Minnesota's STEP Program

A guide for managing change

STRIVE
TOWARD
EXCELLENCE IN
PERFORMANCE

STEP

STATE OF MINNESOTA
DEPARTMENT OF ADMINISTRATION
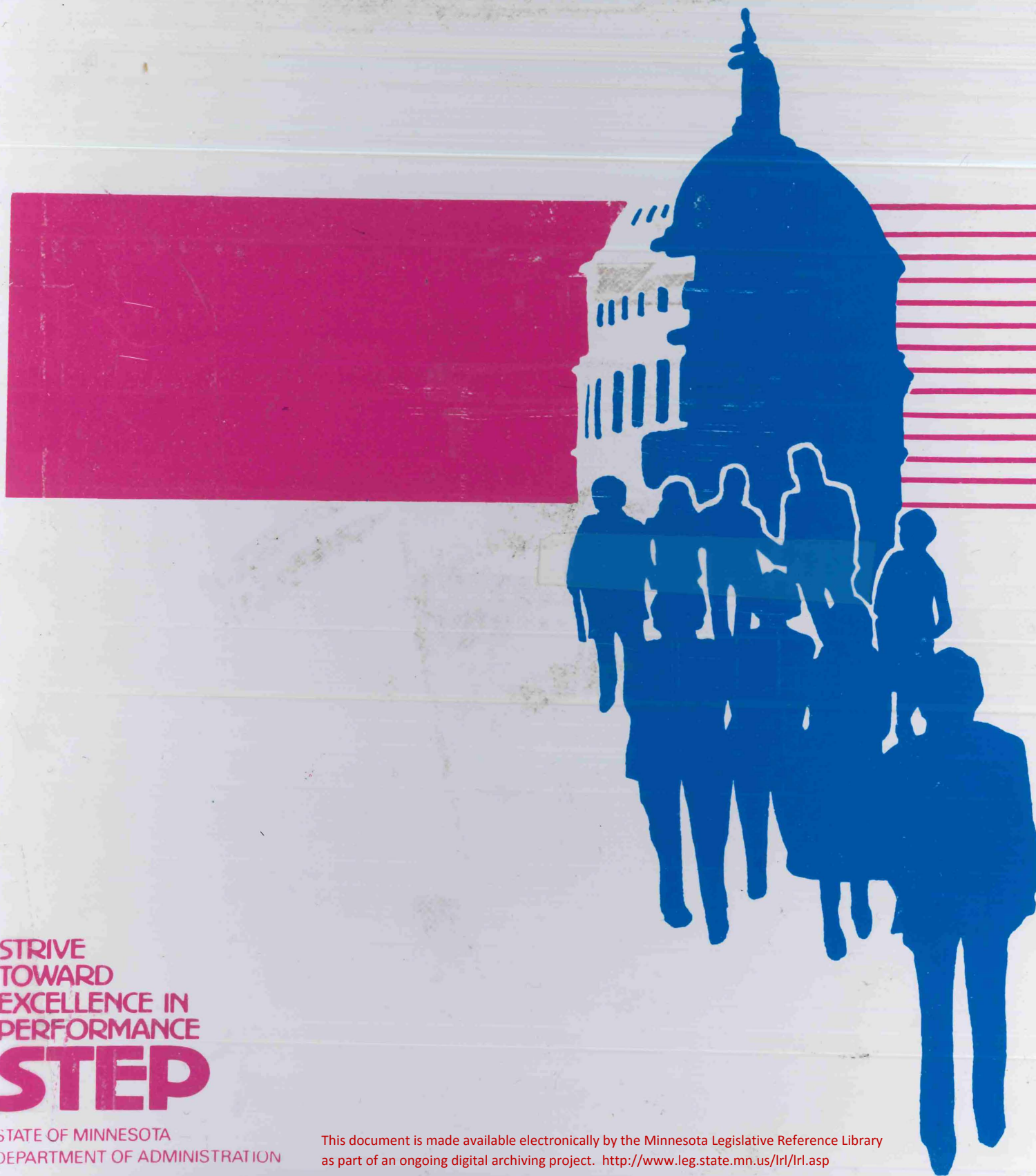
Minnesota's STEP Program

A guide for managing change

based on the experiences of
STEP, the State of Minnesota's experimental
program designed for employees to Strive Toward
Excellence in Performance while managing change in
the work environment.

STEP: Strive Toward Excellence in Performance

State of Minnesota
Department of Administration
Management Analysis Division

December 1987

Foreword

Minnesota's STEP Program — a guide for managing change represents what we have learned from our experiences in the Strive Toward Excellence in Performance Program. It reflects our successes, our failures, and the lessons we have learned along the way.

The single most valuable lesson I have learned in STEP is the importance of relying on employees for change. It's the existing staff that understands what's needed, knows where the problems are, and will be there to carry out the change. Only by relying on employees will you have significant, long-term change.

Minnesota state employees are dedicated to improving quality and productivity, if given the support. That's what the STEP Program is all about — giving people a chance to experiment with improving service delivery.

The STEP Program is the result of the efforts of hundreds of people: STEP staff and the Steering Committee, project teams, agency heads, liaisons, university teachers, and public and private-sector partners.

I want in particular to single out the Ford Foundation, whose Innovations in State and Local Government Award helped fund our outreach to local governments; Harvard University, whose John F. Kennedy School of Government helped raise the visibility of our efforts by adopting STEP as a case study; and Minnesota's business community, whose contributions as project partners and members of the Steering Committee have helped make STEP a national model for excellence.

In addition, I want to recognize Commissioner Sandra Hale for her leadership in forging an effective public and private-sector coalition to support the program.

Whether you're a state, county, city, township or school district employee, this guide for managing change can help you. Try it out. See how it fits, and let us know.

— Rudy Perpich
Governor of Minnesota

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Preface

Some of us view change as something to avoid. Others of us see it as the opportunity we've been waiting for. We all know one thing for sure: Change is reality, especially in government.

That's why the STEP Program – the subject of this guide – was designed. STEP is a process for managing change.

STEP itself is an experiment in change, in innovation.

While change and innovation aren't always the same thing, we'll treat them that way in our discussions here and throughout the guide.

What is innovation? Any government employee will tell you it's what happens every time there's an election. We could also say that innovation is:

- The application of new ideas in an old setting

- The application of old ideas in a new setting

Demographic trends provide us with an immediate reason for innovation in government:

(1) State and local government employment and spending are slowing down.

After considerable growth in the 1960s and 1970s, spending and employment rates in Minnesota state and local governments have slowed significantly in the 1980s. In this decade, we have seen the lowest increases in state government spending in more than 20 years. Since 1980, the average annual growth rate of state agency expenditures has been significantly less than the average annual rate of inflation in Minnesota.

(2) Customers of government have higher expectations than in the past.

State and local governments' constituents are unwilling to reduce their demand for most services but are also unwilling to pay increased taxes or fees. There is also a larger demand for quality services.

(3) The work force is aging, and government is maturing.

The average age of the work force in Minnesota has been increasing. Large numbers of employees hired in the late 1960s and throughout the 1970s are reaching the top levels of their classifications and salary

ranges. They've been doing the same jobs for a long time, yet have less chance for mobility and promotion, because the turnover rate in state government is the lowest in 20 years.

(4) Private and public organizations are converging.

In part because a lot of private organizations are service organizations, and in part because private organizations are facing the same environmental factors – increased competition for revenues, increased demand for quality, an aging work force – the problems public and private agencies face are becoming much more similar. There is a greater need and a greater opportunity to share experiences and knowledge.

At the same time, some private-sector service organizations are decentralizing their programs, moving them to the local service areas where the economies need the immediate boosts in employment and spending. While helping the local economies, this decentralization can't hurt the service organizations either, gaining good will, easier identification of potential clients, and lower operating costs outside metropolitan areas.

A call for change

These trends call for change: government needs to rethink its missions and the services it provides; closer relationships with clients, constituents and legislators are called for; alternative resources, for instance fees or partnerships, should be considered; cooperation across agencies will become more important; and strategies must be devised to improve productivity and service quality, and to foster innovation.

Although change may be a given, it's not an automatic process. It must be skillfully guided, or its effect could be negative. Government workers who resist change will be left behind. Workers who look forward to change will have the advantage, but they, too, will meet barriers.

The barriers to change are countless. It's hard to do. It takes time and resources. In the short term, the regular work may suffer. Innovation challenges a staff's confidence and stability. Innovation is perceived as having no rewards.

A new approach

That's why an entirely new approach to managing change has been introduced to state government, and is earning a respectable track record. Because local governments are undergoing the same kinds of change, this new approach to dealing with change can be used there, too.

This new approach promotes innovation as a way to produce measurable improvements in the quality, quantity or cost-effectiveness of state government programs. It's called STEP, for Strive Toward Excellence in Performance.

First, a little background

In 1982, Minnesota, like the rest of the nation, was in a severe recession. Companies all over the state were closing down. Businesses that had the strength to survive were cutting back to the essentials. People were being laid off from their jobs, and couldn't find work.

It was an election year in Minnesota. One gubernatorial candidate had served two years as governor in the late 1970s. Rudy Perpich had a reputation for demanding economy in state government, and efficiency, and productivity: key words to taxpayers tired of supporting special legislative sessions called to raise their taxes in order to handle financial crises.

That fall of 1982, Gov. Perpich became the people's choice.

The Department of Administration, the state agency responsible for implementing many of the governor-elect's productivity programs during the late 1970s, began to prepare for change.

"Start brainstorming," someone said. "Let the word 'productivity' guide you. And don't forget the word 'efficiency.'"

The staff began analyzing prior productivity initiatives in Minnesota and obtained information about contemporary federal and state programs.

The seed named STEP had been planted.

Ten years earlier, state government had tried a different form of productivity improvement. The acronym for that effort was LEAP, for Loaned Executive Action Program. Executives from Minnesota companies volunteered their time to study various aspects of government policy and procedure and to apply private industry's methods to them. While good ideas came from that program, they were met with widespread resistance from managers and staff alike, due to their "mandated" nature and "outsider" origins. Two years after the LEAP folks had left the scene, many of their suggestions had yet to be implemented, and the program had engendered lasting resentment among many inside state government.

More efficiency

In 1977, when Rudy Perpich became governor for the first time, the United States was in the middle of an energy crisis. Skyrocketing prices for fuel to operate motor vehicles and to heat homes and businesses were cause for concern. In places, fuel supplies were running low – no matter the cost. And it was January in Minnesota.

The governor took immediate action.

"Turn off every other light in state offices," he said. "Unplug those coffee pots and drink coffee from the vending machines. Turn down those thermostats to 65 degrees. Work 10-hour days four days a week so we can turn

down the heating systems over longer weekends."

Never mind the grumbling, the tactic worked. State government had taken a leadership role in addressing a statewide problem. Minnesotans everywhere read about the fuel (and cost) savings resulting from the Perpich methods, and applied them in their homes and work places. The fuel crisis wasn't over, but we made it through a long, cold winter and once again showed that Minnesota is indeed a special place with special people.

More productivity

The governor, encouraged by the success of his energy program, looked for ways to improve the productivity of state government. Before we knew it, there was the Task Force on Waste and Mismanagement, sending out forms for state managers to use in reporting their . . . well, their waste and mismanagement.

Probably the most memorable action taken by that office was its freeze on file cabinets. Someone decided there was too much paper shuffling in state offices. Purging was ordered, to be followed by shipping older files off to the State Archives, where their fate would be determined later. End result: empty file cabinets and no need to buy new ones.

The "freeze" on file cabinets continued into the mid 1980s, by which time most state employees had figured out a way around it, and the policy disappeared from the books.

While these "efficiency" programs achieved their immediate objectives, all of them failed to generate significant, lasting change in the performance of state government.

Which brings us back to STEP.

In January 1983, his first month in office, Rudy Perpich, as expected, indicated his interest in a productivity program for state government. The top executives of the Department of Administration had common interests in improved management methods. A decision was made to develop a productivity improvement program incorporating contemporary management practices, including those found in the private sector. In the year that followed, a preliminary design was developed. Then Sandra Hale, commissioner of the Department of Administration, announced the formation of STEP in early 1984.

Networking pays off

The governor had appointed Commissioner Hale, in part, because of her long-time associations with many of Minnesota's leaders in business, politics and the arts, and because of her reputation for strengthening the organizations with which she was associated. In discussions about her new position, she discovered a receptivity to her ideas about a statewide management improvement program.

A coalition is forged

Commissioner Hale also spoke with leaders of professional associations and academic institutions across the country, to discuss her interest in improving public-sector management. Among others, professionals at Harvard and Yale universities and the Naional Association of Public Administration, as well as Minnesota's Hubert H. Humphrey Institute of Public Affairs, offered her ideas for her program.

A coalition of business and political leaders was being forged in support of her program.

By early 1984, this coalition of advisers from the state and private sectors had refined the program design and Commissioner Hale could announce selection of the Steering Committee members, including co-chairs Gov. Perpich and William Andres, then chairman of the executive committee of the Dayton Hudson Corp.

Preliminaries

At the first meeting of the Steering Committee, co-chaired by the governor and Andres, the preliminary STEP design was approved and the program was given an official kickoff. Within the month, a STEP staff team had been formed within the Department of Administration's Management Analysis Division.

The new STEP staff asked state employees in general how they thought STEP should be designed.

What employees wanted

"Trust us."

"Rely on our expertise."

"Give us a chance to experiment."

"Cut the red tape."

"Champion our efforts: give us training and technical assistance. Provide us mentoring. Give us recognition."

"Give us time."

"Hold us accountable for the quality of the services; don't tell us to cut our budgets."

The challenge for the STEP staff was to design a program that addressed these concerns. The result is a radical departure from past public sector efforts to improve productivity: it trusts state managers and employees; it encourages risk-taking and innovation; it deals with long-term change; and it focuses on quality, not cost reductions.

Experimentation is a key notion in the design of STEP. Six hypotheses have been used in the process.

They are:

Closer contact and interaction with customers provide a better understanding of the customers' needs.

Increased employee participation taps the knowledge, skills and commitment of all state workers.

Increased discretion gives managers and employees greater control over and accountability for a bottom line.

Partnerships allow the sharing of knowledge, expertise and other resources.

State-of-the-art techniques enhance productivity.

Improved work measurement provides a base for planning and implementing service improvements and giving workers information about their performance.

Never tested

Some of these hypotheses have been tested in earlier productivity programs; the combination has not. While the LEAP project, the waste and mismanagement program and the energy-efficiency program may have worked in the 1970s, could they have worked better? Might the state employees have better accepted the programs if they had used another approach? Might those programs still exist today if they had been managed differently?

The STEP concept says, "Yes." Today's productivity program is working. There's a stumble now and then – experiments usually include some stumbling. But the major underlying theme to STEP spells out its own success: STEP is a process, it is for adaptation to existing systems, and it takes its lead from state managers. Each project manager guides the form and content of his or her project.

Ready to begin

With the basic tenets of the program on paper, the STEP staff was ready to begin work. In the late spring of 1985, the governor announced that the STEP experiment was ready and called for project proposals. In the next two months, more than 300 project ideas were generated within 23 cabinet-level agencies in state government. The agency heads narrowed the field to 84 nominations, and, in the summer of 1985, 37 proposals were selected by the STEP Steering Committee as Round 1 STEP projects.

Across the next 12 months, STEP project managers and participants were involved in several events designed to enhance their projects: two conferences, consultation and technical assistance activities, seminars, midpoint consultations, focus group meetings and training sessions. This first round of participants provided the STEP staff with the opportunity to test the strategies and assumptions of the STEP philosophy.

Round 2 projects were selected by the Steering Committee in May 1986, and now projects are selected on a quarterly basis. The next goal is to decentralize the program. STEP staff will work with agency heads and liaisons to assess readiness, prepare staff and establish programs in at least two state agencies by the end of 1988. These pilot agencies can then be used as models for further decentralization.

In September 1986, after being selected from 1,347 applicants as a finalist in the Ford Foundation/Harvard University Innovations in State and Local Government Awards Program, STEP was named one of the 10 winners. The grant funds are being used to document and evaluate the program and to develop the materials needed to transfer the program's model and methods to additional state agencies and managers, other public jurisdictions and nongovernmental organizations.

About this guide

This guide is one of those materials intended for use by other public-sector groups interested in trying state-of-the-art methods of managing change. The guide begins with a comprehensive discussion of change, its nine phases and how STEP moves through them. A blow-by-blow history of STEP follows, alerting those people interested in implementing a program for change that it's painstaking, time-consuming and, yes, rewarding.

The chapter titled "The STEP Projects" presents all-encompassing material about the six STEP methods and how they have been applied in six state agencies. In-depth case studies are included, along with suggested titles for further reading.

The next chapter, "Lessons from STEP," talks about the STEP Program from the coordinating agency's viewpoint – its progress, its pitfalls, and how it recovered from missteps along the way. There were times when the department staff had to pick itself up, shake itself like a feather pillow, and proceed in the face of seemingly impossible challenges. But belief in the process kept them going. People who decide to undertake a similar program are advised to read this chapter twice.

The Project Directory lists every project initiated since the STEP Program began. Brief summaries of the project goals and how they were – or weren't – accomplished serve as further evidence of the variety of ways state government has addressed its needs for change. Some of them may serve as inspiration.

Last is a glossary, necessary because of the nature of any group trying something new – they create jargon of their own along the way. They're not new words. They're old words with new meanings.

Sometimes a guide is written so the creators can put it on the shelf and say, "There. That's done. Now we can move on to

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something else." This guide is different. The STEP Program is a product of Minnesota State Government. It's in place and it's being used every day. STEP isn't something that will ever be "done." Government isn't going to go away, and neither is change. The STEP Program makes both more appealing.

Chapter 1. Managing change

CHAPTER 1.

Managing change

One myth in the public sector is that it does not change. The reality is that the public sector is in a state of constant change. It changes when there are new elected officials, new political appointees, new economic conditions, new laws or regulations, new managers or new employees.

The degree of change may vary from a simple accommodation of a new employee's idiosyncrasies to the reorganization of an entire department. These changes are typically inevitable, introduced by outside forces and not necessarily voluntary. They're not necessarily well planned, either. The STEP program is different in one substantial way:

STEP is a process for planning and managing change.

The desired result of the change process is referred to in STEP as the "future state," meaning the envisioned new work environment with all aspects of the change in place and working.

The case studies in this guide present the results of several STEP projects that have undergone planned change. These case studies are evidence or proof that positive change can occur in a culture – government – that has a reputation for resisting change.

The case studies are important, especially to policy makers or managers attempting to introduce change in their places of work.

However, the temptation to simply duplicate the projects in the case studies may lead to superficial accomplishment or even no accomplishment. Positive change or transformation of a work environment does not happen without considerable effort and commitment of resources. Successful change does not happen because someone says so; the process of change must be managed in the same manner as the processes of any other operation – with attention to the bottom line.

The natural tendency is to resist change. This chapter is designed to help a manager break through that resistance and successfully manage change in the work place. The STEP Program is used to demonstrate one way to do this. In that respect, this chapter is a case study of the STEP program.

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Decision-making

A policy maker or manager has to make three fundamental decisions about any change.

The first decision, *what to change*, usually gets the most attention, and rightly so, since it may involve a new strategic direction, reorganization, realignment of resources, new staff or the use of a new technology.

For STEP, the subject for change is improving the quality, quantity and cost-effectiveness of Minnesota state government services. The STEP approach is to organize a series of separate and distinct changes in management procedures and service delivery systems. Determining what to change, generally speaking, is not that difficult. However, most productivity efforts go no further. For instance, previous state productivity improvement programs had clear goals, but resulted in a short-term flurry of activity with questionable long-term results.

The second fundamental decision in making change has not been as clear to most policy makers and managers in either the public or private sector: *how to effectively put the change into place.*

The STEP program was created as a process for doing just that within Minnesota state government. Although there are specific strategies or tactics in the STEP program that may meet the needs of any organization, no two working environments are identical, so adaptation is an important concept for the policy maker or manager reading this guide. The issues that are raised are of more value than the STEP program's answers.

The third fundamental decision in making change is *who will manage the change.* Again, change requires the same dedication of resources and operational plans as any other activity within a work place. In STEP, project managers manage change within their work places, and the Management Analysis Division of the Minnesota Department of Administration coordinates the change process and manages the STEP Program.

Critical issues

Although work cultures vary, certain forces must be addressed by anyone planning to introduce change into a work place.

There is the personal impact on the employee: "What does this mean to me?"

There is the political impact: "Who is going to make the decisions?"

And there is the economic impact: "How is this going to affect the budget?"

Throughout a period of change, these forces may surface and need attention. A manager of change, in order to be prepared to recognize and handle these forces without negatively affecting the change process, will plan for these critical issues:

- Deliberately selecting a future state that will meet long-term needs

- Providing quality service while changes are in process

- Building momentum and commitment necessary to set changes in motion

- Orchestrating all the resources for the change

- Caring for the human element – feelings of anxiety, resistance or excitement

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Phases of change

The STEP planning model includes nine phases for introducing and managing change.

Phase 1. Determine and create an awareness of the need for change

This phase is critical to the long-term success of any change effort. The Management Analysis Division realized that, for any long-term change effort to succeed, it must first identify its primary audience, and then involve it in the change. In the state of Minnesota, mid-level career managers are the primary audience, since they have a continuing influence on operations and are the link between the employees and state management systems.

MAD involved the target group through individual and group interviews. Formal and informal networks of employees were used to clarify the rationale for the change and to begin the buy-in process by clearly communicating a positive vision of the future. Two things were learned during this process: that there are external and internal forces affecting state government work that would provide impetus for change, and that employees see positive benefits to change, if it's managed correctly.

Phase 2. Assess the work environment before designing the change

When it is determined that there is receptivity to change, the next phase involves gathering data to use in designing the change process. Again, MAD relied on the insights and observations of the target audience, or customer, to collect the data. The information gained during this phase became the backbone of the STEP program. The following givens of the STEP program evolved from the process:

- The program must emphasize long-term results, not short-term fixes

- Budget considerations (for example, being given more funding, or cutting costs) cannot be a motivating factor

- The program must operate with existing resources

- Participation must be voluntary

- Program ideas must originate from employees, not from top management

- The program must have top public and private-sector management support

- The effort must be seen as an experiment, so that failures are viewed as providing insights for future projects

- The people affected by the program must receive technical assistance and training

- Efforts of the program must be highly visible and promoted

- Line managers must be trusted and given the opportunity to apply creative solutions to improve productivity

- Private-sector assistance must be viewed as that of an equal partner, rather than of a superior, watchdog or critic

Clearly, similar sessions with employees of different work environments would result in different lists. The major point of this phase is that the affected employees of the planned changes were involved at the outset. This has several benefits: it begins to create a sense of ownership of the program before the program is announced, and it provides extremely valuable data that can be used in designing the change program. It answers many of the questions for the next phase of the model.

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Phase 3. Design the program

The next challenge in the planning process is to create a practical and workable program that will address the needs of the target population. The answers to the following questions will differ for each organization undertaking a change process. However, the questions are generic and necessary to a successful, long-term change effort.

What givens or constraints influence the design?

In STEP, one constraint was that the program must be operated with existing resources. This applied to both the STEP program and the projects operating within the program.

What criteria will be used to evaluate the design?

Here are some examples:

- **Purpose and strategy.** In the case of STEP, designing a productivity improvement program that would "make Minnesota the best managed state in the union" was the prime purpose.

- **Issues surfacing in the second phase of the planning process.** One purpose of this phase is to create an atmosphere of acceptance of change and to seek legitimate input into the program design. Addressing the issues raised in this process is critical to long-term success.

- **Political implications.** The issue raised here is not so much partisan politics, although it is a part of the issue, but "office politics," or how decisions are made and accepted or carried out.

- **Social implications.** In every organization, people work in established social patterns, such as the manner in which assignments are communicated, who has formal or informal power, and how priorities are established. The design of a change program must recognize how these patterns will be affected. Interactions which enhance the change effort should be used. At the same time, the plan should account for those which work against the change effort.

- **Technical implications.** The design must work within the current technical capability of the organization. The introduction of new technology in and of itself can cause major trauma in an organization. Where the introduction of radically new technologies is required, it must be carefully planned,

especially as it affects employees and their social interactions.

- **Resource implications.** Again, any initiative must function with existing resources. This given does not preclude creative ways of obtaining more resources. The STEP program relies heavily on loaned employees from other agencies, and on private-sector assistance. The design of the program must work within the realistic bounds of limited resources.

How will the final design decision be made, and who should be involved?

The answer to these questions is a strategic issue. To ensure that the program has a chance, it must be part of the established work within the organization. It cannot be viewed as a secondary, or add-on, program. Obtaining the support and commitment of major policy makers (governor, commissioner, mayor, city manager, county administrator, cabinet, council, commission)

is important if the program is to have long-term success.

In STEP, at least one significant project would never have been implemented if it hadn't been for the governor's enthusiastic and continuing support for it. In state government, an agency head's endorsement of a program and its consecutive phases is usually necessary for it to get off the ground.

How will the design decision be communicated?

Communication of the plan is as important as implementation of the design. Therefore, early thought on this question will allow the communications plan to build upon the momentum created in the first two planning phases. Frequent communication is important even when details of the plan are undecided. Left to their own imaginations, employees can be very negative about what they think is going to "happen" to them. Besides frequent, communication also must be honest.

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Phase 4. Assess the impact

Underlying the previous activities is the reality that something is going to be changed. The core of this step is to identify how the change will call for other changes in the work place, for instance, revised position descriptions or rearranged working spaces, to mention two that most employees bring up first. Perhaps several things will need to be changed or created to satisfy the design, of both the content (what) and the process (how), for the entire organization.

In order to achieve any goal, it is necessary to consider the following:

- Formal organizational aspects that will be affected, and how

    mission/strategy

    culture/values

    leadership style

    management process

    products/services

    policy/procedures

- Process implications that must be worked into the implementation strategy

    resistance, anxiety

    enthusiasm, celebration, inspiration, reward

    political and power dynamics

    shifts in values

This assessment process should involve as many affected people as possible, to leverage the greatest involvement and commitment to change.

The goal of the STEP program is to provide measurable improvement in the quality, quantity and cost-effectiveness of the delivery of state services. So, the design of the STEP program addressed these considerations in a comprehensive manner.

STEP is a voluntary program that relies on the knowledge and experience of state managers. The program is presented as an experiment that encourages innovation and risk-taking, and focuses on long-term change and on quality. The STEP experiment introduces six hypotheses to be tested in the manner of a scientific model: test, experiment, evaluate, adjust, test again.

The six hypotheses give employees a low-risk opportunity to voluntarily change the way they conduct their business. The assumption is that employees whose experiments with any of the hypotheses succeed will adapt them to their normal work activities.

The six STEP hypotheses

Closer contact with the customer will provide a better understanding of the customer's needs

This method creates an awareness that public-sector employees have direct or indirect customers. It gives employees a different perspective of their jobs, permitting an examination of how services are provided to the customers. New systems to meet customers' needs could be the result.

Increased employee participation taps the knowledge, skills and commitment of all state workers

This approach comes from the Japanese management style of relying on employees' expertise to identify and solve problems. It overcomes some of the shortcomings of decision-making in traditionally hierarchical work cultures.

Increased discretionary authority gives managers and employees greater control over and accountability for a bottom line

Good service delivery requires that the people confronted with the day-to-day issues surrounding customer service have the authority to solve customer problems as they surface. This approach is also intended to take full advantage of the knowledge and experience of employees by giving the manager the authority to respond to suggestions that make the overall system more effective.

Partnerships allow the sharing of knowledge, expertise and other resources

Partnerships are not a new concept in Minnesota productivity improvement efforts. But the emphasis in STEP is different: the use of partners is voluntary, and the partners may come from any sector – public, private or academic. Partnerships allow knowledge, expertise and other resources to be shared.

State-of-the-art productivity improvement techniques will enhance productivity

Government in general has been slow to use the latest productivity improvement techniques. This approach is intended to speed up the discovery and use of newer processes, materials and equipment.

Improved work measurement provides a base for planning and implementing service improvements and giving workers information about their performance

The concept of work measurement is not new, but it is not used uniformly in government services, where measures are more difficult to define and quantify. The data is used as a basis for planning and implementing services.

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Phase 5. Organize for change

All of the previous efforts are pulled together in this step, to prepare for implementing the change process.

Support structures

Transition or change manager(s). One or more people must be responsible for facilitating the change process, overseeing the developments and serving as a resource. In STEP, the Management Analysis Division serves this role.

Change committee or team. A group of people to advise on major policy decisions will lend continuity of direction to a program. The STEP Steering Committee, co-chaired by the governor and a leading chief executive officer from the Minnesota Business Partnership, serves this role in state government. The committee is comprised of representatives of business, academia, labor, private citizens, state employees and agency heads. The purpose of the committee is to provide credibility and visibility for the STEP program, and to bring a bi-partisan sense of the whole community to the issue of productivity improvement.

Formal and informal networks and representatives. Communications between the various people involved will be enhanced if a network exists. In STEP, each state agency head appoints a representative to serve as a liaison to the STEP program. The liaison's functions are to serve as a conduit of information to and from the STEP program, to promote the STEP program within the agency, and to serve as a problem-solver within the agency.

Resources. Funding, staff, equipment and supplies are critical issues. The STEP program operates without special funding from the legislature. The program takes advantage of a state personnel policy that permits employees to work on special projects in other agencies for a limited time. The STEP program has also raised money from the private sector.

Implementation strategy

Needless to say, putting the plan into motion is a critical strategic issue. A plan to introduce and manage change must consider all forces affecting that change.

A major force is the skepticism of the employees, especially those who have been in government for a while and are thinking, "Here we go again."

Because of this predictable factor, STEP activities began early and were made as visible as possible. This approach relied on the belief that any work environment has a number of individuals with good ideas (the

"innovators") who are just waiting for permission to try them.

Any long-run change effort will also call for "recruiting" those employees who are less adventuresome.

STEP has undertaken a two-pronged approach to phasing in its program. Initially, a widespread approach sought projects from all sources. This approach was taken to gain awareness and credibility for the program.

The STEP Steering Committee sought and obtained projects from all state agencies. These projects included several "sure" winners to serve as successful examples of change.

After the first year of operation, STEP moved to a more evolutionary pace. Fewer but more difficult and complex projects were undertaken. The lessons from the first round of projects are being used in these more complex projects.

Phase 6. Maintain the momentum

While initiation of the change process will invite the enthusiasm and creativity of employees who have been waiting for the opportunity to try their ideas, the problems of managing change will become more apparent after the honeymoon. As the manager attempts to expand the impact of the change effort, the following questions need to be answered:

- How will the change effort be monitored?

- How will communications be handled between the project group and other target populations?

- How will changes to the plan be decided and communicated?

- How will status be reported, and to whom?

- How will the lessons be shared with others?

In STEP, staff with different responsibilities engage in a continuing dialogue to assess the program's status. Periodic retreats and planning sessions give staff the opportunity to reflect on what has happened, and on what should happen. Annual assessments and evaluations have been made to determine customer responses and project performance.

This information has been shared with others involved in STEP through seminars, conferences and informal meetings, as well as through STEP's newsletter, *Update*. Formal reports are made to the Steering Committee, which is responsible for major policy and strategy decisions.

Phase 7. Celebrate the change

An important aspect of managing change is recognition of the changes that have been made. This step formalizes the process of celebrating the new work environment.

How recognition and appreciation for support of the transition will be demonstrated and what form of celebration or reward is appropriate are issues each

manager must determine, based on the organization's work environment.

STEP has recognized the changes that have been made by sharing project experiences and results in its newsletter, by involving experienced project managers in training sessions and conferences, and by formally recognizing completed projects.

Phase 8. Evaluate the change process

Since change must be managed in the same manner as any other bottom-line activity, the change process should be evaluated to learn from the experience. At the outset, these major aspects of evaluation should be determined:

- What criteria to use to evaluate the process

- Who will conduct the evaluation

- How the results will be used to ensure the greatest value for future changes

STEP project teams are asked to identify measurable goals for their efforts and to develop and share baseline and final data for these changes. They are also asked to document their experimentation by using the six STEP methods and to reflect on the effects of these methods. Within the program, staff members formally and informally evaluate its activities and their effects.

Phase 9. Fine-tune the process

An on-going guidance and support system will keep the effort responsive to its original intent. The manager should consider two points:

- How the learnings from the change process will be used to adjust to the program's needs

- How collecting and disseminating the learnings will be encouraged without making the employees feel like they're under surveillance

Fine-tuning the process ... reaching this point can mean a lot of calendar pages turned since Phase 1, where the need for change was first considered. But now the "future state" is "today." The challenge has

been met and a significant change has been put into place.

Change has been implemented in myriad ways over the centuries. One of the newer ways is through the STEP Program, a process for managing change that is working in Minnesota state government and can work in other areas of the public sector.

This guide talks about projects which have used the STEP process to make changes. It tells of the stumbles along the way, the missteps taken during the experimental stages. More important, it tells of the long-term successes achieved by using the STEP process, and why such success was possible.

Minnesota's STEP Program began as an experiment and continues to operate along experimental lines. It emphasizes the importance of including from the beginning the people who will be involved in managing the change process, and it stresses the idea that there are no mistakes in an experiment – that every move is a learning experience. That's STEP, perhaps the biggest change of them all.

Pieces of wisdom for managing change

- Employee ownership of the change is a must

- Change must be visibly promoted by top management

- Change must have visible and effective results

- Change takes a long time

- Mistakes must be considered opportunities for corrective action or refinement

- Training and technical assistance must be provided

- The change process must be managed

- Any change must have a clearly stated, realistic goal

Chapter 2. The STEP program

CHAPTER 2.

The STEP program

You just can't keep a good thing quiet. Even Minnesotans, known for their reserve and humility, have to admit that their own state government has come up with something it can't keep to itself.

Over the past several years, representatives from other states and countries have heard about Minnesota's new program for managing change and have visited Minnesota to see for themselves.

