

### When Quality Comes to the Public Sector

By Linda Kaboolian

*The Taubman Center this year initiated a Program on Labor-Management Relations, which is conducting research, providing joint executive training for senior managers and union leaders, and conducting action projects to improve working relationships in public institutions. The program's research focuses on how labor-management relations affect and are affected by varying policy processes, service-delivery systems, public finance, and accountability structures. These issues have received relatively little scholarly attention during a 20-year period of tremendous change in state and local government and in the federal system. In the following essay, Linda Kaboolian, a Taubman Center faculty affiliate, examines one of these changes: the effort to apply the private sector's focus on quality and customer relations to public-sector endeavors.*

Over the last decade, all levels of government have embraced the principles and techniques of the private sector's focus on quality and customer relations. A 1993 survey of municipalities with more than 25,000 residents, for example, found that nearly 30 percent were implementing total quality management (TQM), perhaps the best known of the various quality initiatives. Similarly, a 1994 survey found that 39 of the nation's 50 states had implemented statewide "quality initiatives such as TQM." At the federal level, four years after a 1988 presidential order mandating TQM programs for every federal agency, 68 percent of all federal installations had initiated them. The Clinton administration's National Performance Review, launched in 1993, was an even more high-profile effort to bring a focus on quality to the public sector.

There is ample anecdotal evidence suggesting that some public organizations have had considerable success using these techniques. The Social Security Administration's (SSA) 800 telephone number, long a problematic operation, won a national quality award for improving response time and the accuracy of answers. And some organizations, such as the Ohio Department of Transportation, report that state quality programs helped them reduce costs.

#### Problems in Translation

Standard TQM programs may often be unsuitable for the public sector, however, because of fundamental differences between private- and public-sector organizations. Most notably, while all organizations, public and private, must respond to the economic and political forces in their envi-

ronment, the relative importance of these forces is radically different in the two sectors. Moreover, as James Q. Wilson has noted, the nature of the political forces varies for different public agencies. Such variations play a major role in determining which public-sector organizations are most likely to successfully implement quality initiatives.

A relatively small number of public agencies — notably, centralized personnel, procurement, and auditing agencies — are well insulated from political pressures, largely because no organized interests care much about their performance. In such agencies, quality initiatives are more likely to come from internal sources and are more likely to be evaluated by the agencies' managers than by political overseers.

Other agencies have a single dominant stakeholder group that is supportive of the organization and of its efforts to improve the delivery of services. The SSA's Old Age and Retirement Insurance division, for example, serves well-organized clients who are likely to be highly supportive of efforts to improve the delivery of services.

Quality methods are most likely to be useful for improving the performance of public organizations when:

- Stakeholders are united and support the organization's goals.
- Stakeholders are silent and management adopts the methods.
- The external environment more closely approximates a market with identifiable customers.
- Tasks are clearly defined.
- Goals are defined as outcomes rather than processes.
- Technologies are more certain to produce desired results.
- Definitions of organizational performance and success are clear and uncontested.
- Outcomes can be measured.
- Rewards are linked to performance.

Most public organizations, however, have multiple stakeholders, some with legally specified authority (such as legislatures that appropriate resources or courts that monitor behavior), and others seeking to exercise influence by means other than formal authority (such as interest groups, employee unions, and the media). Losers in the contest for influence rarely can take their business elsewhere. So they continue asserting their interests, often trying to overturn established policies and practices.

Such continued opposition has enormous consequences for organizational performance. The recent welfare-reform law, which reversed the process for adjudicating benefit claims for disabled children, provides a case in point. Originally, the process presumed an applicant was disabled until the assertion was disproved. In the early 1980s, the Reagan administration reversed this assumption, presuming ineligibility. The parents of disabled children sued, and in the early 1990s the U.S. Supreme Court ordered yet another reversal (back to presumed eligibility). The effect of this decision was to require that the SSA reprocess 300,000 applications, some ten years old — a workload that brought the disability determination process to its knees. In 1996, the welfare reform act reversed the field again, requiring SSA to notify many of the same recipients that their benefits would be cut off. The parents of disabled children again sued and again won in court what they had lost in the political arena. This example suggests that sometimes stakeholders actually are interested in seeing a public agency fail to meet its announced goals. Authorizers may give program managers inadequate resources, burdensome reporting requirements, or even missions defined so as to make failure a foregone conclusion. In such settings, quality methods lose all meaning.

Some public organizations, finally, operate in market-like conditions, competing directly with private companies. The National Direct Student Loan Program is an example of a public program in a highly competitive market. Similarly, the Defense Logistics division of the Department of Defense competes with private contractors to provide manufactured goods and inventory services to the armed forces. Such organizations appear to be among those organizations that have used quality methods most effectively. The Defense Logistics division, for example, has won 19 President's Quality Awards for organizational improvement by capturing new customers, while the National Direct Student Loan Program has captured two-thirds of the market for student loans.

The public experience with quality improvement programs, therefore, is a cautionary tale. No single reform can possibly address the variety of conditions in the public sector. Rather, any widespread effort to improve government performance must begin by carefully diagnosing the source of a particular problem and then choosing the strategic intervention most likely to address it. ■

*This article is adapted from "Quality Practices in the Public Sector," a chapter by Kaboolian in The Quality Movement and Organization Theory, a book edited by Robert Cole and W. Richard Scott that is available from Sage Publications.*



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