INNOVATION IN THE PUBLIC SECTOR: IDENTIFYING VARIABLES USEFUL FOR EVALUATING ANTI-CORRUPTION INITIATIVES

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ABSTRACT

According to the public management reform literature, practitioner experience and research conducted by the authors and others, public organizational innovation appears to depend on a the presence of a specific set of factors that may be controlled or influenced by organizational change sponsors and advocates and public management practitioners themselves. Where these factors are present innovation succeeds; where they are absent or attenuated, innovation and change usually fail. This appears to be the case regardless of innovation content or organizational type or identity. These factors are commitment at the top of the organization, a meaningful, clear vision, a set of goals, and a plan of action, organization-wide understanding of the vision, goals, and plan of action, a sense of urgency, an understanding of obstacles to change and persistence in overcoming them, performance measures and a willingness to learn from one's mistakes, recognition of successes and extraordinary efforts, and institutionalization of continuous improvement. This study applies the methodology developed and results derived to suggest variables that may be useful in evaluating whether anti-corruption initiatives are likely to achieve their intended goals. These factors appear to be necessary but not sufficient to ensure success. In conclusion we cite specific sectoral examples in the U.S. where anti-corruption efforts could be targeted and draw a distinction between "legal" and "illegal" corruption.

Key words: Innovation, innovation success, corruption, anti-corruption initiatives, change management, public management.

INTRODUCTION

According to the public management reform literature, practitioner experience and research conducted by the authors and others, public organizational innovation appears to depend to some extent on a the presence of a specific set of factors that may be controlled or influenced by organizational change sponsors and advocates and public management practitioners themselves. Where these factors are present innovation appears to be more likely to succeed; where they are absent or attenuated, innovation and change usually fail. This appears to be the case regardless of innovation content or organizational type or identity. In our view based on this study these factors appear to be necessary but not sufficient to ensure success. The factors are:

(1) Commitment at the top of the organization.

(2) A meaningful, clear vision, a set of goals, and a plan of action.

(3) Organization-wide understanding of the vision, goals, and plan of action.

(4) A sense of urgency.

(5) An understanding of obstacles to change and persistence in overcoming them.

(6) Performance measures and a willingness to learn from one's mistakes.

(7) Recognition of successes and extraordinary efforts.

(8) Institutionalization of continuous improvement.

To understand the relative significance of these factors we interviewed representatives from eighty-eight (88) agencies of the U.S. federal government and the change reform unit coordinators from each of these agencies. As shown in Table 1 the total size of the interviewee pool was two hundred-twelve (212). The number of agencies reporting success was fifty-four (54) or 61% of the 88 total agencies sampled. Of these 54, 36 reported significant success (66.6% of the 54 and 41% of the total of 88 agencies), while 18 reported some success (20% of the 88) and 34 reported no success (39% of the 88). In some cases follow-up interviews were conducted.

Table 1: Sample and Summary Results

Total Agencies Sampled	88	100%
Agencies Reporting Success	54	61%
Agencies Reporting Significant Success	36	41%
Agencies Reporting Some Success	18	20%
Agencies Reporting No Success	34	39%

Source: Authors 2012

First and follow-up interviews were conducted under the premise of anonymity for the participants and consequently quotes from those interviewed are not cited in this paper. The majority of the units of analysis are located in the U.S. defense department. Our findings relative to the criteria are summarized in this paper. This study applies the methodology developed and results derived to suggest variables that may be useful in evaluating whether anti-corruption initiatives are likely to achieve their intended goals.

Committed Leadership

Most of the reform practitioners interviewed for this study believe that solid support from senior managers is the *sine qua non* of change. Representatives of agencies that had integrated successful innovations consistently praised the support of top management. In turn failures in agencies more often than not were blamed on their bosses.