Many of their questions have been about STEP's background – what got it rolling,

Chapter 1 provided the theoretical framework for the planning and management of the STEP Program. This chapter outlines what, in practice, was done to formulate, design, operate and refine the program.

In reading Chapter 1 and learning about the nine phases for introducing, planning and managing change, the phases might appear to be chronological; in reality, they're not. Introducing and managing change requires constant reassessment and realignment. This chapter illustrates how some phases occurred simultaneously in the creation of STEP, how some were repeated, and how the process of reassessment and realignment worked.

what management theories were used, what its goals and objectives were.

More of their questions are on the practical matters – who was involved, how the program developed, how it operates and what's next.

If we're going to share this good material with people from Washington State and Australia, we thought we'd better share it with everybody.

Who was involved?

The STEP Program began in a discussion between Gov. Rudy Perpich and his commissioner of administration, Sandra Hale. Commissioner Hale's ties to the business community and her reputation as an innovator, combined with the responsibilities of her agency, made the Department of Administration a natural home for such a program.

Her department managers and staff had been involved in earlier productivity initiatives and were already developing the consulting skills needed to design and operate a government-wide initiative.

Commissioner Hale's discussions with department staff, particularly in the Management Analysis Division, began early in her tenure. Discussion and research went on for a year, when, in early 1984, she announced the formation of a new initiative called STEP.

She chose the Management Analysis Division, the state's internal management consulting group, to help develop the program. Commissioner Hale and the MAD staff expanded the network of people involved in preparing the program, meeting informally with other state managers and private-sector leaders.

STEP foundations

Major contributors at this stage included Commissioner Hale; Babak Armajani, assistant commissioner of administration; Don I. Wortman, fellow at the National Academy of Public Administration and long-time federal manager; Peter Hutchinson, vice president of the Dayton Hudson Corp.; William Andres, chairman of the executive committee of Dayton Hudson; Jay Kiedrowski, deputy commissioner of finance; and two MAD employees, director Terry Bock, and Jean Erickson, also president of the American Society for Productivity Improvement.

It was at these early meetings that the cornerstones of STEP were laid.

Responsiveness to customers was a key issue to William Andres, who eventually served with Gov. Perpich as the first co-chair of the STEP Steering Committee. Andres was unsure how the concepts of customer service might be translated from a retail setting to the public service area, but he believed – and persuaded others participating in this formative stage – that this was a crucial issue for STEP to address.

Change from within was stressed by state managers, especially those who remembered previous state productivity efforts which had come from the top or the outside, but seldom from them.

Focusing on long-term changes, rather than on quick fixes was recommended by Hale and Hutchinson. For STEP to make a meaningful difference, they knew it would have to focus on changing basic management values and practices. To encourage risk-taking, experimentation and learning, a generous amount of time would have to be allotted.

Cutting red tape was a clear imperative from all sectors, but especially from Don Wortman, who had co-authored a National Academy of Public Administration study on red tape in the federal government. The external perception of red tape and the internal reality of being hamstrung by it converged on this issue.

Work measurement as a tool for assessing needed change, giving employees feedback

on their work, and tracking operations was Armajani's contribution. He felt strongly that identifying a base line for measuring change would give managers and employees a better sense of their progress and a useful tool in identifying operational needs.

How was it developed?

By late 1984, the principles had been established. Events shifted into high gear to perfect and design the approach, and to begin in earnest.

Commissioner Hale, with her many contacts in Minnesota business, politics and the arts and with academic specialists in public administration, had formed a coalition of professional people interested in and supportive of her efforts to improve management in the public sector. This coalition helped design the basic program and, ultimately, advised on the membership of the STEP Steering Committee.

The Steering Committee was designed to:

- Provide a visible symbol of approval or sanction for the STEP Program and, eventually, for its projects.

- Involve some of the major STEP supporters in the public sector – the governor, commissioners, labor and their representatives – and in the private sector, including the Minnesota Business Partnership and

members of the private non-profit community.

- Set the program direction by affirming the goals, objectives and methods of STEP, and by selecting the projects to participate.

- Reinforce the "global" nature of STEP: while each STEP project may deal with a finite, focused issue in a single agency, the STEP Program is designed to promote long-term fundamental changes in state government's management values and practices.

- Provide a forum for solving problems which might arise in the STEP projects. (For example, potential conflict between a proposed change and current language in a labor agreement.)

- Provide support and continuity for the program from administration to administration.

Committee begins work

The 22-member Steering Committee first met in February 1985. The committee approved a program design incorporating pilot projects suggested by state employees to test the six hypotheses. After a two-year trial of STEP, the Steering Committee would evaluate its progress and determine its future direction.

Only then would STEP be introduced on a wide scale to state managers.

In the following weeks, STEP staff met with state managers in focus groups to hear their reactions to STEP as it was envisioned. The managers subscribed to most of the program, but asked for even more emphasis on a non-bureaucratic approach and on broad discretion for project managers, including whether to use outside partners. Their needs were incorporated into the design.

In March and April 1985, a STEP staff team presented the STEP Program to agency heads and other top management of the state's 23 cabinet agencies. Each agency appointed an agency liaison for STEP and developed an internal process for soliciting, reviewing and selecting STEP proposals. There was even a contingency plan for employees to bypass the usual chain of command: they could submit their proposals directly to their agency heads if they thought it would improve their chances of acceptance.

First-round projects

Between May and June, more than 300 proposals were generated by managers and employees in state agencies. STEP staff made presentations to groups of employees, did one-on-one recruitment of projects, and provided help in writing proposals. Proposals were one- or two-page memos describing the problem to be tackled and the STEP methods to be used. After agency head screening, 84 proposals were sent to the Steering Committee.

The Steering Committee and staff reviewed the proposals to see which would best test the STEP hypotheses. During this round, projects were required to test at least one STEP hypothesis.

Selection criteria

Other criteria for selection were the proposals' potential for transferability, innovation, improving interagency coordination and involving teams. Informally, the committee also took into account project variety, do-ability and representation across agencies.

By the end of July, 35 projects had been selected. Many proposals not selected by the committee were implemented by their agencies, which didn't want to lose their potential benefits.

Meanwhile, the STEP staff was gearing up for operations. Throughout early 1985, the staff consisted mainly of MAD's executive director, an analyst on the MAD staff, and employees on loan from other agencies, an approximate complement of 3.5 full-time equivalents. In the summer of 1985, STEP recruited more loaned staff, and MAD staff members were assigned to spend a portion of their time on STEP activities as well, raising the complement to about six.

STEP staff held a project manager training and orientation session in August 1985, including information on STEP and training in managing change and identifying customers. Most projects began operations about this time.

'Hands-off' approach

STEP staff were assigned to work with four to five projects each. In light of state managers' desire for a non-bureaucratic program, staff decided to take a non-directive, non-interventionist approach, providing support and assistance as it was requested.

There were no formal, up-front agreements between STEP staff and projects on what services were to be provided, and no formal or scheduled communications. The sole obligation of project teams was to pick one significant factor to measure, and to report the results when the project was accomplished.

MAD staff was to be available, upon request, to provide frequent, ongoing training, as well as to assist by recruiting partners, providing advice and technical assistance on the STEP methods, helping to cut red tape, problem-solving and promoting projects to gain support from top management and others.

However, MAD's other staff responsibilities included priority studies requested by the legislature and the governor. The STEP staff

complement varied according to those other demands, delaying and reducing the level of STEP training and assistance at times.

A second meeting of STEP managers in December 1985 included sessions on evaluation, measurement and marketing. Several projects making significant headway were presented by their managers. The meeting also provided networking opportunities for project managers.

In developing the program, private-sector advisers and Steering Committee members underscored the importance of rewarding and recognizing managers and employees willing to increase their job duties by undertaking projects.

Business support

To express their commitment to this principle, the Minnesota Business Partnership initiated an annual award for "Excellence in Management in State Government" in September 1985.

The partnership, a group of 77 CEOs of Minnesota's largest companies, was formed in the late 1970s to enhance relations between business and government in the state. Greatly interested in effective government management, the partnership gave its first "excellence" award to the manager who best exemplified STEP principles. In subsequent years, the award has been open only to STEP project managers.

In November 1985, the Steering Committee approved its own recognition plan for STEP participants. It includes professional development and networking activities, social events, media publicity, letters of commendation and awards. The Steering Committee also recommended that employees' STEP participation be considered in performance appraisals and compensation and promotion decisions.

At its February 1986 meeting, the Steering Committee called for the second round of STEP proposals, to add a small number to the 30-some projects then in operation. Some first-round projects had come to early ends: several project managers changed jobs; one agency's major reorganization put its projects on hold; and stiff internal resistance to projects developed in several cases.

Proposals were solicited in February. A pre-proposal meeting for potential participants acquainted them with STEP and explained the proposal process. In April, the Steering Committee selected the second-round projects, bringing the active project count to 37.

Building awareness

Early in 1986, the first informal seminar was held, the newsletter Update began publication, a videotape about STEP was completed, and STEP staff hit the road to talk to state employees and outside groups, such as chambers of commerce and professional societies, about the program. These efforts were undertaken to build awareness and support for the program, to share learnings from projects, to recognize STEP participants and to recruit partners.

Six months had passed. Lessons from the first round were becoming evident. The lack of reporting requirements made it difficult to know how the projects were doing, which in turn made reporting to the Steering Committee and other interested parties difficult. So, the STEP staff held a series of mid-point consultations to review project status and to offer planning or re-planning assistance between February and April 1986.

Need for training

A review of the information from these assessments and the new projects pointed out a need for training and assistance in marketing and work measurement. So, STEP arranged for Robert Hansen of the University of Minnesota's Carlson School of Management Marketing Department to give a six-session seminar on marketing public services. STEP staff also worked with the Honeywell Corp. to design a two-day training program on measurement and managing service quality.

To help the Steering Committee decide whether STEP should undergo major changes in 1987-1988, the staff conducted a participant survey and focus groups during the summer of 1986. In addition, the Steering Committee implemented a planning

process which involved committee members, technical advisers to STEP, participants, staff and representatives of the area's academic community. A series of focus group meetings, interviews and discussions were held to determine what was working, what wasn't, and how STEP should be changed. As part of these meetings, the premier teacher and practitioner of group dynamics and group problem-solving, Ronald Lippett, conducted sessions with the planning group itself and with STEP staff.

National recognition

In September 1986, Minnesota was notified that the STEP Program was one of 10 national winners in the Ford Foundation/Harvard University Innovations in State and Local Government Awards Program, from an original field of more than 1,300. To celebrate the award, STEP participants took an excursion on a local paddlewheel boat, funded by private businesses.

When the focus group meetings were completed, the 1987-88 strategic plan was created. The plan refined STEP based on the evaluations of its progress and experiences to date, and laid the ground work for operational changes to be made in 1987. The significant adjustments were a change to quarterly project selections, requiring projects to employ as many STEP methods as possible (rather than just one) and experimenting with decentralizing the program.

How does it operate?

STEP now operates according to the 1987-88 plan. This means that some adjustments were made in internal operations as well as in the schedule and process of soliciting, reviewing and selecting project proposals.

The new quarterly project selection system eliminates the timing problem for projects which shouldn't be delayed. Momentum is a major management tool for getting a project done. Putting projects on hold for six months to a year can mean an end to them. Quarterly rounds also fit well with agency planning and work cycles.

The proposal process has changed from submission of a brief project description to a three-stage process: submission of a proposal outline; participation in a training and development session; and presentation of a complete proposal which includes a description of the goals, objectives and general work plan for the project. The proposal is reviewed by a subcommittee of the Steering Committee. If the subcommittee recommends the proposal for approval, a staff person is assigned to work with the project pending final Steering Committee approval.

To be selected, projects must include as many STEP methods as possible, must use a team approach and must have a measurable outcome. Proposals are to be well defined and must demonstrate the agency's

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commitment. Fewer, but more challenging, projects are to be chosen.

While more complex than earlier versions, this process offers several advantages:

- The initial application allows STEP staff to identify and eliminate projects addressing policy issues, inappropriate for STEP involvement.

- The training and development sessions provide the project manager and team an opportunity to learn about STEP, as well as about customer identification and satisfaction, measuring quality in a public service setting, team building, and work planning. The sessions allow the team to draft a work plan, which includes defining goals and identifying potential obstacles.

- The quarterly cycle allows potential project teams to return to the drawing board for more preparation without fear of losing interest before the next round.

The work plan created during the application process can mean life for a project even it it's not selected for STEP. Once a project team has taken the initial STEP training, it can carry on the project within its own agency.

The STEP staff has stabilized with approximately five full-time-equivalent employees available to work with projects.

The responsibilities of liaisons within the agencies and their working relationships with projects have been refined. Liaisons play a more active facilitating, coaching and brokering role now. They meet regularly with their projects, and also help them gather data on their progress.

Each project requires a different approach, but commonly the liaison assists the projects by:

- Facilitating meetings to help the team work together effectively, providing advice to the project manager and arranging for team-building activities.

- Locating appropriate partners, seeking out public and private-sector individuals or organizations which might be interested in assisting the project.

- Furnishing additional information, training and assistance in STEP methods.

- Going to bat for the project by making contacts and facilitating interagency cooperation on behalf of the project.

- Creating networking opportunities for project teams through meetings, workshops and recognition activities.

Some project managers need and want little assistance; they expect only a link to the STEP Program (giving them permission to

proceed and to take risks) and occasional assistance with particular problems.

In other cases, the project manager may need more intense assistance, especially in multi-agency projects and those taking thoroughly new approaches. The average amount of time estimated for assisting each project is four hours per week, with the understanding that projects nearing completion require much less, and those just beginning require much more.

Each project team documents its project, measuring the effects of the STEP methods and changes in the quality, quantity and cost-effectiveness of services or products. Potential project teams are told at the initial training and development sessions about the requirement for STEP projects to gather pertinent information and to keep records. The information is important to project teams in order to document progress, demonstrate it to others and record learnings. It's also important to the STEP Program, in order to share the learnings with others.

In 1987, a comprehensive evaluation was made of all active and most closed STEP projects, through group interviews with project managers and team members, surveys and in-depth analysis of six STEP projects as case studies for this guide.

In 1988, STEP liaisons will conduct quarterly update interviews with their project managers and teams, and final interviews when projects are completed.

STEP has been conducting monthly seminars for participants on a variety of subjects, including statistical process control, nominal group process and team building. These sessions also serve a networking need, providing a forum for STEP participants to meet with one another.

What's next?

The 1987-88 strategic plan calls for a pilot project to test decentralizing the STEP Program to individual agencies. Under decentralization, STEP would support agency program teams rather than specific projects, maintaining only a core of central services for agencies.

Discussions will begin in 1988 with several candidate agencies for this decentralization. The agenda will include staffing for in-house STEP programs, training needs, structure and procedure for running internal programs, and the advantages and disadvantages of decentralization.

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Chapter 3. The STEP projects

A comprehensive presentation of the six STEP methods, what they are, how they've evolved, and how to use them in managing public-service programs today.

Includes case studies of six STEP projects, high-lighting what went right, what went wrong and what they achieved. Some introductory remarks, page 1.

CLOSENESS TO THE CUSTOMER

Pay attention to what the customers want, and give it to them when you can. How the Department of Natural Resources built up park use by giving the customers what they wanted, and making sure they knew it.

EMPLOYEE PARTICIPATION

Involve the employees and achieve positive change. How the Department of Health found better ways to manage a program's workload and budget by including the staff who had contact with the customers.

MANAGERIAL DISCRETION

Take risks and get things done. How employees from the Departments of Finance, Jobs and Training, Revenue and Trade and Economic Development, the State Planning Agency and the Metropolitan Council joined forces to provide a coordinated answer to a major dilemma.

PARTNERSHIPS

Think in new ways about the relationships among business, government and the community. How the Department of Human Rights formed partnerships with private businesses and citizens to implement a program for testing allegations of discrimination.

PRODUCTIVITY IMPROVEMENT

Use resources so that more — or better or different — goods and services are available at the lowest cost. How the Department of Agriculture made one of its programs more productive, and how they avoided doing it 92 times.

WORK MEASUREMENT

Use this tool to see how closely the results match the performance you wanted. How the Department of Public Safety measured the results of a variety of initiatives to see if its customer-service aims were being met.

CHAPTER 3.

The STEP projects

In this chapter you will learn — in detail — about the six STEP methods. Each section concerns one method and begins with a discussion of its meaning and history, how it came to be a STEP method, and why it's important. This part serves as background for the next part: the case study.

Of the 50-some STEP projects begun since the program's inception, six were selected for this chapter as examples of a particular STEP method. Most project teams have applied more than one method to accomplish their goals; some have used them all. But each demonstrates the application of a particular method for easing the change process in state government.

The case studies

First, you will read about the Department of Natural Resources' unique marketing program to increase the use of state parks, using the Closeness to the Customer STEP method.

The next case study shows the significance of Employee Participation, where staff at the Health Department's Program for Services to Children with Handicaps worked together with top management to streamline their paper processing.

Managerial Discretion — based on the idea that everybody is manager of at least his or her own job — is applied by the Economic Resource Group, a coalition of six state agencies that has grown to encompass economic analysts throughout the state. Here is a case study that exemplifies the value of all STEP methods.

Next is the Department of Human Rights' project, where Partnerships with several businesses and private citizens opened the way to use a state-of-the-art method of testing for discrimination.

The Soil and Water Conservation Board project — dealing with the age-old bureaucratic problem of lack of coordination — demonstrates how Productivity Improvement can allow everybody to spend more effort on the really important parts of their job.

In the last case study, about the Department of Public Safety's STEP project, you will read about a number of smaller tasks applied to improve customer service, and how Work Measurement of these tasks was key to the project's implementation.

Some of these projects are more appealing and some are routine. But to the people involved, and to their customers, all of them were projects that made day-to-day public service more responsive.

For the employees, the projects added some pizzazz to the time they devote to working for the common good. The projects have enriched the profession as a whole as well as the jobs of individual people. Best of all, they've sent a message to the public and to other government workers: public service,

government, bureaucracy — call it what you will, but its people are willing to change, if the public's going to benefit.

There's more

Following each case study, there are five more parts for the reader whose interest has been piqued. First, a part called "What we learned," where the project team members and STEP staff talk about the project and assess the value and implications of each STEP method and a couple other factors — the work environment in which the project was conducted, and the STEP Program itself. There are some surprises in this part. The project team and the STEP staff on occasion didn't agree on the value of each factor. Which is O.K. With the STEP Program, part of the magic comes from a variety of people putting together their different thoughts and ideas.

Next there's Endnotes, more discussion about the STEP method and what the literature has to say about it.

Other brief parts of each section are a list of "tools" used by many STEP project teams to accomplish their tasks, four summaries of other STEP projects using the method under discussion, and, last, suggested reading for those innovators we've hooked.

Moving on

Nothing in this chapter is gospel. Each section tells how it's possible in the public

sector to act on the belief that positive changes can be made and how goals can be achieved by using a currently accepted management principle.

Given the speed with which change is occurring in this last half of the 20th Century, who knows what direction the STEP Program will take into the 1990s. But, like the quality circles of the '70s and the customer orientation of the '80s, we know a good thing when we see it.

As a catalyst for change, the STEP Program is making its mark and will evolve on a basis of experience and success as our government work and its basic tenets move into the future.

Employee participation

Employee participation means involving people in more than their ordinary job tasks, or extending their jobs to give them more authority and responsibility for their work. While usually discussed in terms of line employees, the reasons for participation also apply to supervisors and managers. So do its advantages.

Employees' participation may be increased in relation to their individual jobs, work units or the organization as a whole. Increased involvement may be anything from better employee communications to self-managed work teams or, in the private sector, to some form of employee ownership. It may represent a radical change for a rigidly structured and hierarchical organization or may be a slight change in other environments.

Many options

Increasing employees' involvement through formal, systematic approaches, such as quality circles or suggestion systems, can affect an entire organization. Or it may come through a single supervisor's willingness to ask employees' advice, to form a work team or to let individual employees define how to carry out an assignment.

Whichever approach is used, the key ingredients to successful employee participation are managers' practices and attitudes and employees' willingness to involve themselves more fully in the work place.

Increasing employees' involvement is a management initiative. It doesn't mean that managers lose their authority or relinquish responsibility for decisions. It means that managers empower others to share more fully in the organization's activities by giving them information, skills, opportunities and encouragement.

Employees above all

Involving employees is a prime way to demonstrate a manager's belief that people really are the most important resource. Employees count for more than just their numbers, do more work and have more skills than are described in position descriptions, and influence the work environment in more ways than the organization chart shows. In spite of the costs and the effort to deal with resistance, greater involvement can directly benefit the organization and the individuals in it.

Increasing employee participation in any way from information-giving to decision-making can help an organization meet its objectives, serve its customers, manage its resources, increase productivity and reduce risks. This happens because employee participation brings more information and skills into the management process. It furnishes a richer mix of alternatives to consider and increases employees' willingness and opportunities to contribute.

While increasing employee participation can be difficult in any situation, the public sector

may have some advantages. The tradition of public management has required skills in dealing with diverse groups, competing perspectives and interests, and collective decision-making.

Diversity helps

Much of public management requires gathering information from multiple sources and being able to assess the impact of decisions. Internally, public management involves dealing with diverse work forces. Authoritarian or arbitrary management practices are limited by merit system requirements and collective bargaining agreements.

Program complexity, work demands and specialized staff expertise require public managers to obtain information from staff and involve them in decision-making. Essentially, public management is based on the skills and methods of participation. Consciously using those skills may make it easier for public managers to increase employee participation.

Along with managerial discretion, employee participation was identified as a key method for the STEP Program because of its potential for improving the quality of customer service, operating decisions and systems, and the work life of public employees.

Increasing employee participation is also a critical component because employees are

essential to productivity improvement techniques. Employee participation is woven throughout the STEP Program. Employee representatives are part of the STEP Steering Committee. Projects are managed by employees from all job levels. Project managers are encouraged to form teams involving a wide range of employees.

The case study

The following case study was selected to illustrate employee participation for two reasons. First, employees and the project manager recognized that changes could benefit their program and work loads. And second, the project manager valued the contributions and knowledge of the employees. This project isn't sexy. But it's the stuff most of us spend our time on.

CASE STUDY:
EMPLOYEE PARTICIPATION

Services for Children with Handicaps

The system for paying health care providers at Services for Children with Handicaps had not kept pace with other changes affecting the program. Its process for determining whether and how much to reimburse the providers was cumbersome, and there was a backlog of pending transactions.

Program employees were aware of these problems, but hadn't had the time or a system for developing new procedures. Participating in a STEP project gave them the go-ahead to spend time developing new procedures, and a method for making changes.

But the project also posed a delicate problem for these employees: What if the changes they recommended led to staff lay-offs? Did they really want to streamline the very procedures that kept them employed?

Despite their concerns, they went ahead with the project and implemented a set of recommendations that greatly improved their services to families and providers. No lay-offs occurred, and a feeling was born within the program that change is possible.

Services for Children with Handicaps was created in the 1950s to bring scarce medical expertise to children with handicapping conditions. At that time it was located in the Department of Public Welfare (now Human Services). The program was moved to the Department of Health in the 1970s during a realignment of a broad range of state human services programs.

This change put Services for Children with Handicaps in a unique situation. Unlike other Health Department programs, its staff deals directly with families, not only with health care providers. As a program in which individual eligibility is based on income and medical conditions, its payment procedures also differ from others in that department.

A new connection

Over time, the program became more closely linked to Minnesota's Medical Assistance Program administered by the Department of Human Services. Federal regulations changed to allow Medical Assistance to pay for more clients and more services, so this program and Medical Assistance had more clients in common. State regulations tied Services for Children with Handicaps payments to those established for Medical Assistance. The Department of Human Services had automated and centralized its payment systems and established many procedures for medical providers. During these years, there was little day-to-day involvement between the two programs.

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In the two years before this project, the staff had made some major changes in service delivery and had developed and installed some computer capacity. But they were still bogged down in paperwork. The procedures required health care providers to request prior approval for every service. If the care wasn't authorized, it couldn't be paid for by Services for Children with Handicaps. This meant that every time a patient needed care, even if it was given regularly over an extended period, the program had to respond to a request for authorization. Because there were changes in appointment scheduling, treatment needs and other factors, actual payments were made for only 60 to 70 percent of the authorizations.

Paper weights

Account clerks, meanwhile, were required to review medical reports each time they paid a claim. The process of requesting and reviewing these reports took up a great deal of staff time, and delayed payments to providers.

Their system of adjusting payments to reflect insurance coverage was also slowing payments. Providers would bill the program for care before the insurance company had decided how much of the claim it would pay. The staff clerks had to set aside claims until they got the insurance information, creating a bigger backlog.

Services for Children with Handicaps was also looking for a better way to forecast program budget needs. It based its funding estimates on the amounts encumbered with the authorizations issued each year, even though many were subsequently cancelled. The forecasting system overestimated costs and risked tying up funds that couldn't be spent, instead of meeting more clients' health care needs.

In addition, claims were being charged to the fiscal year in which services were authorized, not when the claims were paid. Often by the time all the authorizations, medical reports and insurance information were received, the state had begun a new fiscal year. This required keeping accounts open well beyond the usual fiscal year cutoffs in the statewide system.

The beginning

Were there better ways to manage their workload and plan their budget? David Giese had this question in mind when he approached STEP with his idea for a project. Giese, assistant director of the Health Department's Maternal and Child Health Division, worked with Alpha Adkins, the Services for Children with Handicaps program chief, to develop the proposal. They suspected that the program's payment procedures needed improvement, a long-standing desire of program staff. The STEP Program, they hoped, would offer them a process for making changes. They also wanted STEP to offer the kind of support needed to overcome any employee fears that their jobs would be jeopardized.

A team approach

Giese gave STEP a project proposal, which was accepted, and work got under way. He met with STEP liaison Barbara Stromer, whose background at the Department of Human Services helped her see the potentials for change at Services for Children with Handicaps. They sought partners for the project — Giese pursued a lead to Marvin Lind at Northwestern National Life Insurance Co., and Stromer identified Gordon Mautz and Solveig Doran as partners from Human Services.

They put together a team of 10 members, including five from the program staff, the three partners, David Hovet from the Health Department's Bureau of Administration, Giese, who was the project manager, and Stromer.

The first meeting set the tone for the team's work. At almost every point in the descriptions of each system, one member or another raised questions, and explained what was different in his or her system. There was openness and excitement as members tested the feasibility of adopting another's approach. The Health and Human Services members were pleased when Lind praised some of their methods. The team decided to focus on changes in payment processing. The first item on the team's agenda was to compare the program's payment system with reimbursement systems at Human Services and Northwestern National Life. Each group supplied flow charts illustrating their procedures, and the team visited Human Services to see its system in action.

As the team began generating ideas about how to improve payment procedures, some possibilities for change became clear. The number of authorizations could be reduced. On-line access to Human Services' records could determine which of the program's clients were eligible for Medical Assistance. A standard invoice form could be adopted. Human Services could calculate certain payment rates that were impossible for the program staff to do manually. And Human Services could regularly supply updated schedules of its Medical Assistance rates.

Most of these suggestions wouldn't radically change the way claims were processed. But they would streamline activities and facilitate cooperation with Human Services, which already had procedures in place.

Getting into the act

These initial ideas didn't come exclusively from STEP meetings. Team members brought ideas from their co-workers and suggested changes were taken back and tested with other staff members, as well. As team members shared the information from the meetings, their co-workers could get an idea of the effect the changes would have on their work and jobs. Involving the staff who had direct contact with providers was essential to keeping a customer focus in the project.

After spending a number of meetings gathering information and comparing payment procedures, the group went through a process of "goals clarification." With the preliminary information-gathering done and the alternatives explored, everyone was prepared for change. The team then got down to developing a set of formal recommendations. They were:

- Issue blanket authorizations for a specified length of time, instead of a separate authorization each time care occurs. This change meant that families and providers did not have to contact the program as frequently and had a better idea of what services the program would cover over a period. In addition, it meant that the staff had fewer transactions to process.

- No longer require that medical reports routinely accompany claims, except in specific cases.

- Ask providers and families to work together to bill the program only after insurance claims are settled, following the practice of Medical Assistance and giving providers just one set of state rules to follow.

- Distribute a standard invoice form for all providers to use — the Medical Assistance form most providers are already familiar with — to give the staff all the information they routinely

need and to reduce the number of follow-up inquiries to providers.

- Ask the Department of Human Services to provide reimbursement rate schedules on a monthly basis, so that payment rates will be current.

- Ask Human Services to identify which Services for Children with Handicaps clients are also eligible for Medical Assistance, using a special contact person over the phone to avoid breaching confidentiality through computer access.

- Contract with Human Services to calculate Diagnostic Related Group rates for hospital care and reimbursement rates for medications, equipment and supplies.

- Continue working with Human Services and explore ways to expand the cooperation.

While the team was working on payment processing, Giese asked some of the members to work with him on the forecasting problems. This smaller group met with the Health Department's director of statistics and the Department of Human Services' director of reports and statistics to explore alternatives. Using this information, Giese and Hovet recommended a new budget forecasting method. They suggested abandoning the practice of estimating expenditures for the coming year on the basis

of authorizations issued in the previous year. A better system, they decided, was to calculate the average cost per case based on the medical condition and services required. They also recommended that claims be charged to the fiscal year in which payment was made, rather than the year care was given. This would improve the timeliness of financial reporting, and give staff more accurate information about annual spending patterns.

By this point, all staff members had a good idea of what was going on at the STEP team meetings. The extensive communication between team members and other employees was visible everywhere in the team's recommendations.

Getting comfortable

Financial supervisor and team member Ellen Heit said that, like a lot of the employees, she was apprehensive at first, but felt better as she saw the kinds of changes being suggested. She said the rest of the staff became more comfortable with the new procedures when they saw the backlog shrink. "No one is afraid of losing their job," she added, "because there's still plenty of work."

David Giese said the project simply couldn't have been successful without employee participation. First of all, he said, the existing system was so complicated that only the people using it were qualified to work on improving it. Moreover, those people had been interested in making changes for a long

time before the STEP project came along. In the second place, he said, administrators can't always hand out orders and expect them to be carried out if employees haven't had a chance to shape those directions. "There had to be ownership in it by the people who were involved in the work." Finally, he added, "Change is always threatening." He and the STEP liaison had anticipated the staff members' anxiety from the outset. He said, "One way to encourage risk-taking and at the same time minimize the anxiety associated with it was to provide an opportunity to participate in the project, and in that way to give them some sense of control over the outcome."

Enthusiasm

Team member Janet Olstad welcomed the opportunity to be involved in the project. "I like change," she said. The changes were not terribly controversial, she added, and had the support of staff and their superiors, all of them interested in improving things. In addition, she pointed out, the most threatening recommendation has not been implemented. The Department of Human Services has not started calculating Diagnostic Related Group and other rates for Services for Children with Handicaps because it would be too costly to incorporate these into their current payment processing systems. They can include these when they redesign the current system. If that happens, Olstad said, it raises the questions, "If Human Services can do this, why can't they do all of it? Then what happens to us?"

The employees who participated in the project agree that it created a "climate for change" that hadn't existed before. Olstad also enjoyed the team experience because it was a break from her assignment of authorizing care, which had little involvement with people. She said she valued the opportunity, rare in a bureaucratic system, to be creative on the job.

The health commissioner had approved the initial proposal and was kept informed about the STEP team's progress. She didn't have to be "sold" on the recommendations when they were made. So, the team went to work right away.

Besides the changes that staff had to adopt, providers and families had to be taught how to use the new forms. The staff now makes payments in two weeks, while it used to take a month or more. Providers have responded by calling program employees to let them know how well the new system is working.

Client payments improve

The new blanket authorizations mean that, while fewer authorizations are being made, fewer claims are being denied. The new procedure has eliminated the danger that payment would not be made simply because Services for Children with Handicaps had not been notified in advance.

And rather than eliminating jobs, the streamlined procedures allow employees to spend their time on other tasks, like studying insurance settlements and determining how much insurance policies should cover.

The new relationship between Services for Children with Handicaps and the Department of Human Services is also having an effect. The cooperative procedures with Human Services have saved staff time. Staff from Services to Children with Handicaps have relayed providers' comments about payments to Human Services staff who, in turn, have used that information as they review rates.

Future successes

The two departments have also started to discuss other ways to cooperate. Human Services is beginning to redesign their medical payments systems and plan to include Services for Children with Handicaps in their needs analysis. Giese has begun discussions with Medical Assistance managers to explore ways to include more Services for Children with Handicaps clients and services in the program. To the extent that these changes can be made, federal reimbursements will increase and state funds will be freed for other purposes.

Their positive experience with the project has created a new quality in the work environment. Staff members said that they now think creatively and look at work tasks to see if they have the potential for constructive change. One person has suggested a STEP-like review of procedures every three years.

EMPLOYEE PARTICIPATION

Lessons from the Services to Children with Handicaps project

This project's partners and the program's employees themselves were the elements critical to the project's success, according to the project team and STEP staff.

Employee participation This was the most significant factor, according to the project team. They attributed the major effects to the employees' need for change before the project started, and to the ways in which the project manager obtained employees' reactions to alternatives and involved them in day-to-day project activities. The team also observed that STEP was a mechanism for involving employees in change and that the impetus toward change and creativity has stayed with the group.

Partnerships The team and STEP staff found that the partners from the insurance company and the Department of Human Services were crucial to the project's results. The STEP staff rated this method higher than the team members did. The staff felt that multiple partners who were knowledgeable and willing to help were fundamental to the results. The team members focused on the specific ways in which the partners' knowledge was useful, such as comparing three systems and exploring alternatives.

Productivity improvement Actions that enhanced productivity were significant to both groups. The team stated that productivity improvement was one of their goals and that they knew they had made progress since the backlog had decreased and payments were timely. The STEP staff noted that some of the productivity improvements were particularly significant because they were the result of shared efforts by two state agencies.

