



## Banishing Bureaucracy

The Five Strategies for Reinventing Government

by David Osborne and Peter Plastrik  
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### Focus

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### Take-Aways

- Reinventing government is not concerned with changing a political system.
- It does not mean reorganizing government and its services.
- It does not rely on creating one-off programs to cut costs and improve efficiency.
- It is not about downsizing government across the board, or about privatizing federal, state or local services.
- Reinventing government changes a bureaucratic system into an entrepreneurial one by altering its function, incentives, accountability and distribution of power.
- Different strategies can help transform government. The “Core Strategy” clarifies an organization’s purpose.
- The “Consequences Strategy” creates new incentives.
- The “Customer Strategy” shifts accountability.
- The “Control Strategy” distributes decision-making power throughout the hierarchy.
- The “Culture Strategy” shapes a new organizational culture.

### Rating (10 is best)

| Overall  | Applicability | Innovation | Style    |
|----------|---------------|------------|----------|
| <b>8</b> | <b>7</b>      | <b>7</b>   | <b>8</b> |

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## Relevance

### What You Will Learn

In this Abstract, you will learn: 1) How to redesign an organization by replacing bureaucracy with entrepreneurship; 2) What 10 principles support entrepreneurial government; and 3) Why a clear purpose is central to an organization's transformation.

### Recommendation

In this sequel to his bestseller, *Reinventing Government*, David Osborne teams with Peter Plastrik to further explore the process of making public and governmental organizations more entrepreneurial by introducing businesslike practices. The authors focus on five strategies for fundamentally changing the way government works on local, state, regional and national levels, and give plenty of real-life global success stories. This organizational, economic and political *tour de force* is wonderfully written, and is never dry, academic or reliant on dense government gabble. In fact, it's a page-turner. *getAbstract* recommends it to all concerned citizens.

## Abstract

### “Reinventing Government”

The following “revolutionary 10-point program” for using entrepreneurial approaches to improve government, making it more efficient and cost-effective, was first outlined nearly 15 years ago. Governments around the world have put these ideas into practice at local, state and national levels, resulting in lower taxes, improved services, enhanced performance and productivity, less red tape and increased accountability. Governments have made improvements in nearly every area of their operations.

However, “reinventing government” has become such a popular phrase that it is now used to describe activities that these ideas never intended to imply. It does not mean:

- Changing the political system, including “campaign finance reform, legislative or parliamentary reform, term limits” or any other political components.
- Reorganizing by simply “moving boxes on an organizational chart” without changing the positions’ goals, responsibilities and allocation of power.
- Creating one-off programs to cut “waste, fraud and abuse” instead of implementing new systems that continually seek ways to increase efficiency.
- Downsizing government across the board.
- Privatizing services traditionally performed by government.
- Re-engineering business processes without addressing other aspects of government services.

### Global Gains

Reinventing government actually means “the fundamental transformation of public systems and organizations to create dramatic increases in their effectiveness, efficiency, adaptability and capacity to innovate.” Governments accomplish this transformation by changing their aims, incentives, responsibilities, cultures and power configurations. The process relies on replacing bureaucratic systems with entrepreneurial ones, instilling core business values and offering incentives for using these values in a “self-renewing system.”

“The basic problem with government today is not its people, but its DNA.”

“No one knows better how nightmarishly frustrating bureaucracy can be than those trapped inside it.”

“Reinvention creates public systems that act very differently from the bureaucracies we have come to know and loathe.”

“Reinvention is about...creating a public sector that has a built-in drive to improve.”

“Reinvention is a long, hard slog. It requires leadership, skill, dedication and perseverance. But even more, it requires everyone – politicians, managers, employees and citizens – to change their behavior.”

“Most reinventors discover that a majority of the constraints they rail against originated in their own organizations.”

Examples of reinvention abound in governments around the world. In the U.S., entrepreneurial systems were responsible for the Social Security Administration’s 1995 top rating for best customer telephone service. They also inspired several states to open motor vehicle agencies in retail stores and shopping malls. Such entrepreneurial successes encouraged the private sector to use the Air Combat Command’s pharmacy at MacDill Air Force Base in Tampa, Florida, as a benchmark of excellence.

In Australia, 13 business enterprises sprang out of the huge Department of Administrative Services. The reinvention worked: In five years, these 13 enterprises reduced staff by 32%, turned a \$100 million annual loss into a \$46.7 million annual profit and increased productivity by 5.6% a year. They now earn their income by selling services to other government agencies in competition with private companies.

### The 10 Principles

Entrepreneurial government is based on 10 principles:

1. “Catalytic government” – Focus on “steering’ (policy and regulatory)” rather than “rowing’ (service-delivery and compliance).”
2. “Community-owned government” – Allow communities to “solve their own problems” by allocating the necessary funds and powers.
3. “Competitive government” – Make service deliverers compete for their business.
4. “Mission-driven government” – Abolish rigid regulations and allow agencies to act more independently to reach predefined missions.
5. “Results-oriented government” – Track the results agencies achieve, compare them with budgeted goals and reward high-performance.
6. “Customer-driven government” – Consider those they serve as customers, establish customer service standards and reorganize to allow maximum customer service.
7. “Enterprising government” – Pay as much attention to earning money as to spending it; for example, by charging for services.
8. “Anticipatory government” – Strive to anticipate and solve problems before they become issues.
9. “Decentralized government” – Empower frontline employees, “flatten organizational hierarchies, use teams and create labor-management partnerships.”
10. “Market-oriented government” – Restructure the market to offer incentives that encourage private organizations and individuals “to behave in ways that solve societal problems.”