Unequivocal top-management support appears to be an element common to all efforts. In some of these cases, senior leaders adopted change as a personal goal. In a few, the senior leaders actually initiated the change. This is not surprising as many senior leaders are the chief executive officers of their organizations. Contrary to the general public perception about the inefficiency and backwardness of government managerial knowledge and capability, many leaders interviewed kept themselves abreast of contemporary management change and better business practice theory and research. Further, they were keen to apply techniques of better business practice. Consequently, many senior leaders willingly invested the resources at their disposal to improve the performance of their organizations.

Unfortunately, innovation and change are not free. Changes in work processes costs time and money and takes key people away from their day to-day jobs. Lacking a good reason for this, few bosses are likely to divert the resources needed to implement innovative long-term projects.

In many cases, however, grass roots managers exploited exigencies to win the support of top leaders. Change agents evidently recognized that they needed continued support from top management to overcome resistance to change. At a minimum, this means that innovation teams must keep bosses involved by keeping them informed. The most successful initiatives went beyond this minimal level of involvement. In some cases, they persuaded top leaders to take ownership of the change campaign and its accomplishments. In contrast, loss of top management support usually left committed managers vulnerable and, in many cases, rendered their best efforts ineffectual.

We may note that change initiatives in government departments and agencies with a reputation for supporting managerial innovation seemed to be more likely to have made significant changes in the way they did business than those in departments and agencies with a reputation for managerial conservatism.

A Clear Vision and a Plan of Action and Willingness to Waive Impeding Rules

The second characteristic of successful innovation teams appeared to be an ability to envision a payoff and to figure out how to make it happen. Waiving bureaucratic rules seems to be a key factor here in stimulating innovation and reform. In contrast, despite the importance of the reform process to the change effort, some working level representatives, especially those from the less successful initiatives, often complained that they did not even know how to request a waiver of rules or who to contact to find out. Most of reform unit representatives expressed the opinion that there was no coherent corporate plan that they could follow to ensure that their waiver requests were given a fair and expeditious hearing. Instead, requests seemed to disappear into "a black hole" somewhere in upper level management, never approved and never to reappear again.

Frustration caused by ambiguities surrounding rule waiver processes may inspire some pretty radical suggestions. For example, one reform unit representative called for a central agency, to be given, "blanket authority to waive any government regulation that didn't impact public health or safety." Another went even further, insisting that, "change agents need to be free to reinvent the rules." The unit representative said that the organization should, "...unleash innovation, unleash creativity, by granting change initiatives blanket waiver authority." "Don't hold us accountable," she said, "for compliance with regulations, but for reporting the waivers we've taken and for the consequences of our actions." (Jones & Thompson, 1999: 63)

Organization-Wide Understanding of the Approach to Innovation

New ideas have to be explained and sold throughout an organization. Effective persuasion is needed. In the field of marketing it is axiomatic that people are not persuaded by others but must persuade themselves to buy a product or service. In government innovation efforts selling means listening to what people have to say about change. One must listen to persuade, both because only the persuadees can say what it will take for them to be persuaded and because an appearance of open-mindedness and fairness on the part of the persuader encourages confidence in the persuadee.

Organizational change usually involves persuading the members of an organization that change is necessary and obtaining their commitment to the specifics of the change -- what, how, when, where, who, and why. This means more than just briefing people about the plan of action or how it affects them. Moreover, it appears necessary for senior leaders to repeat this message many times over; this may be necessary if the members of the organization are to be convinced that change is a serious longer-term priority.

The more successful change unit representatives consistently stressed the importance of communication -- up, down, and all around the organization. One reform unit leader, for example, stressed the importance of communicating the organization’s vision of itself as being important to high-level officials, to its existing and potential customers, and to every member of the organization. Moreover, he claimed that the unit’s vision and its plan of action had been successful in large part because they were not imposed from top down, but were crafted with the participation of many members of the organization and reflected their contributions of intelligence and energy.