The STEP Program The project team called STEP's involvement significant because it gave the project the credibility it needed to attract partners and because staff helped locate the partners. A second aspect of STEP's importance was the way in which STEP was a mechanism for change, creating an atmosphere which encouraged risk-taking and creativity.

Closeness to the customer The groups had similar rankings on the importance of the project's goal to improve customer service and to know who their customers were. In addition, the project team thought it was important that staff input about customer complaints was used to identify problem areas and develop new procedures.

Managerial discretion The STEP staff ranked this factor higher than the team did. Staff was most impressed with the way the project manager was willing to hand over the running of the project to team members while retaining his formal decision-making responsibility within the Health

Department's authority structure. The team members also thought there were more options for managerial discretion in STEP projects because there was less perceived risk in looking at the status quo than there usually is. The project manager had a useful insight into the bottom-line risks of many changes — if it doesn't work, other options can be tried or the old way can be reinstated.

Conclusions

Taken together, the comments of the project team and the STEP staff indicated that the participation of people — as partners, team members or employees — was the critical element in changing internal administrative systems and interagency work sharing. The project team started with and maintained a clear focus on the customer groups that were involved. They increased their customer awareness during the project by getting information from the employees who had direct contact and by testing proposed changes with those employees. The combination of employee, team and partner participation resulted in operational efficiencies that supported improved services and the program's overall purpose.

This project demonstrates several general lessons about employee participation that have come from the STEP experience. Often, it is employees with the daily responsibility for activities who are best aware of problems, limitations and the potential for change. In these instances, they're probably ready for change. If so, fully

involving them and addressing their concerns are the next steps toward a successful project.

Equally often, employees — not managers — have the specialized knowledge about program operations. Managers who don't recognize that run a high risk of making changes that don't work or that have unintended negative side effects.

The Services to Children with Handicaps project also demonstrates the ways in which visible changes made in relatively short time periods can generate energy and creativity for additional initiatives.

EMPLOYEE PARTICIPATION

Endnotes

Employee involvement can influence how individuals feel about their work — their satisfaction with it and their willingness to give more than what's required to keep their jobs. If they have a choice, individuals usually join and stay with an organization because they believe in its purpose, see ways to contribute to it, and think they can also meet personal goals.

Participating in more-than-routine assignments — or having the ability to make decisions about their work — gives people more opportunities to contribute and makes them feel valued. Being involved and seeing the tangible results can improve the employees' work quality, working conditions and personal satisfaction.

The lore

Many employee-involvement stories tell of workers changing production processes or physical arrangements, improving quality and re-establishing pride in their work and membership in the organization.

Formal and informal measurement and information systems are often developed with employee participation. They provide workers with valuable feedback on their performance and influence on total results. In a participative environment, employees are more likely to get frequent personal feedback which acknowledges them as individuals. Feedback recognizes the significance of what they are doing, and gives them information for change.

The various forms of participation also minimize the extent to which employees feel like cogs in a machine. A more important aspect of employee participation is the extent to which it allows individuals to have some influence over what they do and what happens to them in the work place.

Reinforcing ties

Involving employees helps meet overall goals because it reinforces people's original reasons for joining the organization. Knowing about or being able to influence its direction increases individuals' commitment and their ability to direct their efforts toward the larger purpose. At the job level, participation keeps personal goals aligned with organizational needs. Similarly, knowing the broad direction also helps individuals make job-specific decisions consistent with those objectives. As people understand the total task and the inter-connections of activities, the management tasks of coordinating, communicating and monitoring are simplified.

Customer service can be improved through employee participation because employees are the most direct link with customers. Employees probably have the best information about what customers want and need. They may also be in the best position

to identify problems, to have good ideas about solutions, and to act most quickly to prevent or solve problems. If they have good information, employees influence customer satisfaction by referring customers more appropriately or giving better explanations. If participation itself or its results improve employee attitudes, customer service is also likely to improve.

Employee involvement can also strengthen the positive connections between individuals and informal networks and systems which support the organization's objectives.

A practical source

Employee participation can improve an organization's use of its resources and, therefore, its productivity. Employees can identify the causes of waste and inefficiency and the barriers to working more effectively. They often can create the most practical solutions to these problems.

When more people's knowledge and skills are drawn into addressing its objectives, the organization is improving its use of human resources. Productivity increases can occur in individual jobs and organizational systems when participation involves employees' knowledge, engages their interest and authorizes action.

When there are elements of uncertainty or risk in organizational activities, employee participation can minimize some of the hazards. Employees may be in the best

position to judge the effects of change on work, work processing, quality and customer satisfaction. Involving them can also identify the risks associated with their own reactions to changes and can allow problems to be solved in advance.

Costs and risks

Increasing employee participation may have some costs. It may take time for management to establish or re-establish trust with employees. There may be time and training costs so that individuals can get the information they need or can develop skills for working together and solving problems.

Group activities, at least in the short run, seem to take more time than independent action. Some of everyone's time will be diverted from the immediate tasks at hand.

If an organization elects to increase employee participation through a major, formal initiative, there may be short-run productivity losses because people are anxious about what the change means for them.

There are also some risks. There may be personality or value conflicts among employees or managers or between the two groups. Some questionable decisions may be made while people develop their judgments, roles or knowledge of the system.

As with any other change, managing employee participation means being aware of

the reasons for resistance to change. Employees may resist greater participation because they've lived through other management improvement programs that have come to nothing. Their past experiences may cause concerns about being taken advantage of.

Other roadblocks

There are also implementation issues in management initiatives to change attitudes as well as behavior. Employee participation isn't likely to occur without improved communications. However, these efforts can backfire if there's only a top-down information flow, if the tone is highly directive or if managerial styles or skills are inappropriate.

Employees may expect more from participation than is intended, for example, wanting to make final decisions when only recommendations are wanted. Or there may be barriers, such as legal or financial constraints, that prevent the organization from acting on employee initiatives. Cultural or environmental factors may also get in the way.

In the public sector, agency heads are visibly accountable for all actions of their organization. Frequently, they react to this by involving themselves in smaller decisions. In turn, staff and managers respond by pushing decisions upward.

Not for everybody

Individual differences also can explain disinterest in being more involved. Some employees are most interested in practicing their craft or profession. Others prefer working alone. Some people don't have a great deal of personal identification or ego-investment in their jobs. Still others adhere to traditional definitions of work roles and prefer to carry out assignments as given.

Managers and supervisors may be reluctant to become involved in, or actively support, employee participation initiatives because they haven't been included in the planning stages. Any new initiative may increase their workloads. New approaches to dealing with employees may be seen as denying the value of what they've been doing successfully for years. Employee participation may challenge their fundamental beliefs about why people work and how things are best done.

Workers may react by defending the current ways of doing things or by surfacing other problems they had tolerated before. Investigating problems may lead to a discovery that management hasn't been doing what it should. Or it may indicate problems that were more significant than imagined. Managers and supervisors also run the risk of being in the middle — stuck between employees who are motivated to change and organizational barriers.

How STEP helps

STEP project teams are given training and skill development opportunities so they can work together effectively on the project and apply what they have experienced to their on-going assignments. Many training activities have been designed for project teams and may give the groups their first experience in working together or in participating as peers. Frequently, participative approaches, such as brainstorming or delegating work planning to small groups, are demonstrated in these sessions. Skill development activities, such as project planning, problem solving and work analysis methods, are premised on participation and are designed for group rather than solo efforts.

The STEP Program is staffed by a wide range of individuals who work as a team. For state employees, a mobility assignment to STEP is an opportunity to participate in state government in a different way and to develop skills in participative management as project liaisons.

What we learned

So far, we have learned that the ideas, people and circumstances of STEP projects lend themselves to participative approaches. Almost by definition, project proposals have a scope beyond individual jobs. Most of the projects affect people both within and outside the work units sponsoring the initiative.

In many instances where a team was not part of the initial proposal, project managers chose to create one as they developed their proposals. In several instances, the formation of teams has been a radical departure from past practices and has initiated on-going cooperation between divisions, levels of the hierarchy, departments or sectors. STEP's "no new resources" caveat has also fostered participatory approaches, since project managers have had to spread the work around in order to complete the project. Similarly, since STEP defines partners primarily as technical experts and intellectual resources, it has limited the extent to which they, rather than staff, have carried out project-related tasks.

In some instances, project managers have not created effective teams, and project results have been less than was expected. In most cases, this happened because participative approaches weren't part of the project managers' professional orientation, not because they rejected the idea. In other instances, teams were not used because agency priorities or other work demands limited the opportunities for extensive employee participation. In a number of instances, employee participation was so foreign to the environment or to the individual manager's style that efforts backfired. Projects were completed, but the employees felt used rather than involved, or they felt vulnerable to criticism of the project or slighted in spite of being included.

The histories of the projects also demonstrate the short-run work and time costs of involving people in new ways. It takes time to understand the project and STEP, time to work through differences and establish trust, time to reconcile ideas, and time to orient new members as job changes occur.

Our experience also indicates that there are many options for increasing employee participation while moving toward the goal of expanding decision-making in people's jobs. It doesn't require adopting the latest trendy program. Changes to increase employee discretion can be worked into position descriptions. Internal problems can be given to a work team to solve. The opportunities to serve on interorganizational groups can be spread around. The options for increasing employee participation are as rich and varied as the mix of people and work.

In spite of the initial extra efforts that involving employees may have required, there have been some very specific advantages for projects. In several, employee team members have been the sparkplugs for the project with their enthusiasm, openness, imagination, specific information about how things could be changed, and the skills to implement changes. In others, employee members have been the critical link between the team and the larger employee group. They have identified concerns to the teams, have brought information back to co-workers, and have given credibility to the initiative.

Some employees have said that being part of a project gave them renewed enthusiasm about their work because it demonstrated that government *could* change and improve.

EMPLOYEE PARTICIPATION

Tools

Many STEP projects have used employee participation techniques to ensure completion of their objectives or to enhance their value. Here are ways that employees have been included in STEP projects:

- formal needs assessments
- informal interviews or discussions
- written employee surveys
- brainstorming sessions
- cross-section teams of employees
- time for projects and other managerial support
- training
- newsletters
- informational memos
- new tasks or authorities during the project
- employee work groups

EMPLOYEE PARTICIPATION

Other projects

HOUSE ARREST — Department of Corrections

The manager of adult release programs for individuals involved with the state corrections institutions developed this project. It reflects the agency's interest in developing alternatives to incarceration.

House arrest is an alternative to re-admitting to a state facility a parolee or someone on supervised release. This option is most frequently used when the individual has committed a minor violation and has only short time left in the sentence.

Employee participation has been part of the process and an objective of the project. Parole agents have been consulted about the project's design and evaluation. They are also the audience for an information program which explains house arrest and how to identify suitable candidates.

Ultimately, having a fully developed house arrest program and candidate protocols will expand the options parole agents have in dealing with their clients. The project will increase their participation in making decisions about individual clients.

SUPERVISORY/MANAGEMENT TRAINING — Department of Public Safety

After the Department of Public Safety had identified supervisory and management training as a key to improving performance, this project was initiated to develop a comprehensive and consistent plan to meet those needs. The trick would be to do this within the agency's limited financial resources.

The project team of 12 individuals represented all areas of the department. They, in turn, formed five work groups which included even more staff. The team and work groups identified free or low-cost resources for training and designed an implementation plan.

Project planning sessions and participation in marketing seminars helped form a working team from a group of relative strangers. The efforts paid off. Forty-two department staff were willing to develop or provide training. Many partners and consultants were identified. And training facilities and equipment were located.

Broad participation also influenced internal support for the project. A new training director was hired with clear goals and top management support, additional funds were committed by seven division directors, and the divisions began sharing training resources.

PROJECT PAPERCHASE — Department of Human Services

This project was developed and managed by a teacher and a behavior analyst at the St. Peter Regional Treatment Center in response to two frustrations: the difficulties in locating resident information, and its frequent duplication. Their real concern was the time that information tasks took away from constructive involvement with residents.

The managers built extensive employee participation into the project to consolidate data collection. The team was diverse. It involved more employees through a new committee, workshops, individual meetings, networking and a project newsletter to spread the word on the campus.

Employee participation in this project has had management support. The project managers were released from their regular duties and have been able to travel to STEP training and other activities. Managers from the treatment center and central office have demonstrated commitment by being team members or participating in meetings.

This project has been a model for employee participation in a larger statewide systems initiative to develop a comprehensive patient-information system.

INFORMATION SYSTEMS -- Department of Corrections

This project was designed to meet internal objectives and to test a prototype for an information systems architecture for other state agencies. Earlier, agency management and staff had gained a common understanding of information systems in a training program sponsored by the Department of Administration and the Information Policy Council.

The project inventoried the current information, its use and its users. The effort also identified other information that was needed. After analyzing that data, the agency has been able to make more rational decisions about future systems designs, hardware acquisitions and development priorities.

The project team of four professionals designed group meetings with representatives of all occupational groups and institutions. The team was impressed with the quality of the information; the results were better than what they had seen in other assessment processes. They also noted positive side effects: people from different locations shared problems and solutions, and participants volunteered helpful ideas for the project and for other aspects of the department's work. The issues raised during these meetings presented a challenge to the department's top management to engage in more problem-solving.

EMPLOYEE PARTICIPATION

Suggested reading

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"Quality Circles," Thomson, Philip, *Anacon*, American Management Association, New York, 1982.

Quality Circles in Service Industries, Ingel, Sid, Prentice Hall, Englewood Cliffs, N.J., 1983.

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Managerial discretion

There are two meanings associated with discretion: first, being judicious and respecting propriety, and second, having latitude to choose or act on one's own.

In the work place, we have varying degrees of freedom in what we do and, most often, *how* we do it.

For individuals and organizations, the two aspects of discretion are related. As an employee understands the environment and makes decisions or behaves according to those demands (respects propriety), the opportunities for initiative increase. For organizations, individual choice is valued when it's consistent or compatible with the organization's purpose or goals. For organizations and individuals, discretion is accompanied by risks: acting inappropriately, making less-than-best choices, having something go awry during implementation, or causing unintended side effects.

The risks of action seem more evident and harsher than the less obvious consequences of discretionary decisions not to act.

Designing performance

All organizations are concerned with individuals' choices about their work activities. There are three ways in which organizations can structure work activities to influence performance. One trick is to find the balance, so that people perform reliably yet take initiatives to benefit the organization.

Another is to decide what parts of the organization should emphasize discretion in order to meet its objectives. The last is to determine what aspects of individual jobs can be done better with greater individual determination.

Discretion in vogue

Currently, the private sector is paying attention to managerial discretion. Businesses are decentralizing decision-making so that managers who are closer to local conditions and customers can respond more quickly. Firms are looking for ways to encourage innovative or entrepreneurial attitudes so that individuals will feel greater ownership of the organization's objectives and be more inclined to develop new products, identify new markets, or create or improve service and production technologies that will help the firm grow or remain competitive.

Organizations also are concerned about having employees who know and want to make the right choices, because the costs of control are high: opportunities are missed, organizations become inflexible and don't respond to changes, human and financial resources are diverted to designing and maintaining control systems, employees use too much energy working around the control systems, and motivation and initiative are stifled.

At a very practical level, organizations have to rely on individual discretion. Try as they

may, organizations cannot effectively prescribe what everyone should do in every situation or how it should be done. Some of the most outrageous stories are of employees who felt they had to follow the rules, even though they knew the result was inhumane or absurd.

Why it's important

There are a number of reasons for emphasizing individual discretion in a program about improving public services. First, it requires attention because the driving force behind the public system is public or collective decisions.

Second, in the public sector there's a contradiction between the formal systems and the overall culture. The formal systems — laws, regulations and position descriptions — point out areas of discretion; the overall culture reflects the public's expectations that the behavior of civil servants will be governed by their job responsibilities, not by their personal attributes. The public also expects that civil servants will respond to people's individual needs.

Third, public-sector jobs reflect the checks and balances of the entire system. Many public initiatives depend on different branches or levels of government or other departments and functional areas; few employees have jobs that don't require them to rely on others for results. As a consequence of this interdependence, it

becomes difficult for any employee to assure results or for an organization to identify how significant any individual is to the final results.

The last and most obvious reason for paying attention to discretion comes from the extensive use of control systems within the public-sector — the red tape we all get tied in. These systems exist for good reasons, such as assuring fair and equitable treatment for people, guaranteeing due process, accounting for the trust and funds given in public programs, and providing common ground rules for a diverse work force.

Not always needed

However, many of these internal control systems have been imposed in reaction to rare cases of inappropriately exercised individual discretion or bad judgment. Some have been developed in isolation and duplicate other control systems or work against organizational objectives. And many have not been reviewed to see if they are still needed, appropriate or as workable as they should be.

The general effect of these factors in the public environment has been to minimize the attention given to the importance of individuals, leaving employees with the sense of not having much freedom to act.

In many ways, managerial discretion is like employee participation. It allows people to have some control over their work and some influence on results. As a group and

regardless of management level, both public and private-sector managers value more highly their opportunities for autonomy and self-actualization than they value other job characteristics. To the extent that jobs meet these needs, managers will have greater satisfaction and, in turn, will contribute more. Organizations benefit from the increased productivity and the information, experience and expertise the manager brings to discretionary activities.

When managerial discretion is emphasized in an organization, control systems should change. Instead of being held to procedural limits and standardized methods, people are held accountable for "bottom-line" performance or results.

Critical in STEP

Increasing managerial discretion was seen as a critical factor if STEP was to help change management practices and encourage people to undertake projects which would improve public services. Managerial, rather than employee, discretion was chosen for emphasis since it's consistent with the program's focus on career managers as the link between change and institutional continuity and between management systems and employees.

Also, by their nature, managerial positions provide good perspectives from which to identify the systemic barriers to improving services, and are associated with responsibilities and performance standards

> **"Manager" is a very inclusive term in STEP: project managers come from support and professional job classifications as well as from management and supervisory positions, and the program views every employee as the manager of her or his job.**

that involve discretion. This focus also reflects the assumption that employee discretion won't be encouraged until managerial discretion is accepted in the system.

In addition to formally including managerial discretion — with its inevitable partner, encouraging risk taking — as a STEP method, several other aspects of the program support this change method.

Recognition for individuals

The program's support plan for recognition is built on acknowledging the initiative of project managers and teams. The recognition plan emphasizes informal rewards, such as public recognition, professional development or networking. However, STEP involvement has been linked to the state's formal recognition system.

4

Agency heads have been asked to include STEP participation in the employee performance appraisal process to link project activities to the formal reward system.

Discretionary resources for projects have been expanded through partnerships, introducing team members to new networks, and through increased information and skills available through training programs. STEP staff have been able to help overcome real and perceived barriers by providing better information, identifying alternatives, connecting project managers with the appropriate people, adding arguments to justify exceptions, and directly intervening.

STEP liaisons and partners, acting as coaches and facilitators, have helped managers evaluate decisions and their ramifications. They've aided them in assessing what's appropriate to the environment, and they've given feedback about personal effectiveness. The program's sounding-board capacities help to reduce the risk of projects, as does its emphasis on experimentation.

However, after more than two years of experience, it appears that the most important thing STEP has done is provide the opportunity for action. Project managers have used phrases like: "STEP has given permission for change," "STEP gave credibility to the project," "Having STEP approval made the agency tolerate changes they wouldn't have accepted without it," and, "Being a STEP project kept this a priority."

The case study

The project from the Economic Resource Group was selected as a case study in managerial discretion because it portrays the ways in which a high-risk but much-needed initiative was developed and carried out. Individually and collectively, the management team knew its issues and environments well enough to devise a judicious strategy and, with that foundation, was able to act.

CASE STUDY:
MANAGERIAL DISCRETION

Economic Resource Group

A *problem common to state governments across the country gained attention during the early-1980s recession in Minnesota, when revenue forecasts consistently fell short of the mark.*

The problem was a lack of widespread coordination among the economic analysts in government, resulting in conflicting data and, frequently, gaps in information.

A new state manager created a network of state economists, the Economic Resource Group, to coordinate the information. When it became a STEP project, the Economic Resource Group was formalized and its mission had defined the niche to make it an ongoing part of state government. Today, the group's work is a primary source of information for the administration and legislature.

The Minnesota Legislature was demanding better economic information from state agencies to deal with the state's financial problems during the early-1980s recession. Revenue projections were consistently off, and lawmakers were called back repeatedly for special sessions to deal with revenue shortages, increasing taxes, unemployment, failing businesses and all the other problems inherent in hard economic times.

The better information wasn't there. The sources of information were numerous, depending on the subject. The Department of Jobs and Training had employment data. The Department of Finance had state budget data. The Department of Revenue had income figures. The State Planning Agency had demographic information. The Department of Energy and Economic Development had knowledge of business start-ups, expansions and closings.

Loose ends

But there was no way to compile these vast supplies of data into a coordinated presentation that would allow the administration and legislature to establish policies which would address the future of the state economy.

Several proposals had been developed by people outside state government to create economic data bases and research centers, but these had received little support. State economic analysts had met to talk about more cooperation between them. The

possibilities excited the participants. Everyone had a different idea of how to move forward: the raw data was becoming available, but more emphasis should be put on analysis; getting people to work together was more important than any information they may produce; an annual report on the state of the economy would be good. Everyone brought ideas to the table. No one knew how to turn them into reality.

The prototype

Actually, the problem was not a new one. A person later key to solving the problem was introduced to it early — as a college student writing a paper on economics. Lee Munnich Jr., while studying at Georgetown University in the 1960s, used the *Economic Report of the President* for an economics paper on wage-price guideposts.

Later, as he worked with state and local economic data in various public policy capacities, Munnich thought, "Why can't state government present economic analyses of important public policy issues in a report similar to the *Economic Report of the President?*"

And then he found himself in a position to answer his own question. Hired in January 1985 as assistant commissioner for policy analysis in the Department of Energy and Economic Development, Munnich hit the ground running. Within weeks, he had contacted five state managers who supervised economic analysts. They shared Munnich's

concerns about a lack of coordinated data and analysis, and agreed to meet every other week to talk about a cooperative effort.

This initial group, later to be known as the Economic Resource Group, consisted of Munnich and the state economist from the Department of Finance, the director of research from the Department of Jobs and Training, the supervisor of economic research with the Metropolitan Council, the Revenue Department's research director and the director of the State Planning Agency's Planning Information Center.

Hand-picked

Munnich had deliberately selected people with sufficient interest and managerial authority to commit their agencies to an evolving project.

These six agencies represent about 60 percent of the state's economic analysts. In all, the 23 agencies in state government have about 110 economic analysts on their staffs.

The group identified a solution — a mechanism to develop and manage interagency cooperation among economic analysts — and two problems to reaching that solution. The problems were a lack of management interest and the potential disruption which would come from a major restructuring of the economic function of state agencies.

Time, as always, was another barrier.
"Economic analysis demands time,"
according to Munnich. "In government,
economic analysts weren't being used
properly. They were always involved late in
the process and therefore had very little
impact. They were never given enough time.

"When you work with the future, you need
months, not days or weeks, to do your work
properly," he explained.

Serendipity

In the middle of working out their dilemma,
Munnich bumped into Babak Armajani, then
deputy commissioner of administration, in
the halls of the State Capitol. Asked how his
new job was going, Munnich told Armajani
about the emerging Economic Resource
Group and its problems. It was March 1985,
and the STEP Program was about to accept
its first project applications. Armajani
suggested submitting the group's idea as a
STEP project.

Munnich and his colleagues talked over the
possibility of creating a STEP project and
saw how it could work. "We saw STEP
giving us a license to devote at least a portion
of our time toward working on improving
economic data and analysis through
interagency cooperation," Munnich said.

"STEP would give the group's goals some
life, make it tangible so it could become more
than just a little support group."

Munnich agreed to serve as the project's
representative to STEP, and has continued to
be the spokesman for the six project
managers. But the project's cooperative
model has also been applied to managing the
group's work. The six managers share
responsibility for guiding activities, finding
resources and developing support for the
project to continue.

In its application for an interagency project,
the group said, "This approach will increase
overall productivity as opposed to the
traditional and more costly approaches of
reorganization and staff expansions." It
listed as potential projects an annual
economic report, a staff resource survey and
directory, formation of an economic staff
group, conferences and workshops on
Minnesota's economic issues, academic
involvement, dialogue with business, labor
and the community, and joint research
projects.

The application was accompanied by letters
of support from the heads of the six
managers' agencies. This initial support was
important, but sustaining it was seen as a top
priority for the group. Negotiations with top
management resulted in arrangements for
time to define projects and distribute the
work load among the agencies.

The work begins

The first project undertaken was the
Economic Report to the Governor, begun in
July 1985 and published in January 1986.

"The challenge was to prove that state analysts could produce a quality report. The first report proved that we could," Munnich said. The six agencies represented by the group were each responsible for one chapter. Munnich, as project manager, and his staff at Energy and Economic Development assumed the editorial responsibilities.

Many people reviewed the report as it was being written: the Economic Resource Group members and their agency heads first, and then the Minnesota Council of Economic Advisors. The council is the Economic Resource Group's external counterpart, a group of private-sector experts the governor appointed to advise him on economic matters.

Politics, politics

Munnich and his colleagues were adamant that the report not become a political tool. They wanted it to reflect economic trends exactly as state analysts saw them. Two compromises helped keep the politics out of the process.

The council was asked not only to review the report's drafted chapters, but also to endorse the report by transmitting it to the governor. This was in response to the commissioner of finance's concern that a report produced by six different agencies might provide conflicting analyses of economic conditions. Review by the council would provide uniformity and credibility, without interference with the content. To bolster the

effect, one chapter of the report was prepared by the state economist himself.

Munnich's boss had a different concern about the report, which was tentatively titled, "Economic Report *of* the Governor." If it was written by analysts from state agencies, would the report necessarily reflect the governor's ideas? The solution to that concern was to rename the publication the "Economic Report *to* the Governor."

Sharing the burdens

As for time to research and write each chapter, it was found in all six agencies. Status as a STEP project expedited that. "STEP formalized the project," Munnich said. "No one wanted to be the person to unravel a STEP project," he said.

Costs for publishing the annual reports have been borne equally by the sponsoring agencies. Seeking legislative or private-sector funding was ruled out as possibly constraining the reports' contents. The six agency heads decided that paying for the publications from their budgets was a good investment. They were convinced of the value of employee participation in terms of morale, increased professional expertise and the synergistic effect of their staff members interacting with such a diverse group of economic analysts.

The first report presented an overview of Minnesota economic trends. The second report, on Minnesota's spatial economy (how

regional events in Minnesota are affected by national and international trends), had the additional involvement of the members of the University of Minnesota's State and Regional Research Center. Invited to become partners in the STEP project, they recommended the report's theme and provided guidance on its content. They were also instrumental in designing a survey and conducting focus groups that helped shape the content of the 1988 report, on Minnesota's projected economy in the Year 2000.

More partners

The Economic Resource Group project team members also had informally shared information with associates in the business community. They recognized a value in expanding their partner circle to include the business sector. Economists with utility, retail, banking and consulting backgrounds who shared the goal of educating the public on economic issues as a basis for public policy-making were invited to become partners, too. The private economists meet with the Economic Resource Group every month and advise the members on projects, including the economic reports.

The reports have had a lot of influence with policy makers and the media, according to Munnich. The first report's analysis of the cyclicality of Minnesota's economy clarified the issue and helped to support the budget reserve the governor wanted from the legislature.

The second report, on the spatial economy, was also popular. "There's still demand for that report," Munnich said, "from the press, local governments and regional commissions, and educators."

In addition, he sees material from the reports cited in newspaper editorials every once in a while. And a New York State government employee recently called him about using Minnesota's *Economic Report to the Governor* as a model for their own report. "It's the best by far of any state's," Munnich quoted him as saying.

Other state employees are interested, too. Engineers at the Department of Transportation have used the reports to see the big picture and how they fit into the future.

There's more

But the *Economic Report to the Governor* was just one part of this ambitious STEP project.

At the same time the first report was being written in 1985, the economic analysts working for the six managers in the Economic Resource Group were planning a conference for their peers, to find out what was going on in the broad field of economics and to establish better networks.

The STEP team turned over the conference planning to the analysts with just one criteria: "Design it so that everyone there will want to attend a second one."

More than 100 analysts attended the first conference in November 1985. There has been sufficient interest to have a second one, and a third.

During all this, the Economic Resource Group also oversaw the creation of a staff resource directory, listing the backgrounds and skills of all state staff involved in economic analysis. The State Planning Agency created the data base and paid for publishing the directory.

STEP's role

The STEP Program itself was serving the project, according to Munnich, in "nurturing the kind of thing that we wanted to do." Emphasis on planning skills (part of STEP training) was particularly useful, he said, as was the reminder of the reality of project timelines. The projects and program's emphasis on producing group products was helpful to the team, which found recurring pressures to "retreat into departmentalism," Munnich said.

The interagency cooperation and linkages among staff have laid the groundwork for other joint projects by state agencies. A major study on the proposed Bloomington Megamall, an interagency team on economic development strategy, the Commission on the Economic Future of Minnesota and interagency tax reform teams are examples.

"As anticipated," Munnich said in a 1986 status report, "effective interagency

cooperation has proven to be difficult at times, as other departmental priorities place demands on staff. At the same time, we have learned to work together more effectively and have successfully completed several interagency projects."

The third annual Governor's Award of Excellence in State Government Management, sponsored by the Minnesota Business Partnership, was given to Munnich in September 1987 for his role with the Economic Resource Group.

It all began because of independent, unrelated analysis of economic data by state agencies, with occasional overlaps and frequent "underlaps," as they were called in the STEP proposal, and frequent underutilization of the skills and knowledge of the state's economic analysts.

The payoff

Now there's improved state economic data, timely and effective analysis of economic trends for policymaking purposes, effective use of state economic analysts, broader dissemination of economic information for increased public awareness and better decisionmaking, and increased productivity through interagency cooperation.

A number of key state economic issues have been addressed and the group's work has helped to focus discussion among policymakers.

It's been done within existing department budgets and without adding staff. The tools? Interagency project teams, networking, regular project team meetings, voluntary participation and consensus management. Shared management may be time-consuming, but it's an effective way of coordinating complex projects that cross boundaries and it helps develop every agency's commitment.

"This type of interagency cooperation will be more common in the future," Munnich said, "with the increased importance of information in our society and scarcity of public funds to deal with emerging problems. Middle managers' involvement and leadership are critical for success. There are extremely talented staff resources in state government which can be better utilized and encouraged in their professional development through projects such as this."

The insiders

"The Economic Resource Group has a high level of credibility with state commissioners now," Munnich added. "We're looked to for information, for help, to think through the forecasting process, for example. It was the Council on Economic Advisors, earlier; now it's the Economic Resource Group, too.

"We help with budget planning and projections statewide. The U.S. Department of Commerce's Census Bureau has asked for help to set up data centers in each state, to get more information out to the users. The states will manage the effort, since the

Department of Commerce doesn't have networks within the states. The Economic Resource Group will coordinate Minnesota's effort. To eliminate turfing, Commerce wanted one coordinator, and the Economic Resource Group was it.

"Old projects are continuing and new projects are coming up," he added. "We help refer people through the system. Libraries and local governments are involved. There are more data networks. This is evolving into a major effort. And there's much more communication."

Staying 'small'

The next *Economic Report to the Governor* will be written by state agencies not represented in the Economic Resource Group. The idea is to extend the scope of the report to include current issues, such as the state's transportation infrastructure, even though the issues may not be key to the six agencies in the Economic Resource Group.

Involving more agencies doesn't mean the group will be expanded beyond its original members. "There's a fear that we could get too big," Munnich said. "Quality circles in Japan never include more than seven to 12 people. They lose their effectiveness if they get too big. Many others will continue to be involved in all our projects. The central coordinating role, however, will remain with the Economic Resource Group, to keep the primary focus on economic analysis."

MANAGERIAL DISCRETION

Lessons from the Economic Resource Group project

Looking back on the creation of the Economic Resource Group two years later, the team and STEP staff gave equal importance for the project's success to managerial discretion and the partnerships. Employee participation, the work environment and being close to the customers were also considered significant.

Managerial discretion Although the project team views itself as a peer group, one individual has had the leadership role in relation to STEP. The STEP staff viewed him as having considerable initiative and discretion to develop the group and the project, and viewed the team as having high degrees of credibility and visibility. Staff also noted that the discretion in this project had a correspondingly high level of risk. The staff and team agreed that the project had a positive effect on the professional standing of analysts. In addition, information developed in the project can increase the discretion of many others; as they gain more knowledge about economic factors, they have more options and are able to make better decisions. The team saw that the Economic Resource Group had broken down major barriers to interagency cooperation and that managers had more discretion to work together in this new environment.

Partnerships The partnership formed with private-sector economists as part of the team was viewed as a significant way to enhance the credibility of the team and to improve relationships between the sectors. Team members identified the change from ad hoc involvement to an established forum as having a great advantage. The staff also noted that the creation of partnerships with other state agencies as part of the team has improved communications, working relationships and information sharing.

Employee participation Team members saw this factor as twice as important as STEP staff did. For the team, the opportunity for economic analysts to work together on interagency projects has broken through the isolation the analysts had experienced. As interagency efforts have increased, the analysts have gained access to more and better information, feel they're being more effective and are being asked to make more significant contributions. The STEP staff was impressed with the range of activities in the project and how the activities had been designed to furnish many and diverse opportunities for participation. They also noted that the project's managers had created the expectation that involvement meant working, not just observing.

The work environment The project team saw the change in their work environment as being significant. In the past, interagency cooperation had been seen as a waste of time. Now that it's more commonplace for the economic analysts, they're able to see

their role and their agencies' missions in a statewide context and take a broader view of their responsibilities.

Closeness to the customer STEP staff indicated that the most significant aspect of customer concern was including customers (businesses and research analysts) on the project team and producing the annual *Economic Report to the Governor,* which assisted the customers in their own work. They also noted other demonstrations of the project's customer orientation — the report presents the hard economic data in understandable fashion, there has been an annual conference of analysts, and the Economic Resource Group has sponsored an association and other professional development activities for analysts. Team members did not find closeness to the customer as significant as STEP staff did. However, they noted that, during the project, economic analysts have become more sensitive and have done more to adapt their products to customer needs. They also have observed a continuing demand for economic analysis within state government.