### The Five Strategies

Leaders implement reinventing government programs by using one of these five strategies:

1. “Core strategy” – Sets clear goals and defines accountability.
2. “Consequences strategy” – Creates new incentive systems.
3. “Customer strategy” – Includes customers and competition.
4. “Control strategy” – Determines where decision-making power resides.
5. “Culture strategy” – Creates new, nonbureaucratic habits.

### Using the Core Strategy

To change its DNA, government must begin by clarifying the purpose of public systems and organizations. Unless the leaders of these systems are clear about their purposes,

“In a world of rapid change... centralized, top-down monopolies are simply too slow, too unresponsive, and too incapable of change or innovation.”

“Most managers cannot change the governing system within which they work, nor its administrative systems. This is one of the differences between public organizations and businesses.”

“Changing an organization’s culture is not a science. The process cannot just be planned and implemented; it cannot be engineered. There are too many variables”

“Immersing people in new experiences is the most powerful way to change an organization’s culture.”

they will not be able to perform competitively. The core strategy’s mission is to steer – all other strategies propel the reinvention forward. The core strategy focuses on the elimination of government functions that no longer serve useful public purposes, or services that can be better provided by another level of government or the private sector. Each organization must focus on one purpose. New mechanisms must define a government’s goals and strategies.

### **Using the Consequences Strategy**

This strategy creates new incentives in public systems. Bureaucratic DNA guides employees simply to follow the rules, to do everything the way it’s always been done, to resist innovation and not make waves. Employees receive the same pay no matter the results of their work, and most government organizations, as monopolies, are shielded from their failures. Unlike the private sector, public organizations don’t go out of business if their competitors do a better job – because there are no competitors.

In contrast, entrepreneurial DNA banishes the emphasis on the status quo. It creates new incentives for performance. In some instances, public organizations enter the marketplace and find themselves dependent on their customers for revenue. When that avenue is not open, public organizations use contracting to create competition. Or, they institute the entrepreneurial approach by measuring performance and introducing the “consequences strategy,” where “reinventors introduce performance-based incentives, then let nature take its course.”

### **Using the Customer Strategy**

Citizens can’t hold bureaucratic systems accountable for their performance, nor can they provide suggestions, criticism or feedback. The customer strategy eliminates that problem. Most public organizations answer solely to elected officials – the people who establish the departments, decide their functions and provide funding. Since officials sometimes feel they must respond to the needs of special interest groups, they may care more about where public money goes than they do about the results of that spending. The customer strategy moves accountability to the general public. It gives customers choices among service-oriented organizations and sets standards for serving those customers, just as the private sector does.

Heightened accountability means that public organizations must “improve their results, not just manage their resources.” Customer satisfaction becomes a priority, which creates a built-in incentive to constantly do better. Government organizations will still be accountable to elected officials, but these public services will have to please the citizens, too. This dual accountability works best when elected officials align their goals with those of a regular private-sector CEO: namely, to satisfy customers and hold organizations accountable for meeting customers’ needs.

### **Using the Control Strategy**

The control strategy determines where the decision-making power will sit. In bureaucratic systems, most of the power is at the top. “In democracies, power first flows from citizens to elected officials; then from elected officials to central ‘staff’ agencies such as budget and personnel offices; finally from those central control agencies down to agency managers.” These managers often find that they have few options and little flexibility. “Budget instructions, personnel rules, purchasing systems, auditing practices” and many

“Bureaucracies have been described as systems designed by a genius to be run by idiots. That may be a little harsh, but it contains a kernel of truth.”

“The appearance of these entrepreneurial organizations in the late 20th century is no accident.... It represents an inevitable historical shift from one paradigm to another. It is a shift as profound as that which took place at the beginning of the century, when we built the bureaucratic public institutions we are busy reinventing today.”

other procedures exercise tight control. Because managers and their employees have practically no decision-making power, government organizations can respond only to orders from the top rather than to changing situations or customers' needs.

With an entrepreneurial approach to government, however, the control strategy shifts significant decision-making power away from the top, and redistributes it throughout the hierarchy and into the community. Stagnant rules and high command personnel are no longer in charge. Instead, shared projects and procedures create accountability. Managers empower employees to make decisions, respond to customers and solve problems.

### Using the Culture Strategy

The culture strategy determines employees' "values, norms, attitudes and expectations." Because an organization's function, incentives, accountability system and division of power shape its culture, the culture will change whenever these characteristics shift.

A bureaucratic system's culture shuns innovation, independent thinking, decision making and initiative. Therefore, creating an entrepreneurial culture in public organizations must be a deliberate and planned act. Creating this culture will not be quick. Simply changing some aspects of an old system will not work.

To reshape the culture, managers must give employees new experiences, new kinds of work and interactions with new people. They should reinforce this fresh behavior by inspiring employees to think and create as freely as the revamped system requires. The reinvigorated culture helps employees build a shared vision of the future, complete with a new "mental model" of the organization's goals and how they will achieve them.

### Courage

The five strategies provide a challenging blueprint for creating an entrepreneurial government, but leaders can gain the courage to reinvent by following these guidelines:

- “No new DNA, no transformation.”
- “The game has five levels; change as many as you can reach.”
- “When you want people to let go, give them something in return.”
- “Take performance seriously – and accept the consequences.”
- “Stand up to the special interests.”
- “Protect your entrepreneurs. Don't let anyone shoot your risk takers.”
- “Build trust, one transaction at a time.”
- “Invest in change.”
- “Manage the transition humanely; reinvent with a human face.”
- “Stay the course.”

## About the Authors

David Osborne is the co-author of *Reinventing Government* and *Laboratories of Democracy*. He has written for the *Washington Post* and the *New York Times Magazine*, and served as an adviser to former U.S. Vice President Al Gore. Peter Plastrik was acting chief deputy of the Michigan Department of Commerce, and is now a consultant to public organizations and foundations.