Based upon discussions with unsuccessful reform unit representatives, far too many of the change initiatives were completely out of the organization's information dissemination loop. Many were unaware that they had any obligation to communicate their goals or accomplishments either up or down in the organization. For example, a midlevel manager observed that his office had been designated a change reform unit by the CEO of the organization. However, he said he had never heard from the CEO and, to the best of his knowledge, there had never been any change activities announced there. He also noted that according to the guidance from the CEO, change initiatives were supposed to submit quarterly reports on their activities, including processes improved or savings accomplished, to his office. He had not received what he deemed to be a satisfactory report in over a year. This indicates that while innovation and other changes were taking place in the parts of the organization, many sponsors and implementers of these initiatives were unaware of standing reporting requirements.

Not surprisingly, initiatives that were not communicated also were among the least successful. One of the clear messages from the reform unit representatives was that a communication network was needed to enable employees to find out what the initiatives were achieving or not accomplishing relative to the goals of the experiment, the unit or the organization.

A Sense of Urgency to Implement Innovations

Revolutions are not made in a leisurely fashion and successful innovation takes time to implement effectively. What is critical for large scale organizational change to occur is that it must be pushed forward by a sense of urgency -- by a sense of the need to act and act now. Otherwise, it is likely that little will be done. As articulated by one line manager, to accomplish results his team tried to create an, “...atmosphere of crisis to prod people to seek solutions to problems that otherwise might not seem very important to them.” However, after much promising effort, little beyond internal reorganization was achieved. The sense of urgency that propelled the reform unit to change was smothered by organizational rigidity and risk aversion toward experimenting with new ways of delivering services.

Understanding the Obstacles to Change and Persistence in Overcoming Them

There is no substitute for persistence. Initiatives that demonstrated persistence and creativity usually succeeded in improving business processes. Many reform unit managers admitted that more than a few of their ideas were unrealistic at the outset or “half-baked.” In contrast, those who identified the obstacles they faced, adopted realistic plans, and were persistent in their efforts to overcome roadblocks were much more likely to be among those reporting some or significant progress and claiming measurable performance improvements, or at least initial positive results from their efforts.

Persistence was especially critical to obtaining reform results. While an organization's imbedded philosophy may be that the burden of proof of the need for change rests with upper management and management control "regulators" who must show why change waivers should be granted rather than on the change reform unit to show why a waiver is needed, that is evidently not how many of the regulators saw it. The typical experience of reform unit representatives was that they had to convince regulators beyond a shadow of a doubt that a waiver was a good idea and would improve service and cut costs -- in some cases, not just for them, but for the entire organization. This fact demonstrated that upper level managers and controllers missed the whole point that the reform unit exercises were experiments with innovation. This point leads to the next important innovation enabling variable.

Performance Measurement and Willingness to Experiment

Change and reform units that unambiguously achieved significant operational improvements including financial savings were committed to measuring their accomplishments. Every one of the initiatives reporting significant changes in the way they did business also reported that they had established one or more metrics by which their performance could be measured. In some cases reform units benchmarked their performance against best commercial practices, measuring their costs, cycle time, and customer service against "world class" standards. The measures they used focused most on reducing production cycle time and improving service quality. Their measures included rework time, reduction in work hours to achieve tasks more generally, improved space utilization, elimination of overproduction, more cost-efficient transportation and distribution, improved inventory management, reduction of unnecessary tasks and unnecessary data processing, and reduced waiting time for customers. Moreover, as one manager explained, his innovation team consciously treated their efforts as experiments: "We don't know ahead of time that we will be successful and we won't know if we are unless we have a good baseline to weigh our results against." He also noted that success depended on increased tolerance for failure. He concluded that, "Leaders must be willing to accept failure if processes are to improve."

It is important to note that activity cost measures were critical for many of the initiatives so that they could show unambiguous performance gains. For example, activity costing enabled one unit to analyze alternatives before they acted and document savings after their actions were carried out. One manager observed that this exercise also made them aware of wasteful operating practices such as using $30.00 per hour government employees to sort wood, when a local private contractor would do the job for $7.50 per hour.