Conclusions

This project indicates that the public environment has many opportunities for managerial discretion. With the Economic Resource Group, managers and professionals from the public, private and academic sectors have used their discretion to respond to a commonly recognized need for better public economic data and analysis.

The project participants were attuned to multiple aspects of the environment: the internal dynamics of state government, the general demand for economic analysis, and potential conflicts in serving diverse customer groups in a political setting.

The natural relationship of managerial discretion, employee participation and productivity improvement was highlighted by this project. The managers involved their staffs, used time and intellectual resources more effectively, and, therefore, enhanced total performance.

This project echoed several themes from the overall STEP experience. Individuals by themselves or in conjunction with others who share a common goal have been critical to each project. In this case, one manager was the catalyst for pulling the right people together and focusing their attention, knowledge and resources.

There are often mutually beneficial reactions between a project and the STEP Program. The Economic Resource Group gained credibility and visibility from being a STEP project, while the program gained wide recognition from the project's large number of participants and could display a project with early, tangible results.

Closeness to the customer

Closeness to the customer is the STEP method most common to STEP projects.

Being close to the customer means having first-hand knowledge of what customers need, want and expect. It means having *factual* information about what customers want *and* looking at the situation from their perspective.

Even though it may not be possible for public-sector employees to give all customers what they want, it's almost always possible to respond with an understanding of what they expect.

Complications in public service

Pleasing public service customers is complicated by the constraints of the public policy process and its large and complex delivery systems. Being close to the customers is complicated by other factors: conflict in people's underlying values, the number of customers, their different expectations, and the personal and intangible nature of services.

On the surface, words like "closeness," "customer," "want," "expect" and "satisfy" might seem to run counter to the basic principles of public administration. The public system requires decisions based on law rather than on individual desires, to ensure impartiality, equal treatment and uniformity.

Other public administration principles, however, can help reconcile the differences between what the customers want and what the system allows. There can be a great diversity within the bounds of quality. It's the responsibility — not to mention the power — of the public employee to apply the right element of quality to assure a positive public perception of government. Park users aren't going to expect a Disney forest, but they are going to expect clean, well maintained grounds and courteous, helpful staff. It's the park employee who will ensure that.

First, laws recognize differences among groups of people and different circumstances within those groups. These differences can be recognized and respected in dealing with people.

Second, there are well established standards for giving people information about services and providing due process for their grievances. These provide an opportunity to volunteer information and to let people voice their concerns.

Third, public employees who work within laws also can work to change them. This requires paying attention to the differences between what's done and what customers identify as important.

The last reason is most important: **Public employees are people dealing with other people.**

Closeness to the customer tops the list of STEP methods. Including and emphasizing this method is part of the wisdom that STEP's first private-sector partners brought to the program. In fact, the STEP Program itself was designed to be close to its customers.

Career managers were identified as STEP's primary customers, since they provide continuity between political changes, manage the state's administrative systems, and have a continuing influence over service delivery.

Perception gap

Being close to the customer while providing public services is important for bridging the gap between the public's perception of "big" (read "unresponsive") government and their individual concerns.

The connection between private firms and customers is fairly direct: a firm produces what people want at a price they're willing to pay, does it efficiently, and sells enough to stay in business.

The connection is usually less direct in the public sector, where collective social and political decisions determine what goods and services will be produced, where, how, for whom, at what cost, and who will pay. Public-sector employees need to know what's important to individual customers in order to respond with empathy and to influence the process so that services and needs can be more closely aligned.

Following World War II, private-sector markets and public budgets increased rapidly. The private sector concentrated on creating new goods and services, the public on developing new agencies, programs and services. The size of organizations in both sectors grew, as did the complexity of their administrative systems.

In the last 10 years, changing social and economic conditions have refocused the attention of both sectors. Although the language may be different, both public and private-sector organizations are paying more attention to external environments and to serving and satisfying customers. Concentrating on customers keeps organizations in touch with them and also gives information about other changes in the external environment..

The case study

The following case study of marketing state parks in the Minnesota Department of Natural Resources was selected because it illustrates so many dimensions of closeness to the customer. There's a remarkable pause in the project, as the STEP project manager and team realize that the first customer group to deal with is the organization itself. Their training strategy with park managers gives information and choice, and recognizes the link between production and consumption. It also allows continuity between old and new focuses.

CASE STUDY: CLOSENESS
TO THE CUSTOMER

Marketing State Parks

A *declining use of the state park system and a budget-tightening environment were two concerns for the Minnesota Department of Natural Resources in 1985.*

Using the STEP Program, the Parks and Recreation Division developed a marketing project which involved getting closer to their customers in order to provide park services which would attract them. Along the way, the project team found that it had to get closer to its internal customers — management and employees of the division — before the external marketing project could begin.

The efforts paid off: In Fiscal Year 1987, more than 6 million people used Minnesota state parks, a 10 percent increase from the year before.

8BThe staff in the Parks and Recreation Division was noticing a decline and a disparity in park usage. Along with an overall attendance drop, outlying parks were underused, compared with those near metropolitan or heavy recreation areas.

Another problem was legislative funding. While a third of the division budget comes from park entrance fees, the balance is appropriated by the legislature. During a five-year period of budget cuts, the division found its major source of funding being nibbled away a little more each year.

First, the idea

At the annual conference for park managers, a presentation on marketing government services was made by John Crompton, co-author of *Marketing Government and Social Services* and professor of recreation and parks at Texas A and M University. This turned on lightbulbs in many DNR minds, and people started talking about "marketing" the state parks.

These marketing issues were being discussed by the eventual STEP project manager, public information officer Bill Chiat, his supervisor, Bobbie Gallup, and co-worker, Suzanne Jenkins, when a letter from the governor arrived at the department, asking for STEP project proposals.

They felt that a marketing plan would make a good STEP project. The STEP methods were attractive to them, especially "closeness

to the customer" — which would become the main thrust of their plan — and "partnerships," because they recognized the benefit of a private-sector partner more experienced in using marketing concepts.

Here's the issue/opportunity statement that Chiat, Gallup and Jenkins submitted as part of their proposal:

> The division is embarking on a marketing program for the state park system. Through this project, we hope to coordinate research to better understand our users, with the implementation of several innovative projects/services for our park customers. We plan to develop a system-wide strategy for providing services that match the outdoor recreation benefits citizens desire with the resources available or which could be developed in state parks.
>
> The project will give us the opportunity to better understand the needs of our users and non-users, so we can do an effective job of meeting those expectations. In addition, it will allow us to try several experimental ideas to help make a park visit enjoyable.

When their project was approved, the trio formed a core STEP team and worked with a consulting group they called the Marketing Task Force — four park managers, a regional manager, two DNR naturalists and a resource specialist.

The task force discovered that implementing these marketing concepts wouldn't be easy. Said Bill Weir, a regional manager and task force member, "It required a major attitude adjustment by management and employees all the way down the line."

How it's been

The traditional view in DNR has been to manage the resource. In marketing terms, it's a "product orientation." Marketing has passed through three stages since the beginning of the 20th Century, and marketing philosophy continues to be divided into these three categories.

First came the *product era*, when energies were concentrated on producing goods without regard to the market that would receive them, because demand exceeded supply. During the second, the *sales era*, efforts were devoted to selling products, because supply now exceeded demand. This orientation concentrated on the product being sold, rather than on the benefits that customers wanted or received.

Finally, the *marketing era* evolved. The principle central to the concept of marketing is "produce what will sell," rather than "sell what you can produce." Businesses grew more interested in supplying what customers wanted, rather than pushing on them products already created. This has led to the

current customer service orientation, regarded as today's hallmark of good business.

The product orientation existing in DNR meant they were interested in managing their resource, the 64 parks in the state park system. If the public was interested in recreation there, that was fine, as long as they didn't damage the natural resource or come in too great numbers.

This orientation was certainly in keeping with the perceived mission of the DNR: to protect and preserve the natural resources of the state of Minnesota. Add to this the system of park management, where a park manager lives on the property and takes care of it as one's own, and behavior develops which may discourage park users, rather than welcome them.

Marketing parks

While resource management might be a driving philosophy for such divisions of DNR as Wildlife Management, where the protection of the resources is a primary concern, it's not as helpful to the Parks and Recreation Division because there's competition from the tourism and entertainment industry.

There are many choices for recreation — a visit to a state park is only one of them. If the services offered there don't meet the needs of the clientele, or if a park doesn't provide a welcoming experience, people will turn to the private parks or campsites, or they'll choose other forms of entertainment altogether.

The decline in park use was causing concern in the Parks and Recreation Division. Add to this the recent budget tightening, and the staff began to look for ways to increase attendance and maximize their dollars. They also wanted to heighten public awareness of the parks' critical place in Minnesota's total natural resources.

A better tactic

Rather than "selling their product" with a hard-hitting campaign (and because they didn't have the money to do it), the marketing or customer service approach looked like the better tactic. Since satisfying the customer is always the best philosophy in doing business, it wasn't hard to arrive at this decision.

Often the biggest obstacle to introducing marketing into an agency is the word "marketing" itself. State agencies can be shy about anything that smacks of self-promotion or large expenditures — items more natural to a profit-making enterprise. The STEP team and the task force realized they had a two-pronged marketing effort: external marketing of the parks and, first, internal marketing of the concept, if they were to get cooperation and support for their initiatives.

Members of the STEP staff introduced project leader Chiat to Rich McNeil, a private business consultant. McNeil at the

time was working with the Minnesota Department of Administration to create a customer service focus among employees there.

Chiat and McNeil met and discussed the challenge of getting division management and employees to buy into the marketing concept. They decided to design a workshop which would bring together all the park managers and central management.

Internal marketing

A workshop titled "Managing Interpersonal Relationships" was conducted. From this they moved to strengths and weaknesses of style in customer contact. In this way, customer service was introduced to management. Marketing was not mentioned and interest was piqued.

The individual park managers were then invited to devise their own customer service strategy, based on their experience, park users' comments and the results of informal surveys they had done in the past. They were asked to imagine how they would operate their parks if they owned them and were free of government restrictions. From this original list of strategies, they then eliminated anything not permitted by state law. Surprisingly, very few things had to be rejected.

Weir gives some examples of changes they realized could be made without great effort, things that park visitors had expressed

interest in. One is electric hook-ups at campsites. Although often requested, they hadn't been considered by park managers, who assumed that the parks were to be kept rustic, preserving their natural state.

Another change is play equipment. The belief had been that park users came for natural pursuits, such as hiking and bird watching. Park management shied away from such amenities as horseshoe courts, volleyball equipment and children's playgrounds.

Tuning in to customers

With discussion, they realized that electric hook-ups and play equipment wouldn't change the park environment that much, since they would be in areas already designated for activity, such as picnic grounds and campsites, leaving the majority of the park in its natural state. In addition, these would be minor expenditures which would pay for themselves in increased park use.

"This customer service orientation tuned in all of us to the whole perspective of quality service," states Weir. "We've always done a good job of being courteous to park visitors, but this increased our awareness of their needs."

Following the session with managers, Chiat and his team put together a "Quality Service Workshop" for all park employees. The managers carried the workshops to the

employees in the regions where parks are located, so that all employees could attend. The customer service idea reached into all 64 state parks.

To add park services without jeopardizing parks' cost effectiveness, something was needed to attract visitors to less-used parks and to encourage use during slower seasons and midweek. A Passport Club was created to reward park users for visiting a broader selection of parks. This strategy would bring the best customers to less-used parks and increase repeat use of parks, building customer loyalty.

Membership in the Passport Club offers a passport kit, which can be purchased at any state park. It contains a booklet printed to resemble a passport, a map of Minnesota highlighting the state parks, a bumper sticker which reads "Minnesota State Parks Passport Club Member" and a button with the state park logo and the slogan, "Expect Our Best."

Rewards to visitors

With each visit to a different state park, the name of the park is stamped in the passport. After eight visits, the passport owner receives an embroidered patch illustrating a Minnesota resource, such as a fish, a bird or a wildflower. Patches are again awarded after 16, 32 and 64 stamps. Also awarded at the mid- and final points are free camping permits and a plaque designating the owner a "64 Club Member." Forty-five such plaques had been awarded as of October 1987, while

participation in the Passport Club numbered 1,500.

Another method of encouraging park use was to accept credit-card payment for park permits and other purchases. It was difficult to persuade the financial arm of state government that credit cards should be allowed. Through partnership with agencies such as the Department of Administration's Documents Division, which already accepted credit cards, approval was gained and VISA cards are now accepted at all state parks and information centers.

More gifts, too

Gift purchases at state parks were bringing in some income, and the STEP team saw an opportunity here to increase the revenue and promotion of the park system by expanding the offerings. The team formed a partnership with Carole Howe and Kathy Sowder, owners of Touch the Earth Gifts, a shop at Minneapolis-St. Paul International Airport. Products were selected and the merchandise offerings were expanded at many of the state parks. Gift sales for the first half of 1987 generated as much revenue as in all of 1986, a 50 percent increase.

Surveys are always an important part of a marketing plan. No formal survey was conducted before implementation of this plan, but many of the recommendations came from answers to informal survey-like questions asked of park visitors by park

managers and staff. A brief survey also was included in the Passport Club kit.

Project leader Chiat enlisted the aid of the DNR Planning Division to help compile a survey for park users and non-users. In June 1987, a six-page survey was distributed to 1,300 park users as they were leaving a state park. There was an impressive 70 percent return on these surveys. Following this, 6,500 similar surveys were mailed to a random sample of Minnesota households (regarded as non-park users).

"The key intent of this survey method is to provide comparisons and look for contrasts between people who do and don't use state parks," states Bill Becker, director of the Research Unit in the Planning Division. "The goal then is to analyze the data for items that can be developed to attract non-users while not displacing the current market.

"A second goal," says Becker, "is to provide background information for promotional messages that will ensure accurate images for potential park users regarding benefits to be gained at state parks." In other words, promise only what the parks can deliver; and what they can deliver, market well.

The impact

Did these marketing efforts pay off for Minnesota state parks? Did attendance increase? Was the budget saved?

There was a half-million-visitor increase in Fiscal Year 1987, the period when results from the marketing strategy would begin to show. Attendance figures for the last three fiscal years were:

> Fiscal Year 1985: 5,369,882
> Fiscal Year 1986: 5,467,479
> Fiscal Year 1987: 6,001,004

The difference between Fiscal Years 1985 and 1986 is 97,597, a 2 percent increase. Between Fiscal Years 1986 and 1987, the increase jumped by 10 percent, or 533,525 more park visitors. Although this can be attributed in part to factors such as better weather, according to Becker, this large increase has to reflect a significant impact by the marketing program.

The internal results of this STEP project are also dramatic. The DNR has received positive feedback generated by this project, underscoring the department's recognition of the benefits of marketing and consumer service.

The efforts begun in the Parks and Recreation Division are now spreading to other divisions of DNR. The commissioner's office approved a new marketing coordinator position for DNR, to which Chiat has been appointed. With a central figure guiding them, DNR divisions will be working toward a common goal to promote the DNR and bring it closer to its customers.

CLOSENESS TO THE CUSTOMER

Lessons from the DNR project

As the STEP project at the Department of Natural Resources became one of the agency's ongoing responsibilities, the STEP staff and project team were interviewed about the dynamics involved in the project. From these discussions, five factors emerged as essential project elements. Three of them were STEP methods: closeness to the customer, partnerships and managerial discretion, in that order. The DNR work environment was another important element and the STEP Program itself was seen by both groups as the most critical.

The STEP Program While both groups saw the STEP Program as the most influential factor, the nature and direction of that influence were perceived quite differently. The project team felt that having STEP status gave them the opportunity to take risks, gave them visibility and helped them get around obstacles. The STEP staff felt that the program helped by providing a structure and by empowering people, but on the other hand, STEP staff were unhappy with themselves for giving the project manager a great deal more recognition than they gave to the project team.

Closeness to the customer There was more agreement between the groups about the significance of closeness to the customer. Project team members said that this concept

resulted in a major change in focus and work culture, from running facilities to providing services. Both groups felt that the training for park managers and employees was significant to the change in focus because it enabled them to combine serving customers and maintaining natural resources.

The DNR work environment Project team members identified two positive factors in the work environment: the project manager's enthusiasm, and the concern about the trend of stable or decreasing park attendance. For STEP staff, an identifiable customer base and the project manager as an internal champion were seen as helpful factors.

Partnerships STEP staff members cited the value of the project manager's creativity and willingness to seek out partners and ask for their help. They also were aware of the range of partners and their specific contributions to the project. Project team members found the expertise of the partners most helpful; they cited the specific contributions, the critical influence of the training, and the validity that the partners' involvement gave the project within the agency. Project team members also saw the creation of a marketing task force involving all levels of employees from across the state as having a positive influence on the project. They noted that participation would have been even greater if they had begun an effective internal marketing effort earlier in the project.

Managerial discretion Both team and staff saw that applying the STEP method of

managerial discretion facilitated the park managers' participation. For team members, it was the extent to which the project resulted in greater discretionary authority for the site managers; for staff, it was training, rather than telling, park managers that gave the managers the capacity to learn about their customers and respond.

Work measurement STEP staff perceived work measurement tools as being helpful to the project, since there were established procedures for tracking tangible items such as permits, visitors and sales.

Conclusions

Marketing State Parks is a project that capitalized on several key factors in change initiatives — willingness to change, fit with the environment, and champions. Budget cuts and declining attendance resulted in the Parks and Recreation employees feeling a need to change. With his marketing background, the project manager was able to look at the issues in a new light and introduce different skills to solve the problem. The diversity of the project team and the Marketing Task Force was an effective way to read a complex environment. The information from that reading enabled the team to incorporate the concerns of the groups who would be affected — particularly park users, managers and staff, and DNR's managers and other employees. The project's manager and his colleagues became the project's champions as they developed the resources it required.

This project identified several themes which appear frequently in STEP: (1) There is usually more than one STEP method having a major effect on the project — for DNR, managerial discretion and partnerships complemented efforts to come closer to two major customers; (2) individuals and their ability to work within the environment have a major influence on the success of projects; and (3) the existence of STEP as a program has been valuable for its "endorsement" value.

CLOSENESS TO THE CUSTOMER

Endnotes

Identifying the customers of public services is the first task in being closer to them. For organizations of any size, the first attempt usually results in unmanageably long laundry lists. Or worse, the conclusion that "everybody" is a customer.

There are several ways to work through the list of customers to make it more useful. It's important to recognize that there is more than one customer group; even an individual employee has at least two — the employer and whoever receives the work output. In addition, an individual or group can belong to more than one customer group. A user can also be a supporter or an influencer or a decision maker. Beyond considering these two fundamental facts, there are several ways to sort out customers:

- By location; for example, inside or outside the organization or government.

- By service; for example, the groups who receive information.

- By roles; for example, users, influencers, supporters or decision makers.

- By attitudes toward the organization; for example, positive, negative or neutral.

It may also help to identify the customers by determining what factors drive an organization or a unit. In some cases, such as in some health-related activities, organizations are compelled to follow what is happening outside. Some activities are primarily shaped by their product or service, which they try to make as broadly available as possible. Others center on technology or special skills or knowledge, and do what they are best suited for. Data-processing shops, researchers and attorneys may be propelled by this kind of expertise. Services to target populations are the most likely to be shaped by the expectations of their defined customers.

Getting closer

The concept of closeness helps identify customers. It suggests looking at an organization in smaller units to determine the customers for each activity or work group. At that level, it's easier to begin identifying what the customers need, want or expect.

Since many public program needs-analysis procedures are so complex, it may be more helpful to identify what customers want and expect in more general terms and to suggest that these be included with the more specialized approaches. An expert may have used a set of professional standards to decide what a customer group needs, but has anyone ever asked what they wanted? Having useful knowledge means finding out directly. It means having the customer's viewpoint.

What people want and expect from public services is influenced by what is going on around them. Today, people are generally better educated, have access to more information and have higher expectations. The broader information through multiple media and the larger number of goods and services in the private sector have taught people to be more sophisticated "consumers" in comparing and judging public services.

Expectations

Consider some of the major roles of customers, and their general expectations:

As citizens, people want government services to be available, to solve complex problems quickly and to assure social well-being.

As taxpayers, they want limited expenditures, small work forces and evenly balanced costs and benefits. Taxpayers also want governments they can understand and have some influence over.

As customers, they want services that are available, convenient, reliable and tailored to their needs; they want their services delivered efficiently, just as they think the private sector would deliver them.

When taxpayer and user roles are combined, customers have a sense of entitlement and often compare their experiences with others they know or have heard of.

There are informal and inexpensive, as well as formal and more costly, ways of determining what customers want. First-hand knowledge can be gained by exploring existing data:

- Looking at a week's supply of incoming mail, inquiry logs and the actions taken, or the tally of scores from formal complaint or appeal procedures.

- Talking with employees who work directly with customers, asking what they hear, what they think could be better, and what aspects of customer service frustrate them or keep them from responding to the customers.

- Sitting in the service area, talking to the customers.

- Asking customers to be part of a small group discussion in which they can talk about what they want.

It's a matter of using customers, employees, colleagues and advisory groups to identify problems and find solutions.

Some slightly more formal approaches can be used:

- Logs can be designed to identify the volume, times and nature of transactions and what is or isn't provided.

- Survey cards, like those in restaurants or with appliances, can be developed and changed as information needs vary.

- Formal marketing and consumer surveys can be designed to determine more precisely which customer groups want what services, or have unmet needs.

Pinpointing what services customers need and want includes paying attention to quality.

The primary differences between goods and services help to explain some of the ways in which people judge the quality of services. Services are more intangible than tangible; consequently, they are often judged by remotely related measures, such as the physical surroundings or employee attitudes.

Frequently, services are produced and consumed simultaneously. Consumers are often part of the service's process, so its success depends not only on the providers, but also on the consumers and their ability to communicate and participate.

Because services are the result of the interaction between people, they are less standardized and uniform than goods, and can be influenced by the behaviors, attitudes or perceptions of either party.

Consumers can't always make an informed judgment in selecting services. With goods, many attributes can be determined in advance; for instance, it's possible to test drive a car, but not a dentist. Some goods and many services can be judged only as they're consumed. Some services, particularly those based on complex systems or very specialized expertise, elude the individual's expertise and are evaluated on the believability of the provider.

A different approach

Because of these differences, customers make decisions about services and evaluate them differently. Friends and experts may be relied on more heavily, since less public information is available about services. Since there may be fewer providers of a particular service than there are of goods, and information about them is harder to gather, people may accept what they find rather than what they want.

In the case of mandatory public services, such as being involved in the justice system, or where there is an effective monopoly, such as with licensing and permits, the lack of choice may negatively influence a customer's perception of services.

In addition to determining what customers want and devising operating and monitoring systems to meet those standards, information about the differences between goods and services suggests other things that can be done to assure customer satisfaction.

The first of these is to provide more information that customers can use to make

decisions about public services and the possible alternatives. More specific information also helps address the intangibility of services and the sense of risk that comes with not knowing.

The intangibility also indicates the need to pay attention to the observable qualities of the delivery system — cleanliness, neatness, efficiency, courtesy. Services are judged on the quality of people's interactions, so the attitudes and responses of staff become significant factors.

Since most judgments about services are made after the fact, follow-up appears to be a powerful tool. The reliance on personal sources of information also indicates that satisfied customers can create other satisfied customers.

How STEP helps

STEP has kept closeness to the customer at the top of the list of STEP methods. Identifying customers is one of the first requirements of a STEP proposal.

Customer orientation has been a major feature of training programs since the first project managers' conference in 1985. The problems of multiple customer groups with different requirements that surfaced in that session were addressed in the STEP Marketing Seminar the next year. Customer service topics draw the highest attendance at the STEP seminars, including many people not involved in STEP projects.

During the marketing seminars there was a major breakthrough, as methods were developed to segment customer groups so that different responses could be developed for them. Addressing internal customers' concerns before trying to change services for the final consumer has become almost standard operating procedure. Currently, identifying customers and their requirements is part of the training and technical assistance available to teams as they develop proposals.

STEP staff members bring additional resources, including their own perspectives as customers of state services, to the projects. Staff locate marketing models and other analytic devices, share the experiences of other projects, and link project teams with similar customer issues. The marketing partnerships arranged by the staff have made a significant difference to some of the projects.

Perhaps STEP's greatest contribution to bringing state services closer to their customers is its reiteration of the theme in many ways and forums — asking its own customers, for example, and co-sponsoring a statewide conference, **SERVICE MINNESOTA: Taking STEPS to Satisfy Your Publics.**

What we learned

Almost all STEP projects have had a long, complex list of customers. Segmenting them is the key to meeting customers' needs. Separating internal and external customers

has been critical; so far, it appears that
addressing the concerns of internal
customers — for example, the park managers
in the present case study — must happen
before the needs of external customers can
be addressed. This seems logical. The best
plan in the world won't work if the people
carrying it out don't see that it solves
problems they're concerned with or if other
administrative systems aren't changed to
support the plan.

In most STEP projects, the customer focus is
evident. Increasingly, projects have been
identified and selected because they have
had external customers. Project managers
and teams have been able to categorize
customer groups and identify those affected
by specific aspects of the projects, the
customers' attitudes and expectations, and
the projects' responses to them. There has
also been a pattern of focusing on discrete
customer groups for and during projects.

Among the first group of selected STEP
proposals, there were several with obvious
marketing focuses. As other projects were
developed, unexpected marketing problems
were revealed. Some of these involved
defining customers, while others called for
assessing needs. Both internal and external
customer groups were discovered.

Perhaps the best discovery in the STEP
process has been this close relationship
between satisfying customers and satisfying
employees.

CLOSENESS TO THE CUSTOMER

Tools

Many STEP projects have applied closeness to the customer as a method. Here are some specific and workable closeness-to-the-customer tools used to solve problems in state agencies:

- customer surveys

- advisory boards with customer representation

- observation of the customers' interactions with employees

- role playing the customer

- using partners for expertise in assessment or communications

- analysis of complaints for preventive action

- newsletters or promotional literature

- use of media (talk shows, public service announcements)

- conferences, presentations and special events

- service phone lines

- customer service training for all employees

CLOSENESS TO THE CUSTOMER

Other projects

SERVICES TO THE ELDERLY —
Minnesota Housing Finance Agency

Since 1977, the Minnesota Housing Finance Agency has tried to see that residents of subsidized housing developments have access to human service programs. Residents of the 127 developments for the elderly are a particular concern, since Minnesota tries to assure that seniors live independently as long as possible.

Although the agency had surveyed housing development managers and owners in 1978 and 1983, this STEP project was its first effort to systematically consult with the primary customers. During the summer of 1986, 650 elderly residents were interviewed in person and all site managers, property managers and owners were surveyed by mail.

The survey results indicated that services were generally available and satisfactory to the residents and that the system did not need radical change. The study and the report (which was written with several customer groups in mind) indicated a number of modest changes and additional activities which would be useful to the residents, the managers and owners, and service providers.

EXCELLENCE IN THE PROVISION OF ANALYSIS SERVICES AND LABOR MARKET INFORMATION — Department of Jobs and Training

After years of administrative, technical and program changes, as well as significant reductions in federal funding, the staff who initiated this project felt they had lost sight of their customers and what they wanted. They found that their customer base had shifted substantially; state government, educational systems and the private sector had become just as important as the federal funding agencies.

Conversations with customers indicated that they placed premiums on relevance, timeliness and convenience. Surveys of internal and external customers supported those impressions. The team also learned that their services needed to be more flexible and that information should be customized to meet customers' needs.

The project team has employed old and new technologies in responding to user preferences. Installing personal computers has increased response time. Changing the telephone and reception systems has also given the customers easier access. The real challenge for the team has been in changing their colleagues' perspective so that everyone realizes the jobs are about customer service, not cranking out reports.

MINNESOTA FOREST PRODUCTS MARKETING — Departments of Natural Resources and Trade and Economic Development

As one of the states affected by changes in the farm economy, Minnesota has been seeking expanded foreign export opportunities for its products. Wood products are a significant natural resource. Combining efforts allowed two state agencies to work cooperatively with their customers, with each organization bringing its special knowledge to the project.

By pooling lists of contacts and clients, the project team was able to identify a universe of people involved with growing, harvesting, processing, using and exporting wood and wood-related products. The Minnesota Wood Products Promotion Council, which has had two annual meetings, was the result.

Other initiatives also have improved customer service: a combined inventory of exportable forest products, cross training staff, improved export information and expanded training seminars.

Involving the customers with each other as well as with the agencies has resulted in increased business among participants. The public-private relationships have increased confidence and trust between the sectors.

REGULATOR ROLE— Pollution Control Agency

This project was initiated to involve the community and regulated industries in defining regulatory roles and then to train employees in carrying out those roles. As the project manager and team began, they realized that their first customers were agency employees and managers. They quickly learned that staff lacked general knowledge of the agency and compliance-related skills.

Interviews, surveys and group meetings were used to determine in more detail what was needed. With that information, training teams made up of customers (agency supervisors and staff) and training experts were formed to develop and provide the training. Involving the customers in product design and delivery has assured that the training programs have met their specifications and are what the staffs need for carrying out their jobs.

The project now has a four-course curriculum: "MPCA as a Regulatory Agency," "Regulatory Compliance: Tools and Techniques," "Dealing with the Public in a Regulatory Setting" and "Negotiations in a Regulatory Setting."

CLOSENESS TO THE CUSTOMER

Suggested reading

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MANAGERIAL DISCRETION

Endnotes

Standard good-management practices establish the framework for increasing the individual discretion available to employees and managers.

If the organization's or organizational unit's purpose, mission and objectives convey its direction and are communicated to employees, those statements can guide individual decisions. Similarly, defining customers, focus and organizational values informs individual decisions about priorities, the desired qualities of decisions, and the kinds of behaviors that are appropriate.

Cultivating discretion

Training and communications programs can give information that orients employees to the organization and its operations, and can provide examples of what is valued. Illustrating "how things are done" provides a common understanding of practices, procedures and behaviors that the organization expects.

Formal organizational systems for coordination, control, resource allocation and operational monitoring can be structured to focus on desired behavior, attitudes and results.

Personnel systems can match individual values and strengths to organizational needs so there are better fits between individuals' desires and capacity for discretionary behavior and the organization's activities.

Other things needed to increase desirable discretionary behavior, such as resources, opportunities and ability, are harder to develop. Good ideas may come quickly, but transforming an idea into an action usually requires resources (time, information, skills and, often, money).

Creating resources

Since it's extremely difficult to gain new positions and new funds during these times, organizations must develop — or allow employees to develop — the capacity to reallocate resources, to create slack resources (changing process A will free enough time for employees to undertake new project B), or to develop new sources through partnerships, interorganizational cooperation and networks of skill and information exchanges.

Many good ideas never surface because employees don't feel they have a part in changing things, think their contributions won't be valued, have been put down for making suggestions, or have learned the hard way that bringing up a good idea results in more work. Quality circles, suggestion systems and award programs are formal ways in which organizations have created opportunities for individual initiatives.

Management and supervisory attitudes are fundamental to the success of either formal or informal approaches. Helpful attitudes can be fostered by clarifying the value of individuals to the organization and by rewarding managers and supervisors, as well as line employees, for being open to innovation.

Call for judgment

In addition to having the resources and opportunity to act, individuals must have the ability to judge what is appropriate to the situation, as well as to evaluate the soundness of their decisions.

Many jobs in the public sector involve issues that are intellectually or politically complex, include controversial beliefs as well as empirical facts, or are influenced by personal values and reactions to individual styles.

Education, training and experience are valuable ways of developing appropriate judgment. But individuals also need coaching, mentoring and direct and clear feedback about performance and style so they can learn what is effective for them and the organization.

How STEP Helps

The STEP Steering Committee's insistence that managerial discretion is an essential method for improving state services signalled a major change from previous productivity improvement programs, which relied on external impetus and outside experts. Hearing that their expertise is valued and their judgments accepted has renewed people's enthusiasm for tackling problems.

Training and the information gathered during networking increase the ideas and options available to program participants. However, most STEP help comes as technical assistance and consultation, when project liaisons share information about ways to work through statewide systems, give teams ideas about gaining authority or resources, and act as sounding boards for interpreting the work environment or decisions. On a few occasions, STEP has made connections, cut some red tape, or intervened on a project's behalf.

What we learned

We have learned several important things about managerial discretion that are related to the motivation and skills of public employees, to changing the culture of public management, and to project results.

First, public employees are interested in making meaningful changes in the services they deliver. This has been shown by the number of project proposals and their substance — very few have focused on just making someone's job easier. The motivation is also substantiated by the comments about how many other initiatives agencies are carrying out besides their STEP projects.

Employees are also motivated to increase their skills, as shown by their interest in training and their openness to partners who can bring new expertise to their projects. State employees have also been willing partners for projects outside their own work units or agencies, indicating a broader commitment to improving public services.

Second, as shown by the discussion about the public-sector environment, there are cultural barriers to acknowledging the roles of individuals. Project members and STEP staff have criticized the STEP Program for recognizing project managers rather than teams. The data from interviews with staff members and project teams suggests that significant exercises of managerial discretion are downplayed by teams in just those projects where STEP staff perceives it as having been significant. At this point, one can generalize and say that individuals, in roles as project managers, team members, champions or obstacles, have been more significant than the public culture and its formal systems acknowledge.

Third, managerial discretion has been a significant factor in project results. Several early proposals that didn't turn into active projects were stalled because the project managers didn't read the environment or know their organizational systems well enough to be able to gain further support or to go forward on their own.

Similarly, the scope or results of several projects were limited because the project

managers, although professionally skilled, didn't have sufficient knowledge of their systems or chose not to give projects the needed priority. A couple other projects overcame great odds because the managers exercised sufficient discretion to scale back the projects enough to work under the circumstances.

