled Systems," Administrative Science Quarterly, 21: 1-19, 1976.
12. Martin Landau, "Redundancy, Rationality and the Problem of Duplication and Overlap." Public Administration Review, 29: 346-358, 1969.
13. Aaron Wildavsky, "The Self-Evaluating Organization." Public Administration Review, 32: 509-520, 1972.
14. Irving L. Janis, Victims of Group Think, Boston: Houghton Mifflin, 1972.





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