It is noteworthy that almost all of the initiatives studied had invested to some degree in performance measurement. The problem with implementation was that their metrics were usually based on local operating measures, collected on a statistical basis. Thus their measures could rarely, if ever, be verified by reference to basic transaction records tied in to the standard system of accounts used by the entire organization. Still, where savings were shown the level of continued support in the organization for continuing the innovation was strengthened.

Because of fundamental flaws in federal government bookkeeping and accounting systems, far too few of reform unit success stories could be substantiated by hard data from the overall organization. Without having these data, it is difficult to know precisely what to make of the innovation experiments although organizations often applauded the extraordinary efforts of successful initiatives. Measurement of value added and costs savings resulting from innovation is an area that needs improvement throughout the U.S. federal government.

Recognition of Successes and Extraordinary Efforts

Change units were supposed to empower staff "down in the organization" to use their knowledge of the system and work processes to make things better, and then to publicly reward them for their efforts, i.e., for the risks they took and the contributions they made. Organizational recognition probably was a more effective motivator than anything else staff or executives could do for the members of innovation units. However, some reform unit representatives expressed frustration with the attention and recognition they received for their efforts. In the words of one person interviewed, their senior leadership, "...wants to appear to be involved [with the success] with the least possible effort." Further, many claimed that actual reform unit efforts and successes were entirely ignored by their organization or even, in a few cases, punished. We may speculate that in some cases punishment occurred because nobody likes "curve breakers" whose success may suggest that the rest of the organization is underperforming.

Continuous Improvement and Learning

Most managers and particularly political appointees and even politicians for that matter need and like to leave a legacy. Managers need to do this because after promotion to senior ranks, their future career opportunities depend on it. They must be perceived and evaluated to be effective leaders to move up. Moreover, as they gain responsibility for managing larger units or organizations, their interest in private sector management practices seems to intensify based on what we observed during data gathering for this project. Astute change managers are more likely to have advanced degrees (e.g., master's degrees, MBAs) and to have read into the literature on organizational change. As a result they tend to accommodate a wider variety of alternatives and considerations in attempting to get their innovation projects off the ground and into full implementation in designated change experimentation units. However, episodic performance improvement does not constitute successful innovation or change. As explained by one observer, “Successful initiatives will not declare victory and quit after reinventing one process, but will continue on the path of change moving from success to success.”

The goal of the innovation managers we studied was to institutionalize continuous improvement by integrating it into their vision, mission, goals, plans, data measurement, and corrective actions. Of course, governments always are characterized by islands of administrative excellence. The problem is that these islands rarely are linked up to form continents. All too often they have been overwhelmed by the rising tide of indifference to change (Pollitt & Bouckhart, 2004). In many cases only the level of budgeted resources seems to make a difference across-the-board in forcing organizational change (McCaffery and Jones, 2001; Jones, Candreva and DeVore, 2012). One reform unit representatives put it this way: "Mid-level managers are used to seeing new initiatives emerge on the scene almost every year; they’re like new tunes on the Hit Parade -- they reach great popularity, shine brightly for a time, then quickly fade, unnoticed by those too jaded to remember the lyrics or the melody.

For some managers in charge of innovation projects, only the budget crises of the day remained to be dealt with in whatever *ad hoc* manner was deemed appropriate for each phase of retrenchment and cutback ordered by the President and Congress in the U.S. example. After the first wave of innovation reform that brought in best or better business practices, an initiative that remains in force today in the U.S., the attention of federal government managers has turned to managing with fewer resources, a condition that is likely to persist for the foreseeable future. The same trend may be observed in many European nations (Jones, 2012). This has been part of the history of government reform for a very long period of time (Roberts, 2012), exacerbated by appropriation reductions for many parts of government since government revenues dropped in the wake of the global financial market collapsed in late 2008.