There is no overwhelming evidence that the control mechanisms of state government are stopping STEP projects, although there've been some specific instances in which they've been identified as issues. One reason for this probably is that the projects have been focused on project-customer interactions, rather than on major administrative systems.

Another explanation, supported by experience and research, is that public employees take those systems into account and become very adept at working through and around those systems in order to do their jobs. In several instances, the STEP staff supplied the information so that project managers could learn more about working within those control processes.

MANAGERIAL DISCRETION

Tools

Managerial discretion has been displayed in STEP projects by the following techniques:

- initial support by top management

- periodic communication of continuing management support

- progress and achievement reports to key persons

- developing and using internal and external resources

- support for calculated risks

- authority to make decisions and implement change

- prevention of interference by individuals

- encouraging experiments

- eliminating red tape

- cooperation among peers

MANAGERIAL DISCRETION

Other projects

HUMAN RESOURCES INFORMATION SYSTEM — Department of Employee Relations

Minnesota's Information Policy Council is a group of top managers responsible for state government's automated information systems. Their meetings had included discussions of the central personnel system and its limits in addressing agencies' internal administrative needs.

Since several of the agencies either had some automation or were considering developing systems, they agreed on a common effort. With the support and leadership of the deputy commissioner of the Department of Employee Relations, the idea was turned into a STEP proposal.

Working cooperatively, with several agencies contributing staff time, the group has decided that it's feasible to design a common system for the agencies to use. The Department of Transportation has provided a staff member for the project as the team explores the options for interagency funding of the system.

MANAGEMENT ASSISTANCE TO SCHOOLS — Department of Education

Minnesota's 434 school districts face increasingly complex decisions because of changing public expectations, funding adjustments and program developments. In order to increase the decision-making ability of school boards and administrators, managers within the Department of Education created the Management Assistance to Schools project.

In this coordinating effort, the department has developed a cadre of consultants and technical experts (most with considerable experience in education systems). They are available to help the districts with long-range planning, coordination efforts, internal management and decisions about district consolidations or cooperative agreements.

More than 160 districts have been involved. The consultants have the effect of extending managerial discretion by providing additional information and options to decision makers.

INTERGOVERNMENTAL COMMUNICATIONS — Department of Human Services

This project was proposed and accepted as a large-scale effort to improve policy communications and paper-processing activities between Minnesota's 87 county human service agencies and the Department of Human Services. Technological devices, such as the state telecommunications network and county mini- and personal computers, were seen as part of the solution.

During a management change, the project was transferred from its originator to a middle manager who was new to the agency. Using his understanding of the environment (realizing that there had been a shift in priorities, that he did not yet know the details of the policy-technology environment, and that he might not have the staff and network support for a major project) and the discretion available as a new manager, the project leader redefined the project. In doing so, he moved it closer to the new agenda — "a paperless office," minimized the extent to which he had to rely on the originator's network, and rescaled the scope of the project to provide a quick demonstration of its potential.

The project successfully demonstrated that automating the transfer of client payment information between the state and the counties could reduce processing and turnaround times and get checks to the clients two days earlier.

MANAGERIAL DISCRETION

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Partnerships

Partnerships are a new way of thinking about the relationships among business, government and the community.

Historically, Americans have been skeptical about both big business and big government. Major changes in social values and government activity have occurred whenever the public has felt that either business or government was becoming "too big."

Except in times of crisis, such as depressions and wars, direct relationships between business and government have been viewed with even more suspicion. We have considered business and government as very separate, with businesses expressing their concerns about the public good only through private philanthropic activities. As though to support these beliefs, the public statements of business and government representatives have often suggested antagonism between the two sectors. In spite of these perceptions, there is a long history of government support for business, for example, land grants for railroads and tax policies.

The picture changes

As social and economic institutions have become more complex and the world has created more complicated problems, we've realized several important things:

First, neither government nor business can solve everything by itself. In fact, many current problems — such as the effects of economic and demographic changes — seem bigger than both.

Second, neither sector has unlimited access to resources — both have limited customers, budgets and human talent.

Third, the sectors are not isolated; what one does affects the other.

And fourth, the sectors have common problems in managing information and services and in adapting to economic, technological and work force changes.

Partnerships become the norm

These realizations have carried across the private and public sectors to help form, at first tentatively, partnerships. Today, they are a significant characteristic of society.

The idea of partnerships signals different understandings and relationships. Peter Hutchinson of Minnesota's Dayton Hudson Corp. and an early adviser to STEP has said, "Partnerships happen when one good idea meets another." Ronnie Brooks, who is with the St. Paul Downtown Council, has indicated that partnerships work when there is mutual respect and recognition that each partner has something extremely important to offer.

Partnership also implies that the parties have some commonly defined objective, have negotiated their roles, and understand what

each will contribute to the partnership and what will be gained by meeting the goal.

Partnerships were chosen as the best way to involve the private sector and the academic community in STEP. Partnerships were also an excellent way to involve other public-sector employees and to transfer knowledge among government units.

Governor Rudy Perpich had set the tone for partnerships when he initiated task forces and commissions to resolve major policy issues. He also advocated introducing the latest management methods from the private sector to make Minnesota the best managed state in the country.

Everyone benefits

For STEP, "partnership" meant that public managers would voluntarily seek outside help and that both parties would gain from their involvement.

STEP partnerships assume that improving public services is a common objective of public employees and those in the private sector. These partnerships focus on exchanging ideas, knowledge, information and non-financial resources. Each partner can augment its own skills, and can test how approaches, technologies or applications can transfer from one sector to the other.

Each partner also can gain more experience in solving problems, become more aware of management concerns in the other sector,

and expand professional networks. All partners gain recognition for their skills and willingness to contribute.

Everyone helps

STEP partners have come from the business and academic communities as well as from non-profit and other public agencies.

A number of partnerships, such as those in the Discrimination Testing case study that follows, have been created from shared commitments to a specific objective. Others have resulted from having similar customer groups, for example, the captive markets for drivers' and vehicle licenses and publicly regulated utilities. Many others are based on professional expertise or business similarities.

Dayton Hudson's Hutchinson has identified six factors necessary to create an environment that supports partnerships:

(1) a trusting civic culture

(2) a community vision

(3) civic organizations which tie diverse groups and interests together

(4) a network for communication and mediation

(5) leadership or individuals with visions of what can be achieved

(6) continuity or predictability that maintains the vision in spite of economic and political changes

Based on his organization's experience, Hutchinson also identified the factors in creating successful partnerships: being created for and focused on specific reasons, having a vision, involving everyone who shares the vision, seeking progress rather than perfection, choosing commitment over efficiency, leveraging resources, and building trust.

STEP, too

The experience in STEP is not very different from what these general statements suggest. Certainly, the program and the projects have gained from the local environment in which joint efforts have become the accepted way of developing initiatives in the community or of solving its problems.

Representatives of business and labor, the public and state government have willingly joined the STEP Steering Committee. By offering their different perspectives, expertise and resources to a common effort, they have supported and energized management changes in state government. The steering committee members incorporated key elements of partnerships into the STEP program design: having projects with specific goals, joining public and private resources to achieve the goals, requiring agency managers to commit themselves to their projects, and recognizing that small improvements will demonstrate progress.

For the program and the projects, the experience again is one of willing participation. Individuals from all sectors and many fields have heard of STEP and have offered their assistance. Old stereotypes about complacent bureaucrats are being debunked, as public employees volunteer to be partners with other state agencies. In several cases, one agency has contributed staff and time to another in order to bring specialized expertise to a project or to supply it with the person power to complete it on schedule.

The case study

The Minnesota Department of Human Rights' STEP project to develop and implement a program for testing allegations of discrimination has been selected as the case study about partnerships.

The continuing collaboration among Human Rights and its partners — the businesses that furnish verifications and the citizens who carry out the tests — exemplifies shared commitments to a public policy and a common social vision.

The arrangements also illustrate how each group makes unique contributions: the agency has knowledge of the situation, the ability to coordinate activities, and the means for following up; the businesses offer their capacity to provide real-world credentials; and the community members provide time and demographic diversity not available in the agency.

CASE STUDY: PARTNERSHIPS

Discrimination Testing

A *backlog of discrimination complaints and a management team sharply focused on eliminating that backlog prevented Minnesota Department of Human Rights professionals from applying a state-of-the-art technique to their investigation work.*

Using the STEP Program, a Human Rights employee and his supervisor sought to establish a discrimination testing program as a routine method of conducting investigations. The STEP project manager had trouble finding the time to develop the program, however, because top management required that all employees apply 100 percent of their efforts to the backlog.

Once the STEP staff intervened to create time for the testing program, the project manager forged his partnerships with private businesses and other members of the public and the project was off and running.

The testing program, as expected, eventually was found to facilitate the resolution of discrimination cases, and is routinely used at the department today.

Testing, where trained people pose as home seekers or job applicants to verify complaints of discrimination, has been used successfully and extensively for 15 years by civil rights agencies throughout the country.

The procedure has been upheld and endorsed unanimously by the U.S. Supreme Court and is considered by many people to be the most effective tool a human rights agency can use to prove discrimination. In Minnesota, testing had been used, but only sporadically.

Gary Hines, an investigator in the Minnesota Department of Human Rights, wanted to make testing a regular part of his department's investigative procedures.

Not that easy

There were several reasons why Human Rights had used testing only sporadically. While it was necessary to closely reproduce complainants' situations in order for the test to be valid, it was difficult to do so, primarily because the department was unable to create verifiable employment, financial and rental references for testers to use. A second difficulty was the testers' lack of fictitious identification, such as drivers' licenses.

Another obstacle was the department's heavy workload. Throughout its history, the department had struggled with a large backlog of cases, and, despite the efforts of several management teams, the situation had become worse. Each commissioner tried a

new approach, yet no one totally succeeded. The department was continually challenged by the public and the legislature.

The Department of Human Rights consists of several divisions which investigate discrimination in a number of areas, including housing, employment and public accommodation. The primary professional staff members are investigators. Each investigator works with a certain type of discrimination complaint, and has a quota of complaints to resolve each month. There was also a backlog division which dealt with very old cases that had yet to be resolved.

An investigator must find probable cause to believe that discrimination has occurred before official action can be taken. The investigation can be a long and tortuous process, and must be undertaken with great care for the legal and civil rights of all parties. With limited investigative staff and large numbers of complaints, backlogs can occur.

Negative exposure

Some time before the STEP Program was implemented, the department's backlog had been featured in a series of unfavorable reports by a local television station's investigative reporting team. This had been embarrassing to the management and the administration and demoralizing to the staff. That episode had led to massive administrative changes and the appointment

of a new commissioner and deputy commissioner.

When the first round of competition for STEP projects was announced, Elaine Hanson, another Human Rights employee, suggested that Hines submit the testing program, and he seized the opportunity.

In their STEP proposal, Hines and his supervisor, Steve Lapinsky, explained, "Conventional methods of investigation are demonstrably less effective than testing, due to the rapid fluctuation . . . of the housing and job markets. Testing is often the only viable tool to determine whether discrimination may have occurred when someone is denied [access to housing and jobs]."

The proposal

The application proposed:

- recruiting a large pool of volunteer testers as partners from the various protected classes of minorities and women;

- recruiting private-sector employers as partners to provide the testers with a real-life employment "verification";

- enlisting the help of the Department of Public Safety as an interagency partner to provide investigative resources, such as personal recording devices, to aid in testing; and

- seeking the help of the Department of Finance as another interagency partner, to set up a revolving account to provide testers with rental deposits.

In his application, Hines said that the lack of regular testing meant that violations of the law were more likely to go undetected and that the department was less effective than it could have been in resolving cases quickly. Becoming a STEP project and incorporating a state-of-the-art method of fighting discrimination was seen by Hines as the lever needed for his department to stop losing ground.

Other strategies

While the original proposal emphasized both interagency and private-sector partnerships, Hines and Lapinsky planned to use three other STEP methods as well.

The work measurement method would be applied to evaluate testing's efficiency and effectiveness by comparing the time it took to resolve cases with and without testing. Closeness to the customer would be used because the department expected to resolve discrimination complaints more quickly, to the greater satisfaction of the complainants and respondents. Managerial discretion would come into play because the project would give Human Rights staff another tool to use in their investigations.

A unique feature of the partnerships in this case is that they were not of limited duration.

Many STEP partnerships last only as long as the project, and in many projects partners act as temporary outside consultants. In this case, the project would become a permanent working tool and the partnerships would continue indefinitely.

The proposal was accepted in the first round of STEP projects in August 1985. Hines began by circulating a memo to Human Rights staff and making some personal contacts. Through these he found 10 private employers to serve as sources for employment verification of the testers. These people included a realtor, a beauty salon owner, an electrician and several attorneys.

Hines sent the employers a letter explaining the project and their role in more detail. Their passive involvement precluded any need for training. Their role was simply to "verify" that a tester was one of their employees or tenants if a prospective landlord or employer called to check references.

How it worked

Hines would call the partner firm before each test to give them the particulars on each "employee." It was not anticipated that these references would be used frequently and, as it turns out, they have not been.

The primary reason the employers chose to participate was to help stop discrimination. Their reward is not public recognition; they have to remain anonymous for the project to

work. But they do sometimes call Hines after a test to find out if it was successful.

To solicit volunteer testers, Hines sent another memo to Human Rights staff members and to several groups interested in civil rights issues.

The testers — the people who pose as job applicants, renters or mortgage seekers — came from the Human Rights staff and from outside groups. Since their role was much greater than that of the employers, the testers received training. Like the employer partners, these volunteers were motivated by a desire to stop discrimination.

Another resource

Having a group of testers from outside the agency gave the department another resource to free up staff time. Hines had wanted to have a large group from which to draw volunteers so that each tester would closely match the characteristics of a claimant. But, in fact, each testable case presented too many variables to match actual people in every instance. The tester would have to fit as many variables as possible and fake the rest. The project plan was therefore amended to create identities on a case-by-case basis.

The number of calls from people wanting to be volunteer testers was overwhelming . . . more than Hines could follow up. He selected 20 volunteer testers and trained

them in small groups in the evenings on his own time.

While Hines had more volunteers than he could train, he found less enthusiasm in other state agencies.

In developing the proposal, Hines had talked with Public Safety employees about using some of their high-tech investigative tools, such as concealed wires and hidden cameras. He also talked with Department of Finance employees, who gave him information on setting up revolving accounts which could be used by testers posing as apartment seekers to pay damage deposits, if the test required it. As these possibilities were explored during the project, Hines decided that this aspect also would be scaled back. Staff in the other agencies identified some problems and conflicts arising from their own priorities. So, by mutual agreement, these agencies simply provided Hines with technical assistance.

The time required to set up and monitor this project became more and more of a burden for Hines, and, to a lesser extent, for Lapinsky. Along with his caseload demands, Hines ran into another obstacle.

Numbers were missing

STEP encourages employees to form teams to work on projects. But because of the other staff members' case loads, Hines knew they'd be unable to help. It helped just to know he had the investigators' support.

His workload also prevented Hines from developing the work measurement aspect of the workplan. Although testing was recognized as an effective enforcement tool available to human rights agencies, Hines lacked the resources to demonstrate to top management how effective it could be. The discrimination testing project, useful in resolving new cases quickly, made no dent in the backlog, since testing is a tool that applies only to current cases. The tester must seek the same job as the complainant or speak with the same apartment manager, to make the test valid.

Backlog came first

Meanwhile, the commissioner and deputy commissioner focused on eliminating the backlog, and required that every investigator carry a full caseload quota every month, including Hines. The deputy commissioner said that the agency's resources would not be allocated for new ideas.

Hines and Lapinsky sought help within their department and from STEP to resolve this issue, which had become central to the success of the project. Elaine Hanson, the Human Rights supervisor who suggested submitting the testing proposal to STEP, was also anxious to see the project move. Hanson was the agency liaison to STEP and one of the project's champions within Human Rights.

But the efforts of Hines, Lapinsky and Hanson and the intervention of STEP staff

were not sufficient to break loose any time for Hines to work on the project.

In meetings with Kent Allin (a former Human Rights employee and a current STEP staff member), the commissioner and deputy commissioner of Human Rights reiterated their concern for the backlog, and their decision that STEP would have to be worked in around Hines' and everyone else's quotas. Even when reminded that STEP had the governor's support, and that he wanted the first-round projects to perform well, the commissioner emphasized that she had been hired to eliminate the backlog, and was answerable only to the governor.

Stymied, the Human Rights project staff and the STEP staff tried to find a way to salvage the Human Rights project.

Luck changes

Terry Bock, STEP's executive director, and Jean Erickson, the technical director, decided to meet with the Human Rights commissioner and the deputy commissioner one last time. Using a variation on the commissioner's theme of being answerable only to the governor, Bock asked the commissioner again to assign Hines time on the STEP project; if not, Bock said, he would recommend closing down the project and would inform the governor that it had failed because top management at Human Rights had not given it the time or support it needed to succeed.

The next day, the deputy commissioner offered Lapinsky and Hines a non-negotiable written contract: Hines would be permitted to work on the project halftime for three months, his caseload quota would be reduced by half and Lapinsky would supervise his work. While formation of a team was not part of the offer, and it was questionable whether this was enough time to make the project work, Hines and Lapinsky felt they shouldn't push their luck, and accepted the contract.

To help solidify STEP's presence in the Department of Human Rights, the governor sent a letter to the commissioner, a letter drafted by a STEP staff member. It was largely congratulatory, thanking the commissioner for her strong support of STEP.

Success at last

In three months, Hines was able to finish training the 20 volunteer testers and to train investigators in the new tool available to them. Staff members now ask themselves and each other more frequently, "Is this situation a testable case?"

The use of testing has expanded from the housing and employment divisions to other areas of the department. Testing potential cases has increased, and the length of time it takes to resolve cases has been reduced.

The partnerships with employers and volunteer testers have been an unqualified success, although Hines was never able to find the time to make further progress on interagency partnerships with Finance and Public Safety.

Human Rights has not publicized its success with testing, partly to preserve the employers' and testers' anonymity, and partly because the agency staff faces the same time constraints that have kept them from analyzing just how successful testing has been.

Although new work measurements weren't developed, the agency is doing more tests than it could in the past. Using existing reporting and measurement systems, the cases which are tested are proving to move through the system with results generally superior to non-tested cases.

PARTNERSHIPS

Lessons from the Human Rights project

A retrospective look at this project two years later resulted in agreement by the project manager and the STEP staff that the project had succeeded, though on a smaller scale than they had hoped for. The project manager and STEP staff had some different explanations of what influenced the project and its results.

Employee participation Employee participation through broad staff involvement or a team of employees had not occurred in the project. The project manager, however, thought the project results — the information it produced and the expanded job activities, such as arranging testing or being a volunteer tester — increased employees' involvement in the department's activities. In contrast, STEP staff saw the agency's unwillingness to allow time for more extensive employee involvement in the project as a major detriment. The staff felt that only through its intervention was the project manager given at least a minimum amount of time to work on the project.

Work measurement Hines considered useful the tracking and reporting of numbers of tests and changes in the ratio of discrimination allegations to findings. In contrast, the STEP staff was concerned that more of the potential work measures had not been addressed.

Productivity improvement Both project manager and STEP staff recognized that having a testing procedure in place increased productivity and thereby helped the agency meet its goals.

The STEP Program The project manager found STEP activities helpful and the staff accessible. The STEP staff itself thought factors related to STEP were most significant to the project's success. The STEP staff's familiarity with the agency (remember, the STEP liaison was a former Human Rights employee) and its intervention with the commissioner were seen as allowing the project to happen. STEP's value as a governor's initiative and its sponsorship of this project helped to recruit partners. Because STEP was seen as an ally, Human Rights staff support for the project increased when it encountered conflicts with the commissioner's other priorities.

Managerial discretion The staff thought the project manager had exercised considerable managerial discretion as he worked in an environment which allowed innovation, but not time. He narrowed the scope of the project, adapted it to administrative constraints, and used his allies in his agency and in STEP to leverage time to carry out his initiative.

Partnerships In his assessment, the manager's comments on partnerships focused on the state agencies that had not become involved. STEP staff acknowledged that failure, but saw this project as an

example of what partnerships are really about — community members and public employees working together to carry out a public policy to which they are committed.

Conclusions

This project illustrates that positive changes can occur in an indifferent, or even adverse, environment. While there was a shared goal of improving the department's performance, this project is an example of how differing short-range objectives or priorities can cause conflicts for projects. As long as the project's champion adapted to circumstances and kept his allies involved, he was able to carry out the most substantial part of his original project plan.

This project demonstrates a fundamental lesson from STEP — that the community has many people who are able and willing to help public programs and agencies. It also shows how informal networks can generate partnerships as easily as formal programs.

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Endnotes

In recent times, there has been a greater willingness to examine the relationship between business, government and the community and to find new ways to work together in solving problems or meeting community objectives.

Since the 1950s, the economic connection between business and government has become stronger. Legal and regulatory changes and economic policy interventions have influenced private-sector decisions. But just as important, public spending has created business opportunities. Funding for post-secondary education, infrastructure and scientific research has created resources for the business sector; spending for health care, income support and economic development has opened the fields for entrepreneurs.

During the past 10 years, the term "partnership" has described a variety of direct and indirect arrangements among the community, business and government. Privatization is the most frequently discussed approach.

The evolution

At one extreme, privatization has meant that government has abandoned some of its customary roles and responsibilities, assuming that the private sector, through the market or local charities, would fill in.

Most often, privatization refers to situations in which public funding is continued, but the administration or delivery of a public service is transferred to a private-sector enterprise.

The assumption is that private-sector management is more efficient or understands customer requirements better. Recent studies suggest that competition is the key ingredient to having either sector provide responsive services at lower costs.

Economic partnerships

Partnership also encompasses joint business-government efforts that are tied directly to economic activities, such as urban development, expanding technology and using natural resources.

There is a long history of public management improvement initiatives which relied on the private sector to "fix" government. This was based on another assumption — that the only "real" managers were in the private sector. State government productivity improvement programs in the 1970s typified this attitude and, as has been shown, weren't accepted as true "partnerships."

True partnerships offer benefits for all partners.

Private-sector organizations become public-sector partners so they can make individual contributions, demonstrate the civic involvement of their organizations, and learn more about how government works.

More tangible results for private-sector partners include new ideas about processing information and handling transactions, opportunities to translate production- or goods-oriented concepts into service models, occasions to test new ideas or tools with public-sector audiences, and more knowledge about or exposure to the public sector as a market.

STEP project partnerships have expanded the resources available to the projects, have brought specialized knowledge, and have increased the size of the team and the scope of its activities. Without its partners, the Human Rights project probably would have failed.

Enhancements

Project teams have had their management practices and work methods affirmed — and sometimes admired. Teams have been enhanced by the combination of experts from the private sector, different academic disciplines and other areas of government. Partnerships have overcome organizational barriers in interagency or interjurisdictional projects, and, sometimes, have garnered additional internal support for projects because of the presence, expertise or institutional affiliation of the partner.

Because many public-sector employees have come to accept the myth that *all* worthwhile expertise is in the private sector, several teams found that their projects' credibility increased within their agency because they had private-sector partners.

Partnership principles

The commonly occurring themes in what has been written about partnerships include shared objectives, defined roles and expectations, individual benefit, demonstrable outcomes, individual ability and willingness to contribute, and leadership which maintains vision and focus, negotiates and facilitates.

For example, the Management Assistance Program, a 9-year-old Twin Cities organization which creates consulting relationships between non-profit agencies and corporate employees, has built these principles into its operations. The Management Assistance Program works with the non-profits to clarify their goals and needs and recruits partners for specified purposes and time periods. It then prepares the consulting partner, monitors the process and evaluates the experience.

They don't all work

A few partnerships haven't worked out because of individual personalities and styles. A few others stalled in early projects when state employees expected partners to bring money or equipment. Others were discontinued when partners' expertise or recommendations didn't match the objectives of the team.

The Human Rights STEP project was selected as the case study about partnerships because it illustrates partnerships that work and some that don't.

The partnerships that didn't work raise more questions than they answer: What if the project manager had had more time? What if different contacts had been made within those agencies? What if STEP had intervened there, too?

How STEP helps

The partnership represented by the STEP Steering Committee reflects Minnesota's environment and general willingness to help. With those key elements in place, the tasks have been relatively easy. Private-sector representatives on the steering committee spread the word about STEP and encourage others to be partners through the Minnesota Business Partnership, other organizations they belong to, and their personal contacts.

The commissioner of administration adds more momentum to partnership efforts in her speeches, the materials she sends to business and community leaders, and her informal contacts. She also encourages other agency heads to have their staffs become partners to individual projects.

The STEP staff efforts have focused on recruiting and matching. All staff bring a personal resource base with them and add to it during their time with STEP. Since most conversation leads to work, staff routinely explain STEP and its partnership opportunities and explore people's possible interest and contributions. Several staff have increased their involvement in professional organizations as a way of recruiting partners. Staff are resources for each other in identifying needed partners if an appropriate person isn't listed in the directory of potential partners.

Partnerships have been the foundation of the training programs, conferences and STEP seminars. For almost all of these, the STEP staff has made contact with people, worked out a partnership and then jointly developed the presentations.

For projects, the staff helps identify the areas and kinds of partners that would add to the team's efforts. Staff will try to locate an appropriate partner, share the nature of the project, and explore the individual's interest. (Frequently, team members use their own networks and contacts to create partnerships.) With a potential match, the project liaison will make the connection, explore common interests and help describe the project's needs and define the partner's role.

The contributions of partners are acknowledged in program documents and by including them in program activities. Often they are featured in *Update*, the STEP newsletter.

What we learned

The STEP staff has been surprised at how willing people have been to be partners. Whether soliciting civic leaders for the STEP Steering Committee or business people to join in projects, the staff has not had to persuade anyone of the value of working together, nor has it had to convert anyone to the goal of improving Minnesota's government services.

Potential partners and project teams *have* asked for specific reasons for forming partnerships, and have wondered what they had to contribute or gain. In the early stage of projects, when specifics aren't clear and a partnership involves a relationship rather than a task, time is needed for partners to get acquainted and to decide whether they have common interests and what the basis for collaboration will be.

The STEP staff has learned some things from partnerships that haven't happened or haven't worked. Many people showing interest as the STEP Program began to develop weren't made partners because the need couldn't be defined. Some projects have had the same experience. Some partnerships weren't developed because no one followed through on requests or contacts, or because no one fostered a developing relationship or common interest.

Informal networking has been an important way of identifying and recruiting partners. Lots of brainstorming sessions have started with, "Who do you know that might know somebody who .. ?" or, "What business would do something like .. ?"

PARTNERSHIPS

Tools

Many STEP projects have used partnerships to get the job done. Here are some specific ways project teams have found and used partners in their projects:

Ways to find partners

- looking for experts within the same organization

- networking to organize contacts and potential partners

- using the STEP liaison

- using directories, guides, other written materials to identify potential partners

Ways to use partners

- creating an advisory board of partners

- having multiple partners with complementary expertise

- entering into a formal written plan regarding the partnership

- using informal contacts (e.g., lunch or on-site visit)

PARTNERSHIPS

Other projects

SENTENCING TO SERVICE —
Departments of Corrections
and Natural Resources

The state's criminal justice system was looking for alternatives to imprisonment at the same time that the Department of Natural Resources was looking for ways to deal with understaffing for maintenance of its parks and forests — work that otherwise would not be done. This project combined the two needs and created an alternative sentence — community service — for people convicted of non-violent crimes.

The project itself was an inter-agency partnership. The managers formed partnerships with the private sector, the academic community and state agencies. The private-sector partners helped the project obtain grants for the costs of a coordinator and site supervisors during the initial demonstration (state appropriations have been obtained since then). The academic partners helped design an evaluation model. The public-sector partners identified ways to fit the program and evaluation into existing systems. In turn, the project team fostered partnerships for implementation at the local level between the courts and regional park and forest managers.

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FINANCIAL DISCLOSURE — Minnesota Ethical Practices Board

The Ethical Practices Board was concerned that it couldn't handle its next batch of campaign reports. The staff had already streamlined its manual systems, and hadn't received funding for a data-processing system. Since it began in 1974, the agency staff size had been constant, the real dollar value of its budget had declined by a third, and the number of clients had almost doubled. The agency proposed a STEP project to explore alternatives that would allow them to keep up with their work.

The project team established partnerships with a state employee and with a senior manager from Ernst & Whinney. The partners' recommendations led to installing a personal computer, paid for by holding a vacant position open. Their design and applications have allowed the staff to improve the quality, accuracy and timeliness of their reports, and to reduce costs.

The partners complemented each other's skills. The private-sector partner designed the long-range applications for a data base and its reporting capacities and arranged the needed computer programming. His gain from the effort was a commercial application for the design. The public-sector partner provided technical assistance, training for staff and computer programming.

VISITORS WITH AN INTERNATIONAL PERSPECTIVE — Department of Education

The VIP project's goal was to increase Minnesota students' knowledge of foreign countries by bringing speakers into the classrooms. The project tested ways to identify foreign visitors to local corporations or corporate employees who had worked abroad who were willing to share their observations with the students. While exploring partnerships to implement this initiative, a second project developed.

During the initial discussion, Schilling Travel representatives identified another way in which their non-profit affiliate could increase international information in the schools. The Teacher Travel Program developed from the partnership with The Traveler's Society, which puts on traveling educational seminars. In the Teacher Travel Program, more than 50 Minnesota teachers have received scholarships to go to the Soviet Union, Central America, China and Japan. In exchange for the travel stipends, the teachers develop international curricula that can be used in local school districts.

The initial partners continued to help the travel project by using their networks within the community to raise scholarship funds from local corporations and educational associations.

Mn/WIN — Department of Transportation

The Minnesota Weather Information Network is making more timely and localized weather information available to pilots, motorists, farmers and others in weather-sensitive situations. By finding ways to share existing information and resources rather than developing new systems, the project has increased the number of weather stations from 19 to 27 and has increased access to the National Weather Service system.

The project team has involved more than 30 partners from weather services, government agencies and private-sector businesses as Mn/WIN sponsors. The sponsors have provided consultation, leadership and advice. Many sponsors are taking active roles in data collection, needs assessments and in writing chapters of the long-range Mn/WIN workplan. The sponsors also have added to the effort by doing such things as hosting "show and tell" sessions for the group and holding receptions for federal officials.

Mn/WIN has recently become a partner with the National Weather Service through the U.S. Department of Commerce's Minnesota Initiative. The first items the new partners will address include improving accessibility to weather data, increasing public awareness and use of weather information, and establishing a dedicated severe weather warning system for the Twin Cities metropolitan area.

PARTNERSHIPS

Suggested reading

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"Public/private partnerships: Useful but sterile," Johnson, Verne, and Ted Kolderie, *Foundation News*, March/April 1984.

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Productivity improvement

Saying that an organization can improve its productivity is different from saying that it isn't productive, that its people aren't working hard, or that it isn't well managed.

Productivity improvement is not about laying people off, establishing work quotas, dehumanizing employees and clients or simply cutting costs.

In broad terms, productivity is about using resources so that more — or better or different — goods and services are available at the lowest cost. Productivity encompasses effectiveness as well as efficiency, and quality as well as quantity, even though they're more difficult to measure.

Analysis and change

Productivity improvement techniques are the common-sense or formalized methods that can be used to analyze and then change resource use, work processes ... and results.

The basic idea behind productivity is that there is a "best" mix of factors, such as people, materials, locations and processes. Even if an organization has that best mix, future productivity improvements are possible. These can occur because the organization learns more about operating efficiently and effectively, or perhaps because resources or their costs change. Future changes also are possible because new processes become available, or the quality or nature of the goods or services changes.

More possibilities

Several other things can happen in organizations to make productivity improvements possible. Once established, operating procedures may be ignored for years because they aren't causing any problems or because other things are more pressing. Individuals or units may add to or alter the process to improve their work without realizing the effect of that change on the total system.

New technologies, such as computers and copying machines, can eventually transform the environment. Also, management decisions can be made without adjusting for effects on productivity; for example, many work force reductions have been handled through attrition, which frequently changes the staffing mix because of different turnover rates.

Because of international economic changes, there's renewed attention to improving productivity in all sectors of the economy. World economic activities have evolved and the more advanced economies are shifting from producing goods to providing services and information. So, there's been additional attention to productivity, since less is known about defining, measuring and managing it in those activities.

Rapid major technological and social changes provide more reasons to look at productivity. Since government services are

part of this environment, they're expected to incorporate productivity advantages. The combination of attention to productivity improvement, the changes that are occurring and the available techniques creates an opportunity for public managers to realign their operating systems with their customers' expectations.

Managing change

Productivity improvement is the way that public managers can deal with two basic responsibilities: acting for the public good and using public resources well. When change occurs, these duties often meet and sometimes seem to conflict. Under those circumstances, productivity improvement initiatives can become a technique for managing change positively.

In fact, without thinking of them as productivity improvements, public managers apply them each time they respond to an underfunded policy initiative, procedural mandate or workload increase. They do this by examining old work and priorities and inventing ways to carry out obligations rather than by cutting back or spreading thin.

Since the current public environment combines limited resources with greater need and higher expectations, using existing resources differently is the most promising way to change service delivery.

A key ingredient

Productivity improvement techniques are an essential method in STEP, given its objectives of increasing the quantity of services available, improving their quality or making them more cost-effective.

The STEP Program also reflects a decision that making many smaller changes that link administrative methods and delivery systems with customers will increase the overall productivity of the public sector. Other STEP methods, particularly employee participation and work measurement, complement productivity improvement techniques.

The STEP staff has learned that public employees are concerned about improving resource use in both general and very specific ways. For example, several projects share a goal of reducing public expenditures for operating or capital costs. This common objective has been addressed in very targeted efforts to reduce prison populations, increase interest income or cut down the number of errors.

Others have been motivated by the potential for decreasing costs outside their organizational units. Many have focused on productivity improvements so they could improve or maintain a service level when faced with decreased resources or increased workloads.

The case study

The Department of Agriculture's Soil and Water Conservation Board project was selected to illustrate productivity improvement techniques because it involves some of the more difficult government tasks of planning, decision-making, coordinating and organizing activities when they have been assigned to different levels of government.

Thinking about productivity improvements in these settings is even more challenging — and perhaps offers a greater return — than when activities are more easily understood asproduction tasks or information-processing systems. The productivity gains in this situation can be assessed by comparing what was done with what would have been required for the same things to happen independently in each of the districts: 92 planning processes, 92 struggles to develop job specifications and descriptions, 92 sets of discussions with federal representatives about each of the issues covered in the interagency agreement and 92 processes to arrive at evaluation criteria and assessment methods.

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CASE STUDY:
PRODUCTIVITY IMPROVEMENT

Strengthening Conservation

The organizational effectiveness of the Minnesota Soil and Water Conservation Board was being questioned. After almost 50 years of operations, it was time to take a new look at the multi-layered bureaucracy and its interrelationships.

The state staff devised an action plan, but implementation had to be set aside till baseline data had been collected and evaluated. During this period, obstacles began to reveal themselves, and management commitment was needed.

The STEP Program was a timely solution to the problem. As a STEP project, the staff used productivity improvement techniques to overcome its obstacles and move on with the action plan.

The various layers of government have clarified their authorities and responsibilities. Work groups, planning, training and evaluation programs are now a regular part of operations. And a new management system is in place in a majority of local districts in the state.

A state agency created in the depths of the Great Depression to help Minnesota's farmers save their land during a severe drought was falling on hard times of its own. Approaching 50 years of age, the Minnesota Soil and Water Conservation Board was in need of revitalization and redirection.

The cumulative effects of leadership changes, unresolved administrative issues, shifting policies and funding priorities surfaced old and new questions about the organization's effectiveness. In the midst of addressing these issues, the board's STEP project was accepted.

A little background

The Soil and Water Conservation Board was created in 1937 to organize soil and water conservation districts throughout the state and to give them administrative and financial help. Each district is governed by a local board of five elected supervisors. Supervisors hire local field staff to carry out their statutory responsibility to use every acre of land and water "according to its capability and treat it according to its need," as described in the *Minnesota Guidebook to State Agencies.*

The state board has seven governor-appointed members and a member from each of five institutions — the University of Minnesota Institute of Agriculture, the Minnesota Agricultural Extension Service, the Minnesota Department of Agriculture, the Minnesota Pollution Control Agency and

the Minnesota Department of Natural Resources. The state board's primary responsibility is to coordinate the activities of the 92 local districts and to provide a means for them to exchange advice and to cooperate on projects.

The state board and its staff are responsible for seeing that the state or its local districts carry out federal and state requirements. The local boards' responsibilities include dealing directly with landowners and users, carrying out federal and state programs, and meeting all the reporting and performance standards associated with those programs.

To carry out this substantial mandate, the state board has a staff of 16 professionals, half located in St. Paul and half in seven regional offices.

Into the '80s

The 1980s presented different challenges for the state board and staff. Agricultural practices had changed, industrial technologies were more complex, and there was more and more information to incorporate into practices. There was an ever-changing mix of federal, state and local programs. Program expansion was followed by state budget restraints and then federal funding cuts. Both federal and state governments developed more complex and detailed administrative and financial requirements and reporting standards.

The job was further complicated by the structure of the federal, state and local agencies. Some state board activities overlap those of the U.S. Department of Agriculture's Soil Conservation Service. Historically, the federal agency has dominated the local soil and water conservation districts. Most of the district offices are housed within the federal agency's offices. Although district employees are hired by the local boards, they often have received their day-to-day direction from the federal staff.

The changes in the system and the awkwardness of the structure also fostered major leadership problems for the state board and staff. An executive director had been dismissed two years earlier, but that did not solve the major problems at the local Soil and Water Conservation level. Lines of authority were still unclear in local districts; this limited their ability to make decisions and respond to change.

One member of the state staff described the situation after the director was dismissed: "The perception was that for 50 years the feds had led the way in getting things done that they wanted done. This had worked okay, but it really didn't let the locals make their own decisions. All of these things fed into the feeling that the districts needed to be better managed, and that the locally elected officials needed to take better control of things."

Productivity a problem

Given the complexities of the technical aspects of soil and water conservation and the messiness of the administrative structure, everyone involved felt that the system was not as productive as it could be. Federal, state and local staffs often duplicated efforts. Other tasks that would have benefitted from coordination were done in isolation. There were many bottlenecks in decision-making. Good ideas and efficient practices weren't routinely shared. Local practices were uneven and no one was very sure of what their specific goals should be. There were meetings and discussions about the problems, but no consensus about solutions.

Retreat to regroup

During meetings in 1984, the state staff decided to have a working retreat to discuss problems and possible solutions. The retreat included state board members and staff, along with members of the Association of Soil and Water Conservation Districts, a voluntary association of local district board members. A professional facilitator from the Rhetoric Department of the University of Minnesota, James Connolly, led the retreat.

"Having the facilitator was a great help. He made us see things more clearly and keep on track," said one staff member. Another member commented, "The staff had been kicking some of these ideas around for a while, but they never went to the board. Having an outside person say them gave the staff automatic credibility. It allowed us to be more vocal."

During the retreat, the participants decided to hold a series of statewide workshops with elected district officials, state staff, state board members and federal conservation service employees. In the following months, these workshops were held, using the same professional facilitator and focusing on a single question: "What are the internal and external forces preventing us from being more successful?"

Answers to the "internal" portion of the question centered on three key items: unclear lines of authority, uncertainty over areas of responsibility, and lack of training for local staff and elected officials. The first two reasons were due to the overlapping responsibility that local, state and federal personnel had for soil and water conservation.

On the "external" side, the state board's overall lack of public awareness was seen as its greatest problem.

Real progress

The facilitator had streamlined the meeting process. A lot of information was gathered quickly and the key problems were isolated and agreed upon. This was real progress in light of all the preceding discussions. Keeping the facilitator involved seemed like a good idea. Between his efforts and the staff's, many tasks were started.

Following the statewide workshops, the facilitator analyzed the information and presented the state board with concrete recommendations. His action plan included creating a professional "district manager" position in each of the 92 soil and water districts; developing a standardized orientation for all new employees and district officials; and adopting an improved internal and external communications program.

Although these recommendations seemed sensible and in line with the experience of many state board members and employees, there was, according to one staff member, "a realization that we didn't really know where to go with these recommendations." They didn't know how to implement them because no one knew very much about the individual districts. There was no established baseline data.

Enter work teams

A work team of state staff members was formed to determine what information was needed and how to gather it. Another work team was established to develop an evaluation program.

As the evaluation format was being created, they decided that the facilitator's recommendations and the idea to conduct complete district evaluations should be taken to the locally elected officials. In addition to presenting and gathering information on the various recommendations, the facilitator was asked to demonstrate how the locally elected

officials could be more effective in their official roles and how they could exercise more leadership within their districts.

When the facilitator and the state staff met again with the district boards, the response was mostly favorable, even enthusiastic at times, although a few potential points of resistance were identified. For instance, some district supervisors couldn't see the need for managers.

Getting started

The preliminary evaluation design included training two-member state teams, one person from the central staff and one from the field staff. These teams would spend a full day with the staff of each district and would focus on compliance with state grant requirements and other guidelines, election laws, personnel practices and general district board procedures. After the review, the team would spend that evening briefing the local board on their findings and conducting a survey of board members' concerns.

During the summer of 1985, the first trial district evaluations were conducted. The goal was to eventually evaluate all 92 districts.

"And then STEP came along," said one of the project team members.

The 16 state staff members decided to apply to the new STEP Program, "as a way to get management commitment," according to one member. Since the team approach had

worked so well with the evaluations, it was used again with the STEP proposal. A new team was formed, which included members from the evaluation group. Membership was decided on the basis of interest and skill, and the employees made sure representatives of management, the central staff and the field staff were included.

Building on earlier work

Completing the application to the STEP Program proved particularly useful in defining a project that built on earlier work. "Doing that helped us flesh out our goals and list the tasks we needed to undertake to reach our goals," a team member said.

The STEP proposal had three objectives:

(1) To define the responsibilities of the cooperating agencies: the local soil and water conservation districts, the state board and the federal Soil Conservation Service.

(2) To strengthen local conservation programs by establishing a district manager in each local district, conducting evaluations in each district, revising and expanding the district personnel management handbook, and revising and implementing a training program for district employees.

(3) To improve the state's response to local resource treatment needs and evaluate the state program's effectiveness at the local level.

The methods used throughout the proposal's development fit comfortably with both the STEP methods and the philosophy behind productivity improvement techniques.

The human side

Their experience so far had sold the project team on the values of involving their customers and of employee participation. After the experience with the facilitator, they knew the value of outside objectivity and expertise and had identified several areas in which partners would be helpful. Relying on people was an essential part of their proposal.

Said one team member, "The group approach was really helpful in selling the project to management, since several staff members were involved in its development, rather than just one or two at the top."

More work ahead

The team was faced with developing and implementing an action plan after being selected as a STEP project.

They decided to capitalize on this public validation of their efforts by holding a retreat for the Soil and Water Conservation Board and staff, directors of the Association of Soil and Water Conservation Districts, and federal Soil Conservation staff to focus on the project. They hoped it would also renew the momentum that had started with the 1984 retreat.

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This plan fit in well with the overall approach to the project. A key element was keeping everyone involved as customers and as partners. To prepare everyone for the meeting, the executive director sent a letter to all districts describing STEP, their project and the problems it was designed to solve, and what everyone would gain from participating. This began the process by which federal and local officials and staff would eventually be characterized as partners in changing the systems.

"Going into the meeting, we didn't know what to expect," said one member of the team. "There had been some tentativeness, some reluctance. We found that by laying the whole thing out for people, so that they could see the advantages for themselves, we got overwhelming support from the districts, and the director also gave it his support.

"The decision to have this meeting was a make-or-break kind of thing. It was the point where we would either get support or not. We would have gone on with the project without STEP, but STEP gave us credibility and helped the project become more than just a staff idea."

A turning point

The project design and its broad involvement of people were well received at the meeting. There was an unanticipated result of the discussions when some of the local participants pointed out potential problem areas. Having these early warnings, the state staff revised the design to reflect the local concerns.

The staff followed the meeting by detailing the action plans, establishing more work teams and expanding its use of partners. The University of Minnesota Extension Service provided a half-time training coordinator, Marsha Mueller, for six months to formalize their training plan and its delivery. Robert Terry of the Hubert H. Humphrey Institute of Public Affairs discussed leadership training for the organization and several staff attended programs at the institute. James Connolly continued facilitating workshops. Several state employees offered technical advice on training and personnel issues.

With this workload, the state staff realized they couldn't immediately pursue the lack of public visibility that had been their major external problem, because the internal issues were more pressing.

Tackling operations

With this framework in place, the project moved on to the specific actions that would increase the overall productivity of this complex administrative system. The project team has made a number of changes in operations since the annual meeting:

- The state, federal and local district offices have drawn up and signed an agreement spelling out lines of authority and responsibility.

- Work groups have become an official part of work planning. These are now routinely selected according to interest, expertise and representation. The reputation of these groups is one of efficiency and effectiveness.

- Planning itself has been given more importance by the state board and its staff. The goals, action steps and measures have established a base for assessing progress and for accountability.

- Formal, standardized training programs have been instituted for both locally elected district officials and their employees. These are now available systematically after elections and at annual meetings.

- A personnel management guide has been developed to explain the required practices. Model position descriptions and performance standards were designed for district managers, secretarial staff and technicians, accompanied by examples for evaluations.

- A communications plan has been drafted to provide the framework for future state and local public-awareness initiatives.

- Three objectives have been set for the evaluations: to gain insight into conservation problems, to provide consistent monitoring and to provide information to improve local management structures. These program-oriented evaluations review compliance with federal and state rules, employee and election policies, and district operations. A unique feature is the incorporation of local ideas into state operations by asking how the state can respond to local problems or needs. The state staff planned to complete evaluations of all 92 districts by January 1988.

- Seventy districts now have managers. Funds for their salaries have come, in most cases, from existing budgets. Four districts took part in a pilot project where their district managers' salaries were paid by the state board for the first biennium. In many districts it was simply a matter of designating a qualified existing employee as district manager and giving that person sufficient authority to manage the district. The result has been an improved ability to set and meet deadlines for various required reports, which has translated into fewer complaints and a greater sense of professionalism in the districts.

Transferring learning

Just as the STEP project built on previous efforts, the state board and its staff have been able to use the STEP experiences as they address new challenges. Since the project started, the group has managed budget reductions. They have implemented a major state initiative, RIM (Reinvest in Minnesota), to retire marginal farm land and increase wildlife habitat.

"The fact that we were doing the STEP project at the same time is more than mere coincidence. It's an example of how an organization can improve its overall management and take on a new responsibility and get it done," according to project manager Jim Birkholz.

They are now facing a major organizational change as the Soil and Water Conservation Board merges with the Water Resources Board and the Southern Minnesota River Basin Council and becomes part of a new independent entity, the Board of Water and Soil Resources.

STEP helped

"It will give us some exciting new responsibilities related to water management. I think our STEP project helped our organization strengthen its ability to deal with these new responsibilities," Birkholz says.

Although Birkholz feels his staff is committed to its work, he sees the need for "the outside world to know what we're doing, to feel that it's significant." He admits that providing services such as improved personnel management systems doesn't have a direct impact on conservation. "But if we help the local districts to have productive, efficient employees," he explains, "Minnesota's soil and water resources are going to be protected."

PRODUCTIVITY IMPROVEMENT

Lessons from the Soil and Water Conservation Board project

In interviews with the project team and STEP staff in 1987, the groups identified several factors significant to the success of the project.

Closeness to the customer The groups ranked closeness to the customer differently, but agreed that identifying the customers (the state board and the 92 districts), opening communication with them, and including them as part of a continuing team were extremely important to the project.

Productivity improvement Although they attached different values to productivity improvement, there was agreement about the nature of those changes. The project team characterized productivity improvement as the organization being more focused and clearer and, therefore, more efficient and effective. STEP staff identified details of these improvements, such as effective working relationships with multiple units of government and the evaluations with their specific management recommendations.

Work measurement While this method wasn't ranked as a significant factor in the project, both staff and team members described how existing data was used to assess attitudes and needs, and to

demonstrate progress and changes in performance during the project. New data from the district evaluations has been used to assess statewide needs and to build performance measures.

Employee participation The project's approach to team work appears to have been as effective with staff as with customers. The project members indicated that multiple work groups are in process, that central office and field staff have better understandings of each other's jobs, and that they now set priorities to deal with issues that have statewide impact.

The STEP Program In assessing the impact of STEP on the project, the team noted that the program had given credibility to the project. However, vagueness about the program and what it offered, a heavy turnover in liaisons, and a feeling that they were helping STEP get organized limited the program's effect on the project. STEP staff also noted that program efforts had been somewhat erratic, but saw this project as receiving more assistance than some of the other early projects.

Managerial discretion STEP staff saw the project manager as understanding his environment and how to use it, and using the discretion available to him. The staff also noted that part of the project's purpose was to focus some of the managerial discretion that existed in the districts. The project team noted, but did not rank, the project manager's discretion in using a team

approach. His ability to draw in experts as needed and to obtain funds for consultants was particularly crucial.

Partnerships Both groups mentioned the range of partners who supplied new ideas, facilitated the process and provided technical assistance for specific phases of the project. The staff thought that changing the federal agency staff into partners made a substantial difference.

The work environment Both groups identified environmental dynamics, such as budget reductions, new programs and changes in management before and during the project, as having some effect on the project's development. STEP staff noted that it's difficult for a central office staff to appear effective when other people carry out the visible tasks.

Conclusions

By and large, the staff and project team agreed that this project was a good example of how the STEP philosophy, its methods and its public endorsement can help an agency meet its objectives. This project also illustrates the long process involved in changing a system of relationships — often made even longer by externally generated events requiring immediate action. And it shows how to build on the experience gained from working through relationships and then through specific initiatives.

Several things that happened during this project highlight important aspects of productivity improvements in public management and program administration. Spending time at the beginning of a process to identify problems, to learn the group's concerns and to establish relationships often pays off later. When the group has common information and shared understanding, it can more quickly reach agreements, make decisions and begin to act.

The learning curve applies to organizations as well as to individuals. As approaches are developed and tried, they can be done more easily and quickly and can be adapted to new situations. Broad representation enables a state or central agency to develop common products that meet its needs as well as those of local administrative units and do that in a way that respects local authority and prerogatives.

PRODUCTIVITY IMPROVEMENT

Endnotes

The basic black-box input-output model provides the framework for thinking about productivity improvements, since each input factor and process has the potential for being changed, re-ordered or used in different combinations to achieve the desired output.

INPUT ⇒ PROCESS ⇒ OUTPUT
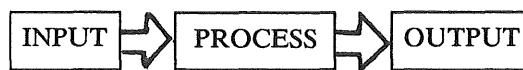
In principle, this process begins with identifying who the customers are, and what they want. In the case of many public services, this process must include legal requirements. Then the specifications for the output are determined. With that information, the organizational processes and inputs are examined to determine how they contribute, where problems occur and what alternatives exist that would improve the results.

Assessing resources

Most organizations have a rich mixture of resources that go into delivering their services. Each of these can be informally tested by asking:

Is this general or specific resource needed?

Is its source reliable?

Are there better ways of obtaining it?

Does it meet quality standards?

What alternatives exist?

Does it come into the process when needed?

Is it used in the appropriate ways and amounts?

These resources include the things that usually come to mind, such as employees, money, equipment, supplies and physical plants. There are others that aren't always taken into account, for example, customers.

In any service, customers are part of the delivery system and can be part of improvements. The banking industry, for example, has improved productivity and service by having customers do more of the work when they bank by phone or use automatic teller machines.

In the public sector, customers' attitudes, interests and involvement may be resources. Another resource is the support for a program or service from political systems, the public, constituent groups and management. Information is one of the primary inputs and outputs for public services, and a great portion of public-sector effort is devoted to information collection, processing, management and dissemination. Attention is most often given to formal information systems. Not much thought is given to managing the information resource that resides with individual employees or that's

handled through informal systems not easily identified or accessed efficiently.

Assessing processes

Common processes can be identified and examined to assess potential productivity improvements. Some informal tests of a process include asking:

Why is this done?

How long has it been done this way?

Why is it done at this specific time or point in the process?

How many times is the same thing handled?

How often is the same data gathered or acted on?

What other sequences, task groupings or technologies would work?

Where do bottlenecks or errors occur?

The flows of people, information and material objects often can be altered. Both efficiency and effectiveness can be increased after examining the decision-making process and re-evaluating whether standardized decision rules can be developed, whether more or fewer people or levels of the organization need to be involved, or if responsibilities and authorities can be reallocated between staff and line or higher and lower levels. Internal and external

communications procedures may also identify potential improvements.

Formalized techniques for productivity improvement are similar to those discussed in connection with work measurement and can be characterized as either analytic tools — such as workflow diagramming, task analysis and organizational audits, or as participative problem identification and solving processes.

This may not be easy

There can be barriers to increasing productivity. Employees frequently resist these changes, most often because they haven't been involved, they're concerned about the effects on their jobs, working conditions or work relationships, or they're unsure how the alterations will affect the products or service quality. Sometimes they simply haven't been given a good explanation or sufficient information to understand what's going on and why. Clients and customers often have similar reactions.

Large systems are difficult to change because of the investment they represent and the changeover costs. Many parts of organizations are highly interdependent and changes must be developed cooperatively with others; this increases the time, effort and complexity of the task. Productivity improvements may change jobs so that collective bargaining agreements or personnel system requirements — if not both — must be adapted or workers retrained.

A time-consumer

A productivity improvement initiative can be a major project, consuming time for data collection and analysis, finding or developing the necessary skills, locating and evaluating alternative technologies, gaining approvals within the system, revising operating procedures, and measuring activities and documenting results.

Public programs, along with other particularly sensitive fields, may experience some unique barriers to productivity improvement because they must address concerns about the safety and well-being of individuals, assure that standards for equity and due process are met, and gain public acceptance of what is being done.

The circumstances of any productivity improvement initiative will determine what specific barriers exist, the effort required to deal with them, and the techniques that are apt to be most effective.

Treating productivity improvement projects as planned and managed changes over time, rather than as quick fixes, can help minimize the problems and the side effects. It also helps to realize that productivity improvements at the individual job level can add up to as much as a systemwide change.

How STEP helps

STEP staff has used both kinds in working with projects. The quality management component of STEP training leads project teams through an input-output analysis that highlights resource and process issues that are inefficient, cause errors or create quality problems. Potential ways are identified for reallocating costs from correction to prevention as a means of improving service quality using existing resources.

STEP's general training program enhances productivity: team experiences improve members' ability to understand each other and work together; the project planning process provides instruction, guidance and technical assistance; and skill development programs give participants tools for identifying and solving problems.

For individual projects, the STEP staff has identified specific analytic methods that teams can use to examine their operations, and has created partnerships with individuals or organizations with relevant expertise. They have located information sources, and have shared ideas from other settings that could be transferred or adapted.

What we learned

Productivity improvement has followed closeness to the customer as the focus of STEP projects. This is logical, since better resource use often is the route to improving customer service or demonstrating that improvements have been made.

Productivity improvement has been the motivating force for many STEP projects. In

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many instances, better or more efficient resource use has been a project's immediate goal. In most other projects, teams willingly have looked at the productivity of their operations. They have done this by using their own skills or seeking experts or new analytic techniques. Frequently, the endorsement or priority associated with STEP has been the occasion for teams to take a more thorough look at their operations than initially proposed.

The STEP projects have demonstrated that the current environment is rich with change opportunities. Managers have been aware of different technologies and often have defined the initial phases of projects to explore whether or not those can be adapted to their government activities. Project teams have also been able to leverage change as they

have identified ways in which one adjustment leads to other opportunities. The particular environment of Minnesota government had added opportunities for changes. Managers preoccupied with repeated program and fiscal cuts in the early 1980s were glad for the occasion to initiate their *own* changes.

Other than the obvious fact that productivity improvement techniques work in the public sector, two things stand out. First, that employees are motivated to improve productivity when those improvements are related to the services they deliver. Second, productivity improvement is a continuing effort. There have been many "STEP children" — follow-on projects to capitalize on opportunities that emerged during the initial project.

PRODUCTIVITY IMPROVEMENT

Tools

Productivity improvement techniques have been used in several STEP projects. Here are some specific ways project teams have applied productivity improvement for results:

- employee participation in planning and implementation

- assessing the costs of mistakes

- clarifying goals and priorities

- error prevention techniques

- quality circles

- quality control programs

- reallocating time and resources

- measuring productivity

- brainstorming sessions on productivity

- learning from the experts

- hiring specialists for one-time tasks

PRODUCTIVITY IMPROVEMENT

Other projects

DATANET — State Planning Agency

Datanet is a state staff agency's effort to improve the access to and quality of data available to state and local governments and the private sector. This has been done by building a library of data bases that are particularly useful for planning and by making that data available through an on-line network.

Datanet's STEP project was designed to increase the productive use of the existing system's data by broadening its base of two major subscriber groups: those that contribute and maintain specific data bases and those that use the information.

Limited involvement with two partners with marketing expertise helped the project manager evaluate the strategies Datanet had been using. This affirmed his methods of publicizing the service through written materials, open houses and informal networking.

During the time of the project, Datanet increased its user-subscribers by 20 percent.

INCOMING/OUTGOING MAIL SYSTEM
— Department of Revenue

How to best handle its large and seasonal
volumes of mail had been an issue for
Revenue for years. Their mail processing
affects the U.S. Postal Service, taxpayers,
regular and seasonal staff, and the other
areas of state government concerned with
cash management. After several earlier tries,
this STEP project succeeded in improving
services by improving productivity.

Partnerships with the Postal Service, UPS
and a private-sector firm with volume
mail-handling operations helped the project
manager and team identify the appropriate
automated equipment. They also helped
develop alternative scheduling and
processing patterns to support the system
and interactions with other functions.
Information from the Postal Service and a
fund availability analysis enabled the team to
change incoming mail delivery and bank
deposit times in order to improve short-term
cash investments.

Internal benefits from the project have
included reducing the level of manual efforts,
better scheduling, increased accuracy and
decreased costs of postage and mail
handling, and reduced seasonal costs.
Internal customers are getting better service.
Morale has improved because employees
initiated many of the changes within the
system, designed the work measures and
have a less-hectic work environment.

CASH MANAGEMENT — Department of
Finance

The Department of Finance is responsible
for the overall management of funds received
by all state agencies and the State Treasurer.
"Improving Cash Management of the State
Treasury" is one of many efforts to improve
Minnesota's fiscal management. This
project has resulted in more productive use
of state resources: cash is deposited and
invested more quickly and human efforts are
being employed more efficiently.

These productivity improvements came
about through a series of partnerships with
major banks, local corporations noted for
their cash management practices, and the
state agencies that receive payments. As
seen in the Department of Revenue's mail
project, the cash management initiative
sometimes was linked with major internal
changes in the participating agencies. These
collaborative efforts led to the agencies
depositing funds directly with the banks
rather than with Finance and to new dollar
and time standards for making those deposits.

In addition to staff time savings, the project
team has estimated that the state can
generate substantially more investment
earnings: $1 million a year for each day that
total processing time is reduced; $1 million a
year for each day that total collection time is
reduced; and $375,000 more for each $5
million collected because of changed
investment practices.

TELECOMMUNICATIONS — Department of Administration

The Department of Administration Telecommunications and Technology Management Division is responsible for providing telecommunications systems for state agencies. In the last few years, the division staff has developed new expertise and improved the capacities of phone systems.

The Telecommunications Services for Local Governments STEP project has influenced productivity by using state resources differently and by making cost savings and service improvements available to local governments. The project furnishes either actual telecommunications services or technical assistance to local governments. By using the Northstar network (the state-operated system) or state contracts with commercial networks, cities and counties are able to expand their systems or benefit from the state's volume purchases.

By expanding its core staff through revolving fund positions, the division is able to sell its expertise to local governments through technical assistance and consulting services. This reduces the local unit's costs of evaluating their present systems and alternatives.

In the first three local initiatives, there were state and local savings of more than $3,000 a month. Five local units now have wider network access.

PRODUCTIVITY IMPROVEMENT

Suggested reading

Administering State Government Productivity Improvement Programs, Balk, Walter L., editor, State University of New York at Albany, 1975.

"Common barriers to productivity improvement in local government," Ammons, David N., *Public Productivity Review*, Winter 1985.

"Process Management Technology," Mooney, Marta, *National Productivity Review*, Autumn 1986.

"Productivity improvement in government agencies: An ethical perspective," Balk, Walter L., *Policy Studies Review*, Vol. 4, No. 3, February 1985.

"Productivity management: A neglected approach for reducing federal government costs," Lemonias, Peter J., and Brian L. Usilaner, *National Productivity Review*, Spring 1984.

Productivity: Problems, Prospects, and Policies, Levitan, Star A., and Diane Werneke, Johns Hopkins University, Baltimore, 1984.

"Training managers for high productivity: The Hughes approach," Ranftl, Robert M., *National Productivity Review*, Spring 1984.

Work measurement

Work measurement often disturbs managers and workers.

At the end of the 19th Century, when Frederick W. Taylor began advocating work measurement methods as part of scientific management, he was challenging the established relationship between management and labor.

Although Taylor has come to be known for using scientific methods to analyze the details and then construct jobs that were efficient and routine, there were other implications to his approach.

Managers were expected to become experts in how work should be done and to treat employees differently by matching workers to jobs, training them, using their expertise and judging them by explicit standards. They were also expected to share productivity gains with customers and workers.

Instant suspicion

Workers were concerned that they'd be exploited and turned into machines. A century later, they're even more skeptical of work measurement systems because more workers have even less control of their jobs. (The best estimate is that, on average, individuals control 15 percent of their jobs while the other 85 percent is determined by organizational systems.)

Workers' skepticism has also grown because organizations are larger and more impersonal, work processes separate them further from the final product or the customer, and measurement systems have at times been misapplied or used inappropriately.

Managers are again challenged to know more about how their operations work, to take responsibility for fixing things, and to acknowledge and rely on the expertise of employees.

Management tool

While customer satisfaction, quality and productivity improvement are objectives in their own right, work measurement is a tool. The basic questions are: What is the current situation? What is the desired change or goal? How can it be achieved?

In a well-developed management system, an organization's activities are governed by its mission, strategy and objectives. These organization-level directions are detailed in the operating and administrative systems, which should support the organization's major thrusts. Information, performance evaluation and work measurement systems, in turn, are created so that the employees and managers can see how closely the results match the performance that they want.

To use work measurement tools skillfully, it's necessary to focus on factors critical to success, to involve people in designing and using the systems, and to integrate work

measures with other administrative and operating systems.

Currently, the importance of work measurement is emphasized in quality and productivity improvement and employee involvement programs. In those management initiatives, work measurement is used to describe what an organization's work and workloads are, to trace the flow or pattern of the work, to identify problem areas (bottlenecks, duplications, delays, sources of errors or complaints) and to provide baseline measures against which future performance can be measured. In most of these programs, line employees and supervisors are essential for identifying issues, collecting data, diagnosing problems and developing and implementing solutions.

A source of feedback

In addition to increasing employee participation, work measurement systems can enhance employees' job satisfaction by giving them feedback about their performance. Information about organizational performance also helps develop a sense of involvement in the organization's goals.

Since STEP deals with measurable changes in the quality, quantity or cost-effectiveness of state services, work measurement techniques are an essential method.

The original STEP advisers from the public sector knew that both the program and the individual projects would have to

demonstrate specific results and the effects of using different management approaches. In addition to demonstrating the consequences of these initiatives to the legislature and to top state executives, proof was needed to persuade other public managers and employees.

Measuring makes it important

The private-sector managers knew that work measurement methods and systems were essential in shaping organizational performance. Their experiences confirmed the belief that measuring something makes it important and shapes the reactions of people and organizations. Both public and private-sector groups knew that demonstrating changes to the public would be the most effective way to show citizens that state government could be responsive.

In developing STEP projects, teams establish their goals and objectives, and examine the critical performance and cost factors. Then they identify what needs to be changed and the factors that would substantiate those differences. Only then are specific measurement methods explored and employed.

Work measurement techniques have been used to describe and diagnose existing systems, to monitor work processes and activity levels, to plan changes and to assess bottom-line results.

Experts in the work measurement field suggest that good measurement systems must be meaningful to and accepted by the people involved, must fit with formal reward systems, and must evolve to reflect changing organizational conditions.

Our experience with STEP so far indicates that projects have kept work measurement in perspective; it has not been identified as the purpose for any project and it has not been the dominant method in any.

The case study

The Department of Public Safety's project to develop a customer orientation in the Driver and Vehicle Services Division identified the measurable change that was desired. Once selected, the project team was challenged to translate something intangible into measures that were important to their customers and employees and could be supported with data. This project was selected as a case study because it illustrates an appropriate and successful use of work measurement methods in a project that could just as easily be characterized as a customer or employee satisfaction initiative.

The division routinely tracked the number of incoming calls the information staff handled, for instance, but lacked firm data on the sources of errors, had only general ideas of customer complaints and lacked ways to analyze the data they had been collecting. During this project, the telephone system was upgraded for better data collection, a system

was designed to track error sources, and employee and customer surveys were conducted to identify other areas which needed attention.

CASE STUDY: WORK MEASUREMENT

Developing Client Orientation

Customer complaints are to be expected at Public Safety's Driver and Vehicle Services Division, where the customers must conduct their licensing business . . . if they want to drive or own a motor vehicle. It can be a complicated and expensive transaction at the main counter of the St. Paul office, and on top of that, there isn't enough customer parking.

Having to deal with unhappy customers makes for unhappy employees, and it's hard to move out of that vicious circle. Division management saw an opportunity, however, when the new STEP Program included an emphasis on customer satisfaction. They have implemented a multi-faceted project, measuring the results in a variety of ways, including customer surveys and error counts.

The workload is more equitably distributed now. More customers are served in less time, errors have been reduced and communication has blossomed — for the customers as well as the employees.

Anyone who wants to own and operate a motor vehicle in Minnesota is a captive customer of the Driver and Vehicle Services Division of the Department of Public Safety. Although the department has some field stations for driver license business and more than 100 deputy registrars who serve as department agents, ultimately there is no alternative to doing business with the division, and this has had a negative impact on customer relations.

Driver and Vehicle Services serves 3 million licensed drivers and the owners of more than 4 million vehicles. The division's responsibilities include maintaining records of motor vehicle titles, registering vehicles and drivers, inspecting and licensing motor vehicle dealerships and driver training schools, monitoring and enforcing Minnesota's no-fault insurance law, and licensing bicycles.

A vast network

The division works with the deputy registrars, the courts and insurance companies. Most transactions are processed at the central office in St. Paul, although field station staff throughout the state administer written and road tests for drivers' licenses and the deputy registrars accept transactions from the public. Automobile dealers are also involved, as they help with the paperwork and work with deputy registrars or the central office. It's the central office, however, that is the final point of distribution for all business, and it also attracts many

customers who live or work in the St. Paul area.

Completing a transaction at the division's large central office can present problems. For starters, driving customers have to park at a limited number of metered spots in order to conduct their business.

The division has outgrown its present building space, and its waiting areas are too small to accommodate the number of people to be served. The noon hour and late afternoon are busy periods when the wait for service can be long. Callers to the information phone room don't always receive immediate responses because calls can outnumber the information staff.

Because some transactions handled by Driver and Vehicle Services are so complex, many people arrive at the service counter with incomplete information. Another required form or an additional signature can mean a second trip to the central office and a second wait in line.

Two-way frustration

The parking problems, long waiting lines, busy telephones and the discovery of missing information led to public complaints about the division's service.

Many of the staff have felt the strain of face-to-face or telephone encounters with angry and frustrated customers. Consequently, employee morale and

attitudes toward the public weren't always positive. Many front-line employees had given up hope that anything could be done to improve the situation.