Some of the more inventive change reform units tried to figure out how to institutionalize what had done. More than a few attempted to institutionalize continuous improvement as a part of better business practices. Managers of most change initiatives, those outsourcing under OMB Circular A-76 and G. W. Bush era initiatives for example, found it difficult to see beyond the crisis of the moment -- a crisis defined by reductions that have cut billions dollars across the government. This is unfortunate, but not surprising. As is often observed in such situations, “It’s hard to remember that you are there to drain the swamp when you are up to your ass in alligators.”

The National Performance Review (NPR) of the 1990s in the federal government was an attempt to prevent management reform from fading from the charts like a fallen top 40 tune. The same may be said for the more recent best business practice and outsourcing initiatives implemented under the Bush and Obama administrations and as supported by congressional passage and oversight of the Government Performance and Results Act of 1993 (GPRA) and the Government Management Reform Act of 1994 (GMRA). In this environment of fiscal scarcity a lot more effort will be required to convince decision makers and managers, let alone rank and file employees, that innovation initiatives are more than merely the latest of a series of management fads to sweep through government (Pollitt & Bouckhart, 2004).

Many advocates of innovation want very much to believe that change is needed even more than in the past, but even they are dubious about what can be accomplished under reduced financial resources. The most typical hope is that the budget circumstance will improve. However, the demands for funding of continuing government operations, war fighting, domestic capital investment, for investment in people to make government careers more attractive, and the costs of maintaining Social Security and healthcare will continue to exert strong pressure to achieve management savings through whatever initiatives are available. The reason for paying close attention to fiscal policy, the budget dialogue in the nation's capitol and subsequent government reform experiments including implementation of GPRA and GMRA is that they provide lessons for all management reform initiatives in the federal government, and in other public organizations. The lessons most relevant presently are those that demonstrate how productivity and mission attainment can be sustained under conditions of fiscal stress. Thus, innovations that produce efficiency related savings are likely to receive the greatest attention by policy makers.

BARRIERS TO APPLICATION

In light of our findings about universal success factors, we need to articulate some of the barriers to managerial innovation identified in evaluating change initiatives that seem to be especially severe in the U.S. federal government, and some of the steps that might be taken to deal with such impediments. These are problems that nearly all of the reform unit representatives we interviewed identified, whether or not they were successful and whether or not they faced fiscal stress conditions.

Risks, Rewards and Accountability

First, most change reform unit representatives were genuinely enthusiastic about the opportunity to do a better job, but they were often apprehensive about the consequences of improving business processes. Previous bureaucratic experience had taught them to take credit for successes but to "duck" responsibility for failure. Most of those interviewed seemed to believe that management innovation tends to threaten powerful external interests -- particularly but not exclusively those of special interest to powerful elected officials. Many concluded they were more likely to get into trouble rather than being rewarded if they instigated innovative change. It is quite remarkable that many, nevertheless, still remained committed to change, particularly if by doing so they could produce savings. In fact, some indicated that the best way to save money was to adopt new and innovative business practices. In many cases this involved attempts to adopt managerial methods shown to have succeeded in the private sector into government despite the difficulty of doing so.

Numerous studies show that dedicated innovators are needed to overcome the ambiguities, time delays, and resistance inherent in the process of large-scale organizational change (Perrow, 1972). It is unlikely in the current fiscal environment that enough champions of innovation will step forward to make a noticeable difference throughout federal government organizations if there is no financial payoff for doing so. Nor will change agents have very many followers if support at the top of departments is not conspicuous, unequivocal, and emphatic. If organizations are serious about management innovation, they must recognize and reward success.