Customer service has had to share its priority status with law enforcement responsibilities, a massive volume of paperwork and the technical accuracy required in many staff positions. Management has made numerous efforts to improve service, but the relentless workload has made it difficult to conduct a thorough evaluation of the problem.

This was the picture at Driver and Vehicle Services at the time the governor requested STEP proposals in 1985. The division director was interested in STEP, because it provided structure and strategies for initiating change consistent with her long-term goal of improving customer service.

The proposal

A Driver and Vehicle Services section head, who later became a project team member, wrote the STEP project proposal. Selected by the STEP Steering Committee in August 1985, the proposal was titled "Improving the Quality of Service and Defining the Product," and addressed the following concerns:

(1) Vehicle registration fees collected by the division are used for road maintenance and construction. Many customers felt they weren't getting anything for their money, and their resentment rubbed off on the staff.

(2) The division lacked meaningful measures of customer service functions, particularly for the telephone information service and counter transactions. While the phone system provided detailed computerized data, the division needed help analyzing the information.

(3) The division was interested in working with a private-sector partner to improve customer service. An organization with captive customers, an intangible service and a reputation for responsive customer service would be a good match.

Management was willing to commit staff time to a long-term project. At least two managers, two supervisors and three line staff members would be made available to work four to six hours per week on the project. Because management viewed the project as an ongoing educational and developmental program, "the duration of the program would ideally be long-term," they said.

The Process

In March 1986, all Driver and Vehicle Services employees received a memo from a section head soliciting volunteers for the STEP project team. Titled "Your Chance to Improve the Division's Image," it summarized the project's objectives. The author stated:

We are committed to providing good service to the public. We are also committed to making the necessary changes to improve our service. However, we cannot do this without your help.

From the interested volunteers, a team representing every organizational level was created.

Since membership was voluntary, the team members' concern about customer service issues was genuine. One team member indicated he was pleased to see that employees from all levels were invited to participate. Working at a field station administering drivers' license tests, he already believed customer service was an important aspect of his job and he wanted to be part of the effort to improve it. Another team member, a supervisor, saw her participation as an opportunity to represent her staff's concerns.

The STEP team started meeting regularly in April 1986. The first meetings concentrated on teamwork training and priority setting. An action plan with a timeline for accomplishing tasks included three preliminary priorities: conducting an employee survey, conducting a customer survey and finding a partner.

With their awareness of employee concerns, the project team planned to keep everyone involved. Team members would communicate with their colleagues. Later, a newsletter would be created to keep people posted on plans and results and to serve as a forum for employee input.

Surveying the employees

To design the employee survey, the project team submitted a questionnaire to staff to elicit their concerns. Their responses and the team's ideas were used to complete the survey design.

The final version of the survey asked employees to rate their satisfaction with aspects of their jobs along a scale which ran from "rarely satisfactory" to "always satisfactory." Respondents were also asked how their attitudes toward management, fellow employees and customers affected service.

A random sample of 100 staff members was selected from the division's 600 employees to complete the survey. The survey was distributed with a memo signed by the team members asking for assistance in identifying problem areas and emphasizing the need for honest responses. The memo also explained that changes might not be immediate. Respondents were given time at work to complete the survey.

The survey results confirmed some problems that were common knowledge, but there were also some revelations. The top 12 problems identified by the employees were:

(1) Customers failed to give complete information, preventing phone and counter staff from answering their questions correctly.

(2) Individual employees had conflicting interpretations of policies and procedures.

(3) Irate customers made problems worse.

(4) Third parties provided incorrect information to customers about division requirements.

(5) A negative public perception of state employees lowered staff morale.

(6) There was poor communication between areas in the central office.

(7) Staff did not have adequate access to computer terminals with motor vehicle and driver records.

(8) Line staff felt management communication reflected a general indifference to their needs.

(9) Staff were not told of policy and law changes, so they were unable to help customers.

(10) The office was too noisy.

(11) Third parties gave division employees incomplete or incorrect information about customers.

(12) The office and waiting areas were too crowded.

The responses pinpointed where there were communication problems and confusion. Employees wanted to provide customers with correct information about procedures and changes in law, but the present situation made it difficult to answer customer questions at the counter or over the phone. The information phone room, in particular, had higher dissatisfaction ratings than other areas of the division, especially with regard to training, equipment, supervisory assistance and policies and procedures. Few employees thought that forms, letters and notices, or work distribution were major problems.

The project team used brainstorming techniques to generate solutions to the 12 problem areas.

Surveying the customers

Attempts to measure customer satisfaction have provided the team with an ongoing educational experience. The first customer survey's 14 open-ended questions allowed for answers which were difficult to interpret and quantify. Distributed randomly at the central office service counter, the survey had a response rate of approximately 33 percent, which is considered acceptable. Results appeared to show that the majority of customers thought service was adequate but were displeased with the parking situation.

The project team found a partner in Robert A. Hansen, a marketing expert from the University of Minnesota's Carlson School of Management, and asked him to help them interpret the results. He told them the survey indicated that the division provided acceptable service to many of its customers. He stressed the need to market the division's services. He revised the survey so that future responses could be quantified. The team also incorporated a modified version of another state's customer service survey which had been used successfully for similar purposes.

Although it has taken much longer than planned, the team has learned that a useful customer survey must be easy to complete and to quantify.

The project team also studied the frequency and source of errors and their costs. A checksheet used at the service counter to identify sources of wrong information showed that the customer information line was one source of misinformation. Aside from providing incorrect information to callers, phone room employees had expressed low levels of satisfaction about certain aspects of their jobs. It had long been acknowledged that the phone room customer service representative position was stressful, and customers had complained that lines were often busy, but there were no easy solutions. While the phone system could measure the number of lines in use, the number of calls on hold, the length of conversations and the number of calls lost (when a customer hangs up while waiting), the team recognized they needed help analyzing the data to determine appropriate service standards.

A partnership

The team, through a member's private contact, found a partner to help them solve the phone room problems. The partner, Northern States Power Co., a public utility with a strong reputation for customer service, shared two similarities with the division: a large group of captive customers and a product which is really judged by intangible service qualities — for example, electricity is judged by the comfort and convenience it provides, rather than by its wattage. The company even used the same type of phone equipment in its customer service area.

The project team visited NSP's phone room and discussed with utility employees how they might measure performance standards. "Our eyes were opened," said one team member. From this visit, they learned new ways to measure work performance, such as recording time on the system and talking time rather than just the number of calls. These enabled them to distribute the workload more evenly and to serve more customers.

These work measures being applied in the division are only a few examples in an ongoing management process in which measures are used to define and understand problems. The project has educated staff on specific work activities and on the process of continually using measurement systems to meet organizational goals. In the process of solving problems with the help of work measurements, the division has found ways to reduce staff time and costs. They've been able to redeploy these resources and address other problems or meet other goals.

Change after change

This Public Safety STEP project involved changes affecting every employee:

Comprehensive customer service training — A need for training was revealed in the employee survey. The team wanted the training to have a long-term impact on employee attitudes. Public Safety signed a contract with a private company to tailor the training to department needs. The company will do an extensive pre-training analysis. Twenty-three Public Safety staff members will be trained as facilitators to train all employees. Follow-up training will be done annually, and the company will provide ongoing consultation.

Streamlined work — By reducing its errors, improving the computer system and organizing tasks more efficiently, the division is able to carry out its work with fewer employees. The phone room operates with one less employee, and there has been a reduction of about 30 employees who work in the combined processing groups. Staffing at the motor vehicle/driver license front counter has been restructured. Previously, the counter was staffed with approximately 15 employees and the combined processing group had about seven employees. Employees from the group were moved to the counter, and staffing has been reduced to

16 employees. These staff reductions, some of which were made before the STEP project, have come through attrition.

A new, state-of-the-art customer survey — The survey, to be printed on a folding postcard, is in the final planning stage. This will provide the division with quantitative data on telephone and counter service. The survey will have a section for comments and will permit the customer to request a written response. This design will give the division ongoing information about the quality of service and will allow for a personal response to service problems.

An improved measurement for phone room staff — The new system has resulted in a higher daily work standard and greater productivity. Instead of meeting a daily quota of handled calls, the staff now is on the phones for a specified length of time each day. The previous system had allowed some phone room staff to handle their quota of calls and avoid additional calls regardless of demand. Assigning staff to be on the phones with customers for a specified amount of time has distributed the workload more evenly, reduced the number and length of calls on hold, and increased the number of customers served. The number of lost phone calls has been reduced.

Improved work spaces — New modular furniture has been installed in the phone room to reduce the noise and improve the aesthetics.

Technological and other work aids — More computers are available to the phone room staff. They also have card files indexed by subject for frequently asked questions. These improve the speed with which a customer service representative answers questions and reduce the number of inconsistencies and errors in information.

More communication — An employee newsletter has been created on the advice of the utility company. Its purpose is to educate division staff about their co-workers' jobs, introduce new ideas, inform the staff of new policies, and recognize individual accomplishment. The editors solicit questions and comments from the staff and respond to them in the newsletter. Work units, such as the phone room staff and the combined processing groups, now meet to discuss issues in their units. Some meet biweekly, others monthly. Both the newsletter and the unit meetings are an attempt to build a feedback loop into the system to respond to the employees' sense that management had been indifferent to their concerns.

Long-range commitment

There are two changes not directly related to the STEP project, but important because they demonstrate a long-range commitment to customer service. The first is a planned move to a more spacious, convenient office. Although the new location in the St. Paul area has not yet been chosen, selection

criteria include more office space and adequate parking for the staff and public.

The other change is a reduction in time customers spend waiting in line. An electronic signboard flashes the number of the next window open for service to help customers get through the line more quickly.

Waiting time has decreased from an average of 15 minutes to seven minutes.

There may still be some long waits for service at the division's central office during busy periods. Driver and Vehicle Services' commitment to customer service, however, has already had measurable results.

WORK MEASUREMENT

Lessons from the Public Safety project

Changes from Public Safety's many-faceted STEP project will continue to occur. It's not the kind of project which has an identifiable closure. Its beginnings, however, were discussed by the project team and the STEP staff for an overview of what's to come.

Employee participation Both project team and STEP staff ranked employee participation as the most significant factor in the project, for similar reasons. Recognizing that employees had to be involved if customer services were to be improved was at the top of both lists. To do this, the project manager created a team composed of employees from all ranks, with each person an equal participant. STEP staff thought that this team was a breakthrough for Public Safety, an agency that usually operated along traditional, hierarchical lines.

Because the team knew that the project's results depended on employees, they saw employees as indirect customers, surveyed them, and developed a newsletter which increased employees' sense of involvement and gave them new information about increasing customer service and improving productivity.

Both team members and STEP staff identified the difficulties in the team approach: employees were skeptical, it took time for the team to develop, more time was required when membership changed, and other employees had to pick up some of the team members' workloads.

Closeness to the customer STEP staff characterized customer service as "the heart of the project." Team members felt the project received management support because it fit with the agency's emphasis on customer service. The team's effort to identify a variety of direct and indirect customers helped it isolate different needs and expectations and, from that, a range of service improvements.

For example, changing the phone system improved the division's responses to the public. The resulting decrease in complaints had a positive effect on employees. Team members again identified the close association between employees and customers when they noted that employee attitudes were changing as the project unfolded and so, in turn, there was better service.

Productivity improvement The groups assigned as much significance to productivity improvements as they had to factors related to closeness to customers. Team members identified improved service quality as the desired project result. They supported that goal by starting the newsletter and changing working conditions.

The work environment The groups had different views of the environmental factors

that influenced the project. Team members found the agency management's openness to suggestions helpful in carrying out the project, but noted that, even after recommendations were accepted, there were further delays because of funding limits. STEP staff saw cultural forces competing in the environment: in general, there was public apathy about this rather routine public service; within the agency, some of the energy of team members who saw the potential for change was deflected by old behaviors and values.

The STEP Program Team and staff members saw the significance of STEP differently. The team ranked it as the second most significant factor for three reasons: being a STEP project kept the initiative from becoming "a casualty of daily workloads"; the STEP staff got people excited about the project at an early meeting; and the liaisons provided both direction and freedom for team members to make decisions. STEP staff saw the team's willingness to participate in training programs as a positive influence on the project.

Partnerships They first established partnerships to gain information about customer requirements, service techniques and marketing. Later they forged new and continuing alliances to provide better information and to enable customers to use this public service more effectively.

Conclusions

STEP staff characterized this project as a work environment change stimulated by STEP. It was a project consistent with agency goals and the values of the current management team.

With their objective of improving service, the team segmented customer groups and recognized the critical connection between employees and external customers. The team then used both old and new work management systems and information sources as their tools.

This case study illustrates several things we've seen in STEP projects. None of the teams are focusing on work measurement for its own sake. Many are using work measures as tools either to understand their existing operations or to support an array of operating changes directed at the performance they want to improve. While it appears more time-consuming, getting employee input is worth the effort — changes are focused on immediate problems and the staff responses to change are more helpful. And, as in the Public Safety project, measures of several critical factors are needed to deal with different aspects of the larger task.

WORK MEASUREMENT

Endnotes

Based on his experience with public and private organizations, Scott Sink, an expert on work measurement, has come to see measurement systems as only a part of larger management planning and operating systems. In addition to advocating broad participation in the processes, he described eight steps for assuring organizational effectiveness: (1) Developing a collective awareness of the system, its mission, guiding values and goals; (2) identifying and analyzing the assumptions that will be used in planning; (3) developing consensus about three- to seven-year objectives; (4) detailing the long-range objectives into zero- to three-year priorities and segments; (5) assigning the priority objectives to action teams that will develop specific proposals; (6) *implementing proposals as specific projects which have visible ways of measuring progress against plans;* (7) *developing measurement systems to assess the impact of projects on the organization's performance;* and (8) managing, supporting and *tracking project implementation.*

Why measure

As part of an overall management processs, work measurement systems have several purposes. They are a means of control and also the basis for improvements and innovations. They are used to assure rational work volumes and processes. And they influence employee satisfaction and performance.

Sink provided some everyday insights to measurement systems:

- You cannot manage what you cannot measure.
- Measurement systems help us gain visibility.
- They help us know when the system/process is out of "control."
- You get what you inspect, not what you expect.
- They can keep Headquarters off your back.
- They can, if designed properly, motivate improvement.
- They can help you compete for resources.

There are two general schemas for work measures: those that encompass performance factors and those that follow the work flow. The performance criteria include effectiveness, efficiency, quality, productivity, quality of work life, innovation and budgetary or financial factors. Work flow measures segment functions along a production stream that includes suppliers and inputs, the transformation process and the outputs (products, units of work, volume of activities), customers and outcomes (fulfilling intended purposes, customer satisfaction, quality standards).

You've got to start somewhere

Measurement methods aren't all-or-nothing propositions. They should be flexible and dynamic and may account for multiple aspects of performance. While individual measures may be of one kind or the other, good *systems* combine qualitative and quantitative, objective and subjective, hard and soft, empirical and intuitive data.

In starting to measure work factors, it's likely that a system will have to evolve. Often, the data, a data collection system, the analytic techniques or the communication system for using the information aren't available. Often, rough indicators or surrogate measures will have to be used in the beginning, with more comprehensive, useful or direct measures coming later.

For example, workload standards may initially be set with historical averages; then more accurate measures might be developed to account for variances in different cases; only later would a method to measure individual activities and their variances be developed and then updated as the work changes.

Make it a match

Existing work measurement systems should be reviewed to see if they really support performance objectives. Talking quality but measuring time or costs is a typical example of not aligning measurement with objectives. The staff in Driver and Vehicle Services fixed such a mismatch when they recognized that a quota of answered calls did not support their objectives of customer service, good information and equitable work standards for employees.

It's also important to be selective about what is being measured. Attention should be given to the few critical factors which can determine success or failure. Being selective conserves the resources used in measurement activities, keeps attention on what is important, and prevents the significance of measures from getting lost in a sea of data. Being selective and asking employees to measure only what is important may also preserve the integrity of the data.

Techniques

Most highly-sophisticated and widely-used work measurement systems have been designed for standardized jobs in industrial settings. However, many of the ideas and principles in these methods, if not the specific details, can be adapted to measure and change work management in other settings or for other kinds of work:

- Manual methods and computer programs are available to support detailed project planning and scheduling, resource inventory, production and planning, work flow diagramming and analysis of such things as fluctuations in volume, and scheduling and routing over geographic distances.

- Planning to computerize activities often employs elements of work measurement and can reveal ways to streamline work processes even if data-processing systems aren't installed.

- Modern technology provides many ways of measuring work without adding to employees' workloads. (We've all heard stories about time reporting systems that take an hour a day to complete.) Computer systems can easily account for transaction volumes; data entry and word-processing systems count keystrokes; the phone system described in the case study automatically keeps track of the number of calls and their length.

- Contemporary methods, such as sampling or periodic studies and surveys, or using information that is already collected in routine work activities, can also reduce the burden of work measurement initiatives.

Even though measurement processes for goods and production systems may have a better developed technology and easier conditions, there's much that can be done to measure quality in public-sector activities and service and information jobs.

Quality

As suggested in the Endnotes to Closeness to the Customer, gauging quality — particularly the quality of services — is difficult. Not only do individuals' criteria for quality vary, but their perceptions of what they receive also differ. Segmenting aspects of quality may help in understanding what is important and what should be measured. Conformance to quality standards is a measure against requirements or specification, expectations or demands, and needs or desires.

Sink identified five checkpoints:

(1) Upstream systems — managing inputs or suppliers.

(2) Incoming quality assurance — assuring that the resources to be used are suitable.

(3) In-process quality assurance — seeing that standards are met at each stage of internal processing.

(4) Outgoing quality assurance — ascertaining that the total effort meets standards.

(5) Customer satisfaction — actively determining that we are delivering what is needed, that what we deliver is what we think it is, and that it meets customers' expectations.

Whether the customers are internal or external, they can be asked to define what

they mean by quality of the product or service and the ways they decide whether their standards are being met.

Public sector

Even though its services are often complex or controversial, there are aspects of the public sector which support work measurement efforts. Most public agencies have to define their work activities when they justify budgets, request staff or equipment, develop employee performance standards and hiring criteria, and manage within resource constraints.

Because public programs don't have the same, easily identifiable bottom line as market enterprises, they have had to pay more attention to tracking the processes they use, their activity levels, and the number of people served. And since accountability standards may be higher for the public sector, there may be more knowledge about how resources are used — if the data on all those forms is turned into information.

The same general approaches to work measurement apply in the public sector. Many processing systems lend themselves to fairly straightforward applications of industrial work measurement techniques, such as workflow analysis, production scheduling, or capacity planning. Others, such as assuring the accuracy of tax returns or welfare payments, require special designs to account for very dynamic situations or to assure due process for the customers. Still

others, such as federal programs which are supervised by states and administered by local units of government, will have to be carefully segmented so that the measures and standards accurately reflect what each level should be accountable for on the basis of its ability to control performance.

Service and information work

Professionals in the field are just beginning to explore the ways of measuring the work of professionals and service and information businesses. In their exploratory work on white-collar productivity, Schroeder, Anderson and Scudder summarized some of the major aspects of the issue. As with measurement systems in general, those for service and information workers serve several purposes in addition to documenting organizational performance.

Measurements of white-collar work are used for self development, for performance appraisals, salary adjustments and promotion, and for feedback, communication and work direction . . . the same reasons measurements should be used for all employees. The major questions that arise about measuring information and service work activities are:

Why measure it?
Who should measure?
What measurements should be made?
How should they be done?
What are the characteristics of a good measurement system?

Given the frequency of interdependent jobs, both individual and team measurement methods must be developed. Since there's a wide variety and often considerable complexity associated with professional, technical or administrative jobs, multiple measures may be needed to account for things such as client satisfaction, project success, innovation, handling non-standard situations, job involvement, the success of subordinates, meeting deadlines, lack of surprises, documentation and transferability of work, resources generated and adaptability to change.

Motivation

If properly developed, designed, implemented and kept relevant, work measurement can increase employees' satisfaction. This happens as the systems give information on the quantity, quality, complexity or results of their work. Employee performance will improve only if they, individually or as a group, have the ability to control those results. Measurement systems can give employees information that enables them to alter their performance and helps them relate their activities to overall organizational results.

Knowledge about performance and expectations, feedback, control over job tasks, and visible connections to organizational goals are associated with commitment and, indirectly, with productivity. Work measurement efforts can identify organizational inefficiencies and

barriers to employee performance. If these are fixed, there can be direct effects on quality and productivity. In turn, those improvements can affect morale and individuals' willingness to increase their efforts.

There are several other aspects of work measurement that must be accounted for if the systems are to have a positive effect on employee motivation. First, the work measurement systems need to account for both individual and team roles. Currently, and very appropriately to the public sector, team or cooperative performance is being emphasized since relatively few organizational activities are independent efforts. Second, the measures used for individual performance evaluation must accurately reflect what the individual has discretion about or can control. Third, the measurement systems must be germane to both the organization's goals and the individual's sense of what is important to his or her job.

How STEP helps

The fundamental ways in which STEP influences work measurement in the projects are to help keep the method in view so that it's not avoided and to keep it in perspective, so that it doesn't dominate a project.

Identifying a measurable change is the first requirement for any STEP project. As projects are developed, teams are helped to identify baseline data that is available or can

be developed to document project results. Describing work flows and measuring activities has been part of the quality management training available to all projects. Recent training programs for staff and project teams covered statistical quality control. A workshop on measurement with expert consultation for individual projects is planned.

Similar to the ways in which STEP staff has helped projects identify and segment their customer groups, the staff has furnished technical assistance in work measurement. Generally, this is structuring activities with the team so that it can isolate critical factors. These are the few items which can make or break an activity or which are the "moments of truth" as customers use the service. With that information about their work, teams can focus their efforts and begin developing measures of things most important to a bottom line for their public service.

Staff has identified and has learned to use some generalized work measurements. They have also located experts who are available for consultation for projects or as partners. State programs with strong work measurement components or employees with expertise have been brought into the resource network also.

What we learned

The first lesson about work measurement is that old stereotypes die hard. People are still suspicious of work measurement because it seems frighteningly complex, because of experience with measures that were seen as irrelevant, or because of an ill-defined fear of unknown results.

The program has developed its capacity for work measurement slowly. We've needed to start where our customers and our staff were. This has involved encouraging people's willingness to put effort into work measurement, and then developing the knowledge and systems. Staff has had to develop its own awareness of how work measurement can be used and a repertoire of methods to share with projects.

There has been some fun in work measurement. Seeing project teams break through what seemed impossibly subjective, start measuring, and then tracking progress has provided some good testimonials for other projects. We have also seen lightbulbs turn on when, because of work measurement information, teams realize that changes or reallocations are possible and they really can meet their goals with existing resources.

WORK MEASUREMENT

Tools

A number of STEP teams have applied work measurement methods to their projects. Here are some specific work measurement tools used to solve problems in state agencies:

- surveys
- input-output measures
- time studies
- motion studies
- quality control programs
- software measurement packages
- work sampling
- measurement work groups
- pilot studies
- available data (e.g., archival data, other government records, research)
- comparison studies
- graphic displays of measurement information
- process flows, other charting techniques

WORK MEASUREMENT

Other projects

CORRECTIONS INDUSTRIES — Department of Corrections

This project has improved the performance of the state's prison industries. Its management system combines work and outcome measurements. Existing inmate records and financial statements were used to establish the baselines for assessing the major goals of the project — increasing inmate employment to 25 percent of the population and increasing annual sales to $4 million.

Working with a partner from a 3M Co. manufacturing division, the project team has developed new approaches. Quality assurance programs, videos to market the metal products line, and new safety devices are available to managers in each facility to improve performance. Site- or operation-specific work measurement systems enable managers and supervisors to monitor and control their progress. Measurable achievements have been made in quality, marketing, safety, increased production, and reduced scrap, rework and shop overhead.

Inmate unemployment declined significantly and sales have increased.

MATERIALS MANAGEMENT STUDY — Department of Transportation

The Department of Transportation's 22 inventory centers manage more than half of state government's consumable inventory. This STEP project continues a five-year effort to improve consumable inventory management and to assure that the size and composition of the inventory meet customer service and financial asset management standards.

While an overall objective of the project is to establish standards and measures for planning and performance, the study effort will measure multiple aspects of the work in substantial detail. Some of the continuing measures that the project team has identified include: dollar and item amounts, turnover rates, criticality, frequency of use of stocked items, restocking time, validity of reorder points, comparisons of contract procurement with local purchases, accuracy of counts, and customer satisfaction.

For the study, the team also plans to develop diagnostic and planning measures in the areas of staffing levels, staff skills, personnel responsibilities, work flows and procedures, training needs, and ratios of time spent to the significance of activities.

GENESIS — Department of Labor and Industry

The State Claims Management Unit is responsible for processing and paying workers' compensation claims for state agencies and working with those agencies to reduce compensable incidents and costs. The project was initiated to increase the efficiency of the claims processing and payment systems.

Process Flow Analysis, a Control Data software package, was a key problem-solving tool for the project team. The software structures data to describe existing flows, times, decision methods and procedures. It also facilitates consolidating the information and identifies problems within the existing system. The data base and software also allow testing alternatives.

The software package allowed the team to document the process of claims management. From that they reorganized the work flow for uniformity, reliability and timeliness. The work flow diagrams that resulted were used for planning and evaluation.

Saving time and reducing paperwork allowed reallocation of staff to other activities. With some of that time, they have developed pilot prevention programs and designed more effective return-to-work initiatives.

COMMUNITY RE-ENTRY — Department of Corrections

This project has increased the opportunities for pre-release planning services to paroled prisoners who are going to rural communities. With the agency's history of good data collection and analysis, the project team has developed baseline data from which they can measure both activity levels and results.

Some of the measures for the project include: the number of inmates released to local programs, the number of resident days of services given, and cost per resident day of service. Comparisons with other programs and the effectiveness of this effort can be assessed by tracking such items as the percent of inmates given out-of-facility privileges and the percent having those privileges revoked, the percent involved in new offenses while in the program, and the number of those finding employment or enrolling in school prior to the supervised release date.

Service access is another measure of program effectiveness which will be gauged by measuring the changes in the number of sheriffs and parole agents involved in the project.

WORK MEASUREMENT

Suggested reading

"Guiding Principles: The Foundation of Successful Efforts to Better Manage Productivity and Quality," Sink, Scott D., Institute of Industrial Engineering, *Fall Conference Proceedings*, Nashville, Tenn., 1987.

"Measurement of white collar productivity," Schroeder, Roger G., et al., *International Journal of Operation and Production Management*, Vol. 5, No. 2, revised January 1985.

"Performance Measurement and Evaluation: Who For, What For, Tools and Techniques," Sink, Scott D., and Paul E. Rossler, *Productivity Center Position Paper*, Department of Industrial Engineering and Operations Research, Blacksburg, Va., 1987.

"Productivity and Quality Management," Sink, Scott D., Institute of Industrial Engineering, *Fall Conference Proceedings*, Nashville, Tenn., 1987.

Chapter 4. Lessons from STEP

CHAPTER 4.

Lessons from Step

When STEP was conceived, a great deal of time and energy went into the overall design of the program, and both STEP staff and STEP supporters discussed at length the goals, ideals and intentions of the program.

Everyone involved wanted to avoid a red-tape operation, so very few rules were established.

But when the proposals were submitted, screened and selected, staff suddenly found themselves responsible for a program with more questions than answers.

Since that beginning, there have been continuing appraisals of the program and the projects, and several changes have been made to address the needs of this experimental, evolutionary program. Learning about what works, what doesn't, and how STEP has reached its current identity is an outgrowth of this on-going evaluation process.

The program

A little structure helps.

The job of keeping an experimental, evolutionary program on track has been demanding and exciting. Originally, STEP staff members operated under a set of expectations very different from those they have today.

The STEP Program was conceived as being non-bureaucratic, low on paperwork and formal reporting requirements, and non-directive. STEP staff operated on these conceptions. There were no requirements for regular meetings between STEP projects and STEP staff, for written feedback or reports. Assistance was provided to projects only if it was asked for. Training was provided in generic issues, not in the specifics of getting a project up and running.

However, as the program progressed, feedback from project managers and others

involved in the program indicated that perhaps some structure would be helpful.

Today, there are more specific requirements for contact with projects. Expectations are clearly stated during early training of potential project teams. In the future, project information will be gathered systematically during quarterly interviews between the STEP liaison and the project manager and team members.

Flexibility is messy, but necessary.

STEP is based on an evolving program design; that is, a continual loop of testing, evaluating, revising and testing once again. This means that the STEP Program can adjust to the needs of its customers and changes in the environment. It also means that the program does not remain static.

The STEP Program described in this guide is somewhat different from what was envisioned originally; it has changed based on the input of the participants and their experiences.

This ability to adapt to the changing needs of the customers and the work environment seems especially pertinent to government settings, where the organizations themselves do not remain static.

A canned approach with no "give" just won't work.

The revolving staff door presents certain challenges.

STEP staff is made up primarily of loaned staff from other agencies. Even MAD staff members assigned to the program work there on a limited-time basis. The constant addition and subtraction of staff presents certain challenges, including major issues of continuity and consistency. It can be difficult to ease the transition for project managers and teams when liaisons change.

On the other hand, the consistent influx of new talent means a regular supply of fresh outlooks and new questions. The probability of going stale is slight.

The balance of STEP staff composition – creative vs. task-oriented – is critical. This is a program which attracts – and demands – a certain entrepreneurial style, a certain bent toward creative problem-solving. However, as in any work setting, people with their feet planted firmly in reality are needed, too.

Resources are always an issue.

STEP was designed to be run without additional resources. For the most part, this has been the case. However, the reality is that the costs of staff time, printing and mailing, for example, have to come from somewhere. The issue is not that STEP

operates without any resources, but rather that STEP does not have any new or separate resources, other than those donated by the private sector or given in grants.

Establishing a program such as STEP requires a deliberate and firm commitment of time, resources and energy, including a promise to stick with it until the results start to emerge.

Support isn't just nice, it's necessary.

STEP requires top management support of each project's home agency. This top management support is equally important in the home agency of the centralized program. STEP benefits from the active, energetic support of the commissioner of administration and the governor.

Middle management support is just as important. Trying to secure and maintain resources for a program which tends to be theoretical and idealistic compared with traditional, hard, operational assignments is difficult at best. Middle management support empowers program staff members to proceed.

The line staff's support has to be there, too. STEP is a program with a strong philosophical orientation. It is based on the belief that certain management techniques and methods will bring about positive, long-term change. It reflects a certain

attitude about the way government organizations ought to operate. No program based on beliefs and values can prosper unless the employees involved share those beliefs and values.

Keeping a high profile is essential.

Communications with project managers and teams, partners, Steering Committee members, agency liaisons, agency heads and other interested parties is a challenge, to say the least.

One tool STEP uses is a monthly newsletter. Other methods involve periodic meetings with agency liaisons, informational calls on agency heads, liaisons, partners and Steering Committee members, and informal communications with participants.

Several low-cost approaches include easily recognizable stationery, informational packets and posters. More expensive approaches include a videotape and training and workshop events for STEP participants.

Smoke and mirrors do not work in the world of the bottom line.

STEP suffered in its early days from lack of a detailed program design and information on measurable outcomes. Obviously, since projects were just beginning and most would

require several years to realize their goals and have any significant return, both the initiators and participants in STEP went on faith that this particular approach to organizational change would work. While there is plenty of popular management literature which supports the independent pieces of the STEP approach, this particular combination was untried.

At some point, the acceptance of "smoke and mirrors" as an explanation for a program becomes unacceptable. The skeptics as well as the supporters look for concrete examples of change. Indeed, one of the major activities of 1987 for the STEP Program has been the arduous one of evaluating the program's progress.

Maintaining the vision is difficult when one is up to the ears in reality.

Experimental programs, as noted before, are messy. Things don't always go as planned. People are not always happy. Experiments sometimes fizzle, sometimes explode; one must clean up the laboratory before evaluating why things are not as they ought to be.

STEP encounters this difficulty at times. Trying to balance the needs of projects, program evaluation, training of potential project teams and introduction of new STEP staff sometimes puts the system on overload. At such times, it is difficult to remember what the overall purpose is. Being able to keep the vision in sight, restating it and working toward it, is a challenge. Without the reminders of where the program is heading, the day-to-day operations might bog it down.

The projects

Another set of lessons comes from the perspective of the projects themselves, where the experimental nature of STEP can instill a much greater sense of risk. Competition with countless other priorities calls for on-the-toes attention, or the project can slip quietly backstage before the players have taken their bow.

This is not a scientifically calculated, analytical listing of the lessons generated by the STEP projects. It's a description of the practical, or folk, learnings gathered by STEP staff as they've helped project teams struggle with their challenges.

Projects must fit with the agency agenda.

Those projects which receive the highest level of active support from top and middle management fit closely with the principal goals and programs of the sponsoring agency.

Projects which are off-shoots are regarded that way, and receive less support and have less viability in the organizations.

Potential project managers and teams are now asked in pre-project training whether their project is aligned with the mission, goals and programs of their organization. Many original STEP proposals were wonderful ideas, but their relation to agency missions and goals was tangential.

Support at all levels is necessary.

As discussed in the program section, support is necessary from top management, middle management and every other employee involved. All STEP projects require sign-off by top management.

However, at times the support indicated by this sign-off is limited or changes as the project progresses. In such cases, the project manager and team are limited in the amount of time, resources and discretion available to them to explore and implement alternatives.

Support is needed at the mid-level as well. In some cases, top management is enthusiastic about a project, but mid-level management is unconvinced or decidedly against the project. Some mid-level managers – and indeed, individuals throughout the organization – can perceive an attempt to bring about change through a STEP project as a disavowal of their work and effort of many years.

In addition, some of the proposed changes might mean a loss of "turf"; for example, automation can mean that someone who thrives on being the only source of knowledge loses that specialty.

Specifically in the STEP experience, not having the support of the managers between the top of the organization and the project manager leads to difficulty, if not to effectively killing the project.

This is not to say that projects cannot succeed if the support is not available to begin with; it is to say that the first order of business for the project manager and team is to persuade the key parties that their project is a priority and will benefit the organization. If the necessary support can be obtained, then the project can proceed. An objective appraisal of the support or lack of it is neccessary for any project.

Some issues are too hot to handle.

Many STEP projects include controversial or delicate aspects, which are addressed by carefully including all affected parties in the design, experiment and implementation of the projects. In one particular case, however, the project was simply too "hot" to be handled through the STEP Program.

The project dealt with the issue of privatizing state services (transferring them to the private sector). The original proposal was to

select a state service and privatize it. In the course of laying the groundwork for the project, it became obvious that many parties in state government were not in support of this action; indeed, it was not so much an issue of operations as it was a policy issue. Eventually, the project manager recognized that this foray into the policy arena was not appropriate for the STEP framework, and recommended a more traditional policy analysis for looking at the issue.

Necessity is the mother of invention.

Just as with the overall program, most STEP projects operate with no additional funding available. In order to run the projects, project managers sometimes have to creatively allocate the resources – human, financial and technical – at their disposal. Sometimes, the result of a project is a recommendation to spend money.

In general, however, the resource issue forces many people involved in the projects to creatively explore the low- or no-cost operations available to them. In some cases, it leads people to plan change incrementally: where a major outlay of funds would be ideal, a sequential and long-term plan is the real choice.

Obvious answers are frequently wrong.

Because government changes frequently, drastically and sometimes unpredictably, many managers tend to grab the most expedient solution to problems. This is a wonderful survival technique, but it is not always the way decisions should be made and long-range plans laid. Many first-round STEP projects were pre-determined solutions to problems; most of today's STEP projects are problem-solving in nature and eventually lead to a solution.

If a project starts with a specific solution in mind, it is essential to allow that project to reassess and refocus. One example from the first round of projects involves a project to use computers to audit financial institutions.

The state of Minnesota is responsible for the oversight of a number of state-chartered financial institutions. One responsibility is an ongoing audit of the institutions' activities. The solution in this STEP project was a computer link with a financial institution to test the feasibility of auditing financial records.

As the project progressed, the project manager identified several barriers to the implementation of the project as it had been proposed. While the computerized link is a technical possibility in the abstract, at the time of the project it was not realistic. This was a case where the solution selected at the

time of the proposal was replaced with evaluation of the project and a revised approach.

The project manager and the department identified alternative interim solutions which allowed the department to reduce the on-site time and expense of audits. Further, the idea of computerized linkages took root, both within the department and in at least one of the major state-chartered institutions.

The solution of computerized auditing may become a practical reality within the next few years as a result of systems work now being done in one institution, and the issues of systems link-ups and data privacy protection and security will have been addressed by the department.

Asking for help is a virtue, not a character flaw.

The lines between public sector and private sector – and even between organizations within the public sector – are difficult if not impossible to cross at times. In recent years, the interdependence among all sectors has become more apparent and accepted.

In the STEP experience, partnerships and networking provide invaluable information, expertise and support to most projects. Indeed, partnerships and a strong network are crucial to the growth of the STEP Program itself.

Many project managers and teams secure partners themselves; other partnerships are made through STEP staff, who function almost in the role of matchmakers. Not every match between partner and project comes to fruition. But by far, most partner arrangements lead to a productive interchange between partner and project.

Most projects have between one and five partners, although several have exceeded 20 partners each. The largest portion of partners – 42 percent – has come from the private sector, with another 23 percent from the private non-profit sector. Other state employees, federal and local government employees and academics have made up the balance.

In addition to formal partnerships, many projects incorporate employees from other state agencies into their operational teams for the duration of the projects, strengthening the interagency networks and arriving at solutions which are mutually beneficial to a number of agencies.

It's a bird; it's a plane; no, it's the project manager.

All other things being equal, the project managers really make or break the projects. The skills, experience and management ability each project manager brings (or doesn't bring) to the project can determine

how well, quickly and completely the project is accomplished.

One crucial aspect of the project manager's personal abilities is "system savvy." The knowledge of how to get things accomplished within their particular organization, who needs to be involved, what the internal and external politics are, how to secure and maintain resources – all are crucial to the project.

Perhaps the significant lesson from early STEP projects is that managers who have this kind of savvy do not need much assistance; those who don't, need help in filling the gaps.

The Lone Ranger is not an appropriate role model.

Early in the STEP process, teams were suggested, but not required. As a result, some projects have either had no team, or have had team members not really involved in the project.

There are several pitfalls in this, primarily the loss of project momentum when project managers leave, which occurred in several first-round STEP projects. (In one case, the project manager had no team members;

when she left, the project knowledge went with her. In another case, a team was in place, but had not been empowered to act, nor was it well enough informed to continue the project in the manager's absence.) The importance of employee participation cannot be over-stated.

Who are these people?

STEP began with the intention that projects would be generated and run by state managers. In the review of STEP to date, the source of project managers has been somewhat surprising; at least one-third of the project managers are line employees, not middle or upper management.

What do these lessons tell us? That STEP is US – the hard-working public-sector employees who may not have all the answers, but who never stop seeking them. Working in the public sector has a special meaning, because we're trying to put our neighbor's – and our own – tax dollars to the best possible use in the most effective manner.

Government will always be with us. The shape it takes in these rapidly changing times is the crucial element in its future success.

Project directory

STEP was designed to improve public services by giving managers and employees the opportunity – and some different tools – to solve problems or to improve their performance.

The projects have addressed common management problems, such as coordinating action among governmental units, streamlining operations, improving financial management, updating technology and serving customers.

In the last two years, 50 projects have been involved in STEP. Twenty-one of the 36 projects selected in July 1985 have been closed. Five additional projects were approved in May 1986, another five in April 1987, and four are currently pending formal approval.

Involvement

These projects have come from 22 of the state's 23 major agencies, one board, and the State Law Library. There are open projects in 15 of the agencies. One agency has had five projects, and several have had three or four.

Project managers have represented a range of occupational groups. Thirty-seven percent of the project leaders have been classified as managers; 34 percent have been

professionals; and 20 percent have been supervisors. Project teams have ranged from one to 14 members. Detailed information from 28 projects indicates that managerial and professional occupations are most frequently represented on the teams (36 percent and 37 percent), followed by supervisory (16 percent) and clerical (6 percent).

Participants

Generally, members have come from the organizational unit in which the project is located (67 percent) or another unit in the same agency (16 percent). Fourteen percent of the members have come from other state agencies and 3 percent from outside state government.

Seventy-five percent of the projects have had actively involved partners. Most projects have had one partner; the mean number is 2.75, and 24 is the highest number of partners in a single project. Fifty-one percent of the partners have come from the business sector, 28 percent from private, non-profit

organizations, and 19 percent from other state agencies.

Other major sources of partners have been the academic community and local and federal governments. The partners' major contributions have been technical advice, access to networks and information, and help on designing surveys, products or services. Only five have provided funding.

STEP Methods

The STEP methods are broadly represented in the projects. Employee participation was a primary factor in more than half the projects; just under half indicated a focus on closeness to the customer. The other methods appeared in the projects from 30

percent of the time (work measurement) to 48 percent (managerial discretion).

The project directory that follows has been arranged by the kind of common management problem the project set out to address:

- Planning and coordination

- Communication and information management

- Operations management

- Human resources management

- Financial management

- Marketing and customer service

Planning and coordination

Economic Resource Group: Underlaps in Minnesota's Economic Data and Analysis

Department of Trade and Economic Development

July 1985   *Continuing*
This is an interagency initiative by the departments of Finance, Jobs and Training, Revenue and Trade and Economic Development, and the State Planning Agency and Metropolitan Council. The project is improving the quality of economic data available to governments, the private sector and the public. This is being done by coordinating economic data collection, improving data quality, integrating research and analysis efforts, and making the information more accessible through reports, conferences and other communications initiatives.

Management Assistance to Schools

Department of Education

July 1985   *Closed February 1987*
This is an umbrella project in which the Department of Education arranges technical assistance and partnerships for local school districts. This improves the capacity of individual school districts for planning, coordinating and managing services. During the project, 92 districts were involved and 34 entered into interdistrict cooperative agreements. As the program continues, 19 studies are being done with 75 districts.

Privatization

State Planning Agency

July 1985   *Withdrawn 1986*
The project anticipated a pilot project in which a service currently provided by a state agency would be delivered by the private sector under contract. Given the controversial nature of the project, the agency decided to handle the issue through a policy analysis rather than a demonstration project.

Project Paperchase (St. Peter Security Hospital Patient Case Planning)

Department of Human Services

April 1987   *Continuing*
This staff initiative is focused on increasing the time available for and improving the quality of patient care by reducing paperwork and record handling. The project is being coordinated with a DHS central office effort to establish a systemwide interactive computer system.

Registration and Renewal for Recreational Vehicles

Department of Natural Resources

July 1985   *Completed May 1987*
The project was initiated by a conservation officer to reduce the delays customers encountered in buying or renewing vehicle

registrations. A team of involved parties reviewed the legal basis and operating procedures involved, identified areas for change and made recommendations to the department. Recommendations are being pursued and a monitoring system has been initiated.

Sentencing to Service

Department of Corrections

July 1985   *Continuing*
This project has been a partnership between the departments of Corrections, Natural Resources and Transportation. The goal of combining an alternative to incarceration with unmet environmental service needs was first tested with a roadside-cleaning project. Subsequently, an ongoing program has been established in which local court systems can use community service in state parks for violators who are not threats to the community. Local coordinators and supervisors were initially funded by a grant from the Blandin Foundation and now have a legislative appropriation.

Strengthening Soil and Water Conservation

Department of Agriculture

July 1985   *Continuing*
Staff of the state Soil and Water Conservation Board initiated this project to continue to improve program quality and management. This has involved negotiating an interagency agreement with the federal government to clarify roles and responsibilities, developing integrated strategic plans for the state and 92 local districts, increasing local management capacity, and estabishing a uniform evaluation process.

Visitors with an International Perspective

Department of Education

July 1985   *Closed March 1987*
This project responded to concerns about American students not learning enough about other countries. The initial proposal was to establish a method that all school districts could use to work with local firms and bring their foreign visitors or employees with overseas work experience into classrooms. Three pilot projects were carried out under the initial approach. A partnership with The Traveler's Society generated a spin-off project in which, so far, 45 teachers have received scholarships for foreign travel in exchange for work on curricula development.

Communication and information management

Access to Legal Information

Departments of Labor and Industry, Human Rights and the State Law Library

July 1985   Continuing

Originally separate proposals, these projects were consolidated by the Steering Committee to increase access to legal information. Since the purposes were more dissimilar than they initially appeared, two approaches have developed. The Law Library and Labor and Industry are working with West Publishing and others to find ways to access the text of legal decisions. Human Rights has identified model data bases and hardware and software problems as they try to develop a system for entering and accessing hearing precedents developed within their field.

Access to Records

Departments of Labor and Industry, Finance, Revenue and Health

July 1985   Continuing

These four departments generated separate proposals dealing with records management. Since these appeared quite similar, they were combined by the Steering Committee. However, the nature of the data and problems faced by each agency were sufficiently different, so a single project was not developed. Individual department initatives are being pursued and the Department of Health continues with a STEP project.

Excellence in the Provision of Analysis Services and Labor Market Information

Department of Jobs and Training

May 1986   Continuing

This is an effort to improve labor market information services by responding to customer needs. The project's objectives include identifying its customers, their needs and cost-effective means of providing the services.

Human Resources Information Systems

Department of Employee Relations

May 1986   Continuing

This project was initiated by the Information Policy Council (a group of top managers that advises the Commissioner of Administration) to see if designing a common system for agencies to use for information not kept in the central personnel system is feasible. That feasibility has been established and the team is determining whether a system can be funded and developed through the pooled resources of the agencies.

Information Systems Planning

Department of Corrections

July 1985   *Completed 1986*
This project was a pilot test for developing computer systems architecture. The project team interviewed department employees from the central office and all the state correctional facilities to find out who generates, uses and needs information. The ensuing analysis established the parameters for systems budget requests, hardware purchases and programming priorities.

Intergovernmental Communications

Department of Human Services

July 1985   *Completed 1986*
This initiative explored existing alternative technologies that could improve information exchanges between the department and the 87 county agencies it supervises. A pilot project which tested on-line data exchanges with the counties decreased turnaround time and reduced costs. The agency has extended this service as part of its continuing effort to reduce paper processing.

Mn/Win -- How to Do Something About the Weather

Department of Transportation

July 1985   *Continuing*
This project's goal is having more adequate, timely localized weather information for pilots, motorists, farmers and others in weather-sensitive situations. By creating partnerships and expanding the use of existing resources, the number of involved weather stations has gone from 5 to 27, access to real-time data has increased, and 7 of 17 steps identified in its plans have been completed. Mn/Win's efforts are visible on Channel 17 which has extended its range, hours and coverage since the project began.

Telecommunications Services for Local Governments

Department of Administration

July 1985   *Continuing*
The goal of this project is to reduce costs and improve telecommunications services for all levels of government in the state. This is being done by extending the state telephone network and contacts to local governments and by sharing the expertise of the state's central telecommunications staff as impartial consultants. Three pilot projects were carried out in the first year, with identifiable cost savings. Three more are in progress.

Utility Division Research Projects Partnership

Department of Public Service

July 1985   *Closed September 1987*
The project proposed to research issues not possible within the department's resources by using graduate students in law, economics, econometrics and statistics. The project did not generate interest by students.

Operations management

Alternative Delivery System for Employee Training Courses

Department of Employee Relations

July 1985   Continuing

This project is testing alternatives to conventional classroom training for state employees. The team of department staff and training officers from other agencies has had trouble finding experts who are not vendors and useful methods for evaluating the alternative methods. The project has been delayed since the manager accepted a mobility assignment with another government agency.

Assistance to our Clients through Involvement and Modification of Services (AIMS)

Department of Transportation

August 1987   Pending approval

This is a proposal to improve how the department manages its consumable materials inventory, is half the state's total. The approach combines meeting the interests and different needs of major customer groups (fiscal overseers, managers, staff) with the goal of quality management.

Financial Disclosure Reports

Ethical Practices Board

July 1985   Closed July 1987

This project identified alternatives so the small staff of this agency could keep up with its work of obtaining, processing, reporting and monitoring compliance with statutory requirements. Public and private-sector partners helped identify personal computer applications, STEP helped obtain approval for their purchase, and the partners and staff did the programing. Staff has continued developing computer applications for other work areas.

Genesis Project

Department of Labor and Industry

July 1985   Completed 1986

This project examined the workflow of the claims unit to speed processing and payments. A joint partnership with Control Data and Sperry was created so that software and hardware were compatible and could be used for workflow analysis. Initial changes were implemented prior to the time the project manager left state service.

Incoming/Outgoing Mail System

Department of Revenue

July 1985   Completed 1987

This project reduced and stabilized the cost of departmental mail services, cut processing

time and improved customer service.
Partnerships with the U.S. Postal Service,
UPS, and a private-sector firm led to
purchasing a differnt sorting machine and
improving workflow and working conditions.

**Refining Services Provided by
Central Stores**

Department of Administration

July 1985   *Closed June 1987*

Computerizing the state's central office
supply center was seen as the way to
increase the number of products, reduce
inventory cost ratios and, perhaps, extend the
state's volume purchasing capacity to local
governments. A major reorganization of the
state's Materials Management Division took
priority over the completion of this project.
Initial computerization of the center's
inventory has begun.

Human resources management

AIMS (Assistance to our Clients through Involvement and Modification of Services)

Department of Labor and Industry

August 1987   *Pending approval*

The divisions of OSHA Compliance and Consultation are responsible for advising, monitoring and enforcing state and federal safety regulations. The goal of this project is to improve customer service based on the information it will obtain through a customer survey.

Developing Field Staff Performance Measures and Incentives

Department of Trade and Economic Development

July 1985   *Continuing*

This was a line supervisor's effort to establish useful performance standards that would incorporate staff-customer relationships, account for the long-time horizons in the jobs, and recognize that results were dependent on many other actors and variables. A team of peers explored common problems and received training in personnel management from a private-sector partner. Progress was interrupted when the supervisor left the department.

Develop Work and Training Options Program for AFDC Recipients

Department of Jobs and Training

July 1985   *Closed 1987*

This project was never developed due to changing personnel and priorities in the department. Other legislative and agency initiatives have generated activities to serve this client group.

Develop Work and Training Projects for Incarcerated Females

Department of Jobs and Training

July 1985   *Withdrawn 1986*

This project was designed to establish non-traditional work and training programs for female inmates at the Shakopee Correctional Facility. Shortly after the project was selected, the project manager left and the project was not reassigned.

Graphic Communications

Department of Administration

July 1985   *Closed March 1987*

This project was initiated by a supervisor to maintain service levels by filling vacancies in ways not currently authorized by personnel requirements. A combination of changes in supervisory personnel and heavy workload resulted in little project activity.

Hammurabi Project

Department of Labor and Industry

August 1987   Pending approval
The goal of this proposal is to improve the state work force and its employment opportunities by developing several pilot apprenticeship programs. Project activities to date have involved developing relationships with employee organizations, the state Apprenticeship Advisory Council and the Department of Employee Relations.

Minority and Physical Therapist Recruitment Project

Department of Human Services

August 1987   Pending approval
This project is intended to increase the minority work force and the level of physical therapy services in state facilities by providing internships for minority physical therapy students during their final phase of graduate training. Initial recruiting, validation, community support and academic mentoring will be developed through partnerships with academic, employment, community and minority groups.

Prevention by Design

Department of Employee Relations

April 1987   Continuing
Workers' compensation costs Minnesota state government $14 million a year. This project will analyze labor-intensive jobs and implement changes to decrease the intensity and frequency of injuries or hasten returns to work. To date, software, partnerships and pilot sites have been identified.

Supervisory/Management Training

Department of Public Safety

May 1986   Completed 1986
This project developed a comprehensive and consistent plan for management training within the Department of Public Safety. An employee committee conducted a needs assessment, identified a wide range of facilities and trainers, and developed a plan the agency is carrying out.

Financial management

Agency Contracts

Pollution Control Agency

July 1985   *Continuing*
This project is to evaluate PCA's contracting procedures and to develop a manual to aid staff in processing systematically and in compliance with federal and state standards. Staff turnover and reorganization delayed the project; work to re-start the project began in spring of 1987.

Improving Cash Management of the State Treasury

Department of Finance

July 1985   *Completed 1987*
This project has increased the state's investment earnings and improved its cash management. This has been done by depositing payments to state agencies more quickly and by reducing processing time and delays. Partnerships were established with state agencies, financial institutions and private-sector firms with similar concerns.

Services to Children with Handicaps

Department of Health

July 1985   *Closed February 1987*
After earlier changes in the service delivery system, this project was a logical follow-up to improve the administrative procedures for establishing client eligibility, authorizing care and paying for services. An agency team with a private-sector partner and staff from the Department of Human Services reviewed three payment systems, and found ways to streamline procedures, to improve fund obligation and expenditure forecasting methods, to use operating systems in DHS, and to reduce reporting requirements for families and providers.

Unemployment Insurance Wage Verification/Detection System

Department of Jobs and Training

April 1987   *Continuing*
This project is exploring a computerized wage verification/detection system, so that fraudulent unemployment insurance payments can be detected more effectively. The U.S. Office of the Inspector General and the Social Security Administration are partners who are also interested in investigating and prosecuting cases that are developed. This project may serve as a national pilot project.

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Using Computer Access to Audit Consumer Financial Institution Transactions

Department of Commerce

July 1985   Closed February 1986

This project was initiated to audit loan companies via computer and minimize the disruption to the loan companies, speed the state audits, and reduce travel costs and time for state staff. As the project developed, it became apparent that the differences in computer systems and data management practices would not permit full electronic data exchange. A system of obtaining records through the mail is in place until longer range, more extensive changes can be initiated.

Marketing and customer service

Correctional Industries Program

Department of Corrections

July 1985   *Continuing*

This initiative's goal is to have at least 25 percent of the state's prison inmates gainfully employed. This is being done by improving the marketing and manufacturing done by the industries at each of the correctional facilities. Through a partnership with 3M, prison employees have received training in production techniques, quality management and workplace safety. Marketing partnerships have also provided additional information. Visibility and networking within STEP has increased customer awareness.

Datanet

State Planning Agency

July 1985   *Closed March 1987*

Datanet offers a wide array of information, such as demographic data, to subscriber users in both the public and private sector. Although the service was well established by 1985, a project was developed to increase the private-sector user base. Two partnership efforts failed to produce useful assistance. Marketing efforts have continued within the agency.

Developing a Service Marketing Approach

Department of Natural Resources

July 1985   *Completed July 1987*

This project developed and implemented a marketing strategy for the state park system. The project team assessed customer needs, authorized accepting credit cards, devised coupon books and direct mailings, and initiated advertising programs. Customer service training and planning sessions involved park managers and enabled them to improve store operations, information and customer service. Extensive market reserch is in progress and the department has incorporated marketing as part of its long-range development.

Minnesota Forest Products Marketing Project

Departments of Natural Resources and Trade and Economic Development

May 1986   *Continuing*

An interagency team started this project to increase state forest product exports. This is being done by creating a Wood Products Promotion Council, developing a combined inventory of exportable forest products, increasing state employees' knowledge of the forest product industry and marketing.

Minnesota Tourism Marketing Program for Corporations and Institutions

Department of Trade and Economic Development

May 1986   *Continuing*
This proposal was built on the idea of partnerships in which the Tourism Office would develop marketing models that could be used by corporations and institutions as they came into contact with individuals or groups who would be visiting the state. The team is developing partnerships with corporate and institutional advisers, business travel consultants and marketing specialists.

Community Re-entry

Department of Corrections

April 1987   *Continuing*
This project is developing work-release programs in outstate areas where there have been few such facilities. By arranging for an inmate to serve the last few months of his sentence in a local jail or half-way house and working with the community to provide housing and other needs, the individual should have a smoother and more successful transition to normal life.

Developing Client Orientation in Driver and Vehicle Services Division

Department of Public Safety

July 1985   *Completed July 1987*
This project has increased employees' awareness and sensitivity to the needs of DVS clientele. This has been done by defining service levels, providing training in customer relations and changing phone system operations. Positive results include shortened waits for assistance, more effective use of the phone system and improved internal communications.

Discrimination Testing

Department of Human Rights

July 1985   *Closed February 1987*
This project extended the department's capacity to test situations in which discrimination is alleged in employment, housing and other circumstances. Such testing has been upheld in the courts and is a speedier and more reliable way of determining whether there is probable cause. Partnerships were formed with employers who furnish credentials. Citizen partners, affiliated with community groups, replicate the episode under investigation as closely as possible. Procedures, instructions and partnerships are in place and the method is being used.

House Arrest

Department of Corrections

April 1987   Continuing
This alternative to reinstitutionalization was developed to provide a more constructive and less costly option than incarceration for individuals who have violated the terms of their parole from state correctional facilities. Currently, the option is available and profiles of suitable candidates and ways of evaluating results are being developed.

Improved Food Service Delivery System

Department of Veterans' Affairs

July 1985   Withdrawn June 1986
This customer-oriented project was undertaken in 1985 to improve the quality and efficiency of the food service system at the Minneapolis Veterans' Home. Two partners involved with the project did not provide useful recommendations.

Regulator Role

Pollution Control Agency

July 1985   Continuing
This project concentrated on training employees who are regulators dealing with the public. The training has given employees new tools, procedures and approaches to use in various situations. The project manager worked with managers and supervisors in the agency to identify the common areas and develop a curriculum which addressed PCA

employees. The training component is complete and data is being gathered to evaluate its effectiveness.

Services to the Elderly

Minnesota Housing Finance Agency

July 1985   Completed March 1987
This project extended the agency's understanding of the needs of the elderly and identified ways in which they can help keep senior citizens in their homes for the longest time desirable. A team of agency staff and experts on aging guided the project and a partnership with the Humprhey Institute furnished interns who surveyed the residents of senior citizens' residences. The project stimulated more active programs in the residences and the survey results have been incorporated into agency plans.

User Accessibility

Department of Jobs and Training

July 1985   Completed 1986
This effort was to extend the operating hours of several Jobs Service offices so that people with daytime commitments could receive job search assistance on evenings and weekends. The project team learned that flexible hours were being offered in communities where there was customer interest and that most locations make evening and weekend appointments on request. Policies and procedures for these services were already in place; these were communicated once again to field offices.

Glossary

a.

advocate: A project manager, agency head or liaison, STEP staff member or other person who acts on behalf of a project.

advocacy: Actions which gain or provide resources for a project, work through organizational barriers, generate support for a project, or advise or coach a project manager or team.

agency: A major organizational unit in state government. Usually called a department, e.g., Department of Administration, Department of Transportation.

agency head: The functional equivalent of chief executive or operating officer of an organization. The top manager. In Minnesota state government, the appointed commissioner or director.

agency liaison: The person appointed by an agency head to organize STEP activities, other than specific projects, within that agency. Coordinates by providing customer input, acting as a sounding board and helping shape program direction. May manage idea generation and communication processes within the agency. Also may be part of a project team. Often assists with project training and consultation.

b.

bottom line: The critical factor or factors that determine whether a service meets the tests of legal compliance, fiscal responsibility and public expectations. Measurable indicators which determine a project's impact. Examples: cost savings, time savings, increased customer satisfaction.

brainstorming: A group activity generating a volume of ideas in an open atmosphere, without initial criticism or screening.

brokering: Acting as an intermediary or expediter to link a project with other people, information or services.

c.

career manager: See **line manager**.

champion: A person whose great commitment to a project results in a primary advocacy role. May protect or find resources for a project, in addition to developing administrative support for it.

change: Transformation or alteration of something over time.

close out: A set of activities associated with completing a project. Includes final reports, interviews, evaluations and recognition.

closeness to customer: The premise that more direct contact and interaction with the

customer will help organizations better understand the customer's needs. Also, identification of the customers of a program, service, activity or project.

coach: A person who offers personal experience, information or perspective, especially for professional development or project management.

consultation: A meeting where two or more people involved in a STEP project assess the project's status and direction, exchange ideas about project management and provide additional perspective on that management.

customer: A person who receives the good(s) or service(s) provided by an organization.

customer satisfaction: The customer's evaluation of the good or service provided.

d.

decentralization: Delegating responsibility and authority.

department: An identifiably separate organization. See **agency**.

discretion: Flexibility in a manager's and employee's decision-making and ability to work within the limits imposed by an organization's management system, for instance, personnel, fiscal and planning. Also, the ability to work to change – or demonstrate the possibility of changing – the

limits and constraints of an organizational system.

e.

employee involvement: The participation of employees in work management issues.

empowerment: Enabling a person to develop the skills and capabilities that will increase one's control over decisions, resources and structures affecting success. Using one's ability to release the power in oneself and in others.

enrichment event: In STEP, an informal professional development and networking activity.

f.

facilitate: To bring different groups and individuals to a better understanding of each other's needs and concerns.

failure: An experience from which nothing was learned.

focus group: People brought together to collect information, particularly from customers. In STEP, people who gather to gain ideas about program design or operations.

force field analysis: An analytical method, appropriate to group settings, in which the

factors affecting an issue are identified and examined.

i.

idea generation: A group activity to elicit a broad range of information, as in brainstorming or force field analysis. In STEP, the ongoing activities in which employees identify concerns, issues or approaches they want to explore and to have considered as project proposals.

l.

learnings: The information and conclusions that result from STEP projects and experience with the program.

line manager: The person responsible for carrying out a defined area of agency responsibility. In Minnesota state government, usually career employees. Used interchangeably with career manager.

m.

marketing: The methods used to identify customers and the conditions which lead to customer satisfaction. The application of marketing management methods and techniques which increase public managers' knowledge of ways to meet public expectations, to become acquainted with customer needs and levels of satisfaction, and to increase customer or public information about the services.

mentor: A person who offers personal experience, information or perspective to a project manager, especially for professional development or project management.

midpoint consultations: A process used with the first phase of STEP projects to develop or document goals and objectives, measurements and time schedules.

mobility assignments: A Minnesota personnel procedure that permits a state employee to move temporarily from one agency or job to another. In STEP, an employee's home agency agrees to a mobility assignment both to contribute to the STEP effort and to benefit from the employee's enhanced skills and experience.

n.

networks: Informal connections between people which allow them to share information, perspective and knowledge.

nominal group process: A group problem-solving technique in which a task statement is written to provide a clear, simple statement of the job at hand, followed by a process similar to brainstorming, though more organized and less exhaustive. Items are voted on and ranked to determine priorities.

nurturing: A term used in the early stages of STEP to describe the STEP staff's involvement with projects.

O.

ownership: The degree to which a person involved in a project is a stakeholder in the project and is affected by its progress and results. May be found in a project manager, team member, champion or advocate.

P.

partner: A person from outside who participates in a program or project. In STEP, an organization or individual in the private or non-profit sector, the academic community or the public sector.

partnership: A relationship that fosters the exchange of ideas, knowledge and resources between equals.

permission giving: Enabling a person to initiate change and to receive formal endorsement and support for one's effort.

process flow analysis: An organizational productivity tool designed to improve the quality of work by charting, measuring and documenting the process by which it is done.

productivity: Using resources more intensely, reducing the input required, or improving or increasing the quality or quantity of the output without increasing resources.

productivity improvement techniques: Methods for enhancing productivity through better use of people, technology and/or funds, and/or better organization of work.

professional development: Formal ways of increasing the skills, knowledge and perspective of employees through such events as seminars, workshops and conferences.

project manager: The person with the authority and responsibility for defining and implementing a project. In STEP, personnel classification or collective bargaining agreement designation as managers is not required.

project originator: The person who initiates the idea for a STEP project.

project refinement: A phrase used in the early stages of STEP to describe the translation of an initial idea or proposal into a work plan and its implementation.

project selection: The formal process during which STEP staff reviews proposals and submits them to the Steering Committee with recommendations, followed by the committee's decision to accept the proposal as a STEP project.

project support: The services available to STEP project teams and managers to help them carry out their projects. Formally, consists of training, facilitation, coaching, technical assistance and brokering; informally, consists of advocates and champions.

project team: People brought together to work on a STEP project. Includes, at least, a project manager and participating employees; may also include partners, other affected organization members and STEP staff.

q.

quality service management: Designing production, administrative or service delivery systems to reduce errors and associated costs by controlling the causes and sources of defects.

quality training: A problem-solving process STEP teams learn to help them determine quality, quantity and cost-effectiveness measures in their projects. Includes tools and techniques that build quality into the service delivery process; for example, requirements, costs of quality, measurement and corrective action.

r.

recognition: Formal or informal acknowledgement of appreciation for an employee's performance or service, to make the employee aware of his or her importance to an organization. Generally accepted as a means of increasing motivation and performance.

reward: Performance recognition that includes some sort of exchange, such as increased pay, a promotion, or a certificate, plaque or pin.

risk: The untested, unknown option which could result in loss or gain. Usually perceived as a hazard because it includes actions outside traditional, routine behavior.

risk-taking: A willingness to initiate change by accepting risk and the possibility of failure as well as success.

s.

sharing fair: A semi-formal, widespread exchange of information about project purposes, processes or results. An activity where STEP project experiences and applications are displayed and disseminated.

staff liaison: A STEP staff member who furnishes technical assistance, consultation and training in STEP methods and project planning.

steering committee: The STEP program's governing body. STEP's basic partnership, consisting of public and private-sector individuals. Co-chaired by the governor and a senior executive from the private sector. Establishes STEP's policy and directions, provides oversight, determines the general nature of its projects and approves specific projects.

STEP: Acronym for "Strive Toward Excellence in Performance." A partnership

among state government, labor, the business community and the public to increase the quality, quantity and cost-effectiveness of Minnesota's public services.

STEP experiment: The effort to create a program for long-term, large-scale change in state management values and practices, and to demonstrate that program through a series of projects.

STEP methods: The six management methods for change used in STEP projects: 1) closer contact and interaction with customers, 2) productivity improvement techniques, 3) increased employee participation, 4) improved work measurement, 5) increased discretionary authority of managers and employees, and 6) partnerships to share knowledge and other resources.

STEP project: An effort initiated and carried out by a state agency and its employees to make measurable changes in the quality, quantity and cost-effectiveness of the services delivered to identified customer or client groups.

STEP seminar: A support activity which provides a group learning forum for STEP participants on subjects such as partnerships, leadership or group dynamics.

STEP strategies: See **STEP methods.**

STEP techniques: See **STEP methods.**

STEP training colloquium: See **STEP seminar.**

success: The measure by which STEP projects and the STEP program are judged. The extent to which STEP projects engage in experimental efforts. The extent to which the STEP program's six methods are incorporated into the ongoing management of state agencies. The extent to which measurable changes are made in service delivery.

support: The assistance offered by STEP staff to project teams.

t.

technical assistance: Consultation and training provided to a STEP project manager and team by the STEP staff. Includes group facilitation, strategic planning, identification of obstacles, coordination of interdepartmental efforts, identification of outside resources and other services as required by the project.

team: The project group, which may include managers, agency or other public employees, members from the private sector or STEP staff.

team-building: Increasing constructive collaboration by group members. May help form a group, establish its goals, identify problems, determine needed changes, assign

roles and responsibilities and establish work norms and values.

training: The ongoing effort by STEP to assure that project team members have the necessary tools to implement their STEP projects.

trust line managers: A fundamental premise of the STEP program, recognizing that line managers have the knowledge, motivation and ability to make constructive changes in the programs they administer. The concept that line managers, given real authority and flexibility, will increase the quality, quantity or cost-effectiveness of services for which they are responsible.

W.

work measurement: Assessing the volume, nature, processes and output of work. Can be used to monitor the effects of change, variables affecting quality specifications, and components of total performance. Provides task- and job-related information to employees as performance feedback and as a means for adjusting task activities.