In well-run organizations, managers who find ways to increase productivity or performance are generally given greater responsibility and authority. Teams that increase their performance are rewarded and given new jobs in which to repeat their success. Managers who fail to increase productivity and performance may be shunted aside or forced into retirement. In an environment of resource constraint, employees of less productive teams or organizations may see their jobs cut and responsibilities reallocated to more productive units and employees. A surprising number of reform unit representatives seemed to believe that they were much more likely to lose promotions or even their jobs if they increased productivity than if they did nothing. Virtually everyone asked said that they actually believed their employees were at greater risk if they increased productivity than if they did nothing. Several talked about how their agencies punished success. A few noted that change initiatives were the first units of their organizations to be terminated. Why might this be the case?

Ability to Show Results

The first part of the answer to this question is that it is hard to show performance improvement if performance is not measured objectively or at all. It is nearly impossible to demonstrate increased productivity where unit costs are not accurately captured, even if the organization is fortunate enough to have numerous units performing well. This also is true where achievable performance and financial targets have not been established. In the short run, it might be acceptable for an organization to take innovation advocates at their word that their ideas will succeed, especially where satisfactory benchmarks have been developed. Perhaps, as several innovation unit representatives suggested, success is stimulated by allowing “initiatives that cause direct dollar savings...to retain savings as an incentive to keep innovating.” In the long run, however, the conceptual and practical shortcomings of organizational accounting and control systems may doom almost any serious attempt at management innovation to failure because of the absence of data showing the positive results of change.

Why is this the case where it occurs? Part of the problem was clearly indicated by a Department of Defense acquisition specialist interviewed, who noted, “Acquisition reform within DoD has made great strides in creating a new culture for program managers to execute the duties of their jobs.” He then went on to say, “What is lacking is any visible significant financial reform [to match these successes]. Instead, some "successful" program managers have been stripped of any accountability or sense of program success through the culture and practices of the budget process; reprogramming thresholds are too low; and the system is geared for short term results, not long term success.” “Why,” he asked, “has budget and financial reform not kept pace with acquisition reform?” He concluded, “If you are going to preach empowerment, why not apply that concept to the spending process as well and develop new measures of success for program managers?”

Management Turnover

One of the factors that works against consistent support for management effectiveness efforts in government is management turnover. Several of the reform unit representatives complained that their bosses changed every 2-3 years. This inhibited innovative initiatives. As one reform unit representative asked: “Why start something new when chances are it will be terminated by the next change of command?” Another representative chimed in, saying, “We just had a change of leadership 12 months into the change process; the new CEO does not support the new environment of self-directed work teams and [this new CEO] plans to reorganize back to our old traditional hierarchical structure.” Short management tenure also leads to limited planning horizons. According to another innovation unit representative, the bosses he has known, “...are reluctant to buy-in to any change that will extend pass their tenure -- they tend to look for a quick fix.” Investments explicitly biased toward short-term wins and against projects with far higher net present values are more attractive under such circumstances. However, this does not often match or reinforce the goals of innovation.

In addition, as a general rule, management teams do not move from assignment to assignment together. Rather, management teams are frequently little more than collections of strangers. Many organizations appear to treat individual managers like interchangeable parts, to be moved around willy-nilly from one slot to the next, without consideration for organizational performance or team cohesion. There may be good or sufficient reasons for this style of personnel management where units have to respond quickly to crises, but for the two thirds of organizations that provide support services, such continuous reassignment of skilled managers makes little or no sense. Management turnover is especially costly to innovation, not only because inexperienced managers tend to cling to what they know best, i.e., rules, regulations, standard operating procedures, but because inexperienced managers are far less likely to delegate authority and responsibility. If they do not know their subordinates they will not trust their judgment. Moreover, if they know that they will not have to rely on their current subordinates in the future, they are unlikely to invest in subordinate employee development.

Inability to Get Waivers of Rules to Innovate

Some of the reform unit representatives also complained about having to go directly to the agency that imposed a rule for relief. As one reform unit representative explained, “The process to secure waivers has built in gate keepers who continue to prevent each request getting a fair hearing.” Another put it more pungently, “We have to go to the proud parent and tell them their baby is stupid and ugly … it’s no surprise that they don’t want to hear that.” This complaint has two versions: the first is that many of these rules enforcement agencies suffer from a "one size fits all" mentality and, as a consequence, they are not as forthcoming as they might be about their unwillingness to support change; the second is that some of these control agencies are threatened by change or are philosophically opposed to its basic thrust and do everything in their power to subvert it (Thompson and Jones, 1986). It is in fact fairly common for CEO staff offices to forget that they are service centers, not mission centers, and to see the organization as means to their ends rather than the other way around. They misperceive that rules and rules enforcement are the product of the organization rather than the production of goods or services for which agencies are funded to produce.

This is a pathological response and should be avoided. While it may be observed that the "one size fits all" mentality for purposes of maintaining continuity is not necessarily a bad thing where a unit is in the process of management experimentation or is collocated with another entity. In such instances, waivers create duplicate processes for the organizations that support both entities. Still, a knee jerk reliance on rules that inhibit innovation is not helpful in any way. The solution that occurs to us in this circumstance lies in a no-fault policy that would automatically extend approved waivers to all the entities being serviced by the supporting organization, following an appropriate notice and comment period.

Many of the reform unit representatives complained about their inability to get relief from mandatory "in house" sources of supply. They noted that commercial suppliers could provide better quality service at a lower price for each of these services. One individual asserted that, "...substituting commercial suppliers for in-house service providers would reduce total operating costs by 3%."

Rules of the type noted above need closer attention. Clearly, any rule waiver approval processes ought not to go through in-house suppliers where mandatory in-house supply rules are concerned. However, allowing units to purchase services elsewhere could, in a number of instances, unnecessarily raise costs due to captive purchasers. In this instance the problem seems to be a consequence of the prices charged by in-house suppliers. The standard internal transfer pricing rule where suppliers are not permitted to refuse service and customers are not permitted to go elsewhere, is: whichever is to select the less, market price or cost -- not whichever is more (Anthony & Young, 1988). If there is a difference, it should be charged to the policy that necessitated the mandatory rule in the first place or to general overhead, in which case the rule would likely get the scrutiny it deserves.

Policies Restricting Reductions in Employment

In addition, we would note one more barrier to significant management reform within public organizations. We were repeatedly struck by the squeamishness of even committed innovation advocates to shedding employees. They seemed to be genuinely averse to people losing jobs as a result of their efforts, even if those jobs were somewhere else in the organization.

It would appear that in the present circumstance where U.S. government leaders are trying to reduce annual budget deficits and total government debt that large-scale net productivity improvement depends to a considerable extent on the elimination of thousands of government jobs. The source of squeamishness is not clear. Perhaps some naively believe that supporting low productivity jobs will somehow lead to higher total employment levels in the United States. Reducing the rate of unemployment is in fact one of the goals of the Obama administration and many members of Congress. It seems more likely that the bias against layoffs or employment reduction reflects a legitimate concern with the dislocation experienced by employees who lose their jobs in an economy where new jobs are scarce, especially for older employees if their jobs are eliminated. If this sentiment reflects a sincere desire to minimize the transition costs to the affected employees, it should be understood that the best way to minimize those costs would be to reduce while employment opportunities in the private sector are relatively more abundant than is the case at present.

Regardless of the source of this sentiment, if management innovation, including incorporation of new information technology and better business practices, is going to have more than symbolic value, the approach to employee reduction needs to be thought out more carefully. It would be much better for everyone concerned if the positions that are eliminated are those which are less productive. However, management initiatives taken toward the end in the decade of the 1990s in the federal government lead us to question whether productivity was a genuine concern of leadership. Political expedience and the accompanying preferences for across-the-board budget reduction (ABR) explain employee reductions in the 1990s far better that reference to indices of performance, results or success in innovation. The meat ax ABR approach to budget cutting is generally favored by elected officials for two reasons: it disguises accountability for those directing the cuts, and it is the easiest "solution" in terms of negotiation costs among and between political party leadership. It also has the appearance of "equity" in that all agencies bear the same level of reduction. What this disguises is that highly productive units are cut at the same level as those with low or no productivity (Jones, 2012).

Performance Measurement, Better Accounting and Auditing to Improve Management

In assessing management effectiveness we acknowledge that it is difficult to reconcile fiscal and budgetary priorities with organizational needs and productivity. As we have explained, without accounting systems that incorporate some measures of activity or results each political representative is able to support and defend programs that benefit their constituents. This is democracy in action. In our view, because of this problem, one of the highest priorities of government ought to be development of performance measurement and compatible systems of accounting and control that identify the extent of unit contribution to mission achievement and support. Top level managers should demand the installation of governance arrangements and accounting systems that align individual and organization self-interest with the public interest (Jones & Bixler, 1992; Thompson & Jones, 1994). The lack of such systems affects outcomes and achievements in every area of federal government policy, often profoundly. Instead, the focus of government efforts continues to be on compliance with legislative intent and fiduciary control enforced through continued or increased reliance on audits. The fact is that auditing is costly and does not produce savings unless the results of audits are in fact correct, that they consider performance and value added, and they are implemented, even when they confront political preferences to protect constituent interests. A better approach to cost saving and reduction would result from implementation of well-designed accounting and management control structures and systems (Jones & McCaffery, 2005).

Government initiatives in face of fiscal stress seem to focus first and foremost on ferreting out fraud and misuse of funds through increased emphasis and spending on audits of both small and large programs and amounts of expenditure. Indeed it is worthy to identify fraud and overt misuse of public funds. However, this approach too often is characteristic of a fundamental misunderstanding of how to create more productive and cost-effective organizations. First, with reference to the typical results of increased audit effort, to paraphrase Allen Schick, "Some butterflies were caught, most elephants escaped" (Schick, 1990). Extensive audit attention given to low cost transactions inevitably cost more than they save. Second, this initiative reinforces an organization's worst management proclivity, to "manage to audit." Managing to audit means to manage reactively, constantly looking backwards rather than proactively looking forward. This is the opposite of the types of management initiatives that have been successful in the private sector, i.e., those that enhance productivity through application of results to strategic planning and marketing, which in the public sector translates to closer examination of policies and programs, and their imbedded costs, where they appear to be producing positive rather than negative results. Third, audits often report what has been reported before; no new knowledge is gained despite the exertion of greater effort. Fourth, audits typically result in the imposition of increased reporting requirements that drive up the costs of government more than they save. This takes money away from activities that produce valuable results and diverts these funds to pay for increases in the amount of time devoted by existing staff, and in some cases increases the number of employees needed to comply with audit requirements.

Spending federal government energy in reviewing vast amounts of accounting transactional data and reporting compliance is probably one of the most wasteful of enterprises invested in by the U.S. federal government in the post-World war II era. It represents a control philosophy that cannot be cost-effective in an enterprise of the size and complexity of the U.S. federal government. Perhaps such a management approach would seem attractive to a student of divinity trying to keep thieves from stealing from the church "poor box." However, it is a highly wasteful and even foolish investment in attempt to solve the fiscal problems of any sophisticated and complex public organizations. This style of management demonstrates the essential managerial expertise bankruptcy in the leadership of the federal government. It may be characterized as an approach that says, in effect, if you cannot succeed at doing something well, do something bad.

Therefore, if an organization cannot manage to perform its responsibilities effectively, put it to work auditing itself. This approach has the appearance of doing something defensible, i.e., using a “smoke-screen” tactic to hide incompetence. As one staff member we interviewed put it, “Dilbert is alive and well in government! Nothing says ‘I don’t trust my employees’ better than continuous audits.”

Advocates of what may be characterized as "managing to audit" in government point out in their defense that it is always good to focus on fraud prevention. While we fully acknowledge this is true from a political perspective, given how closely the executive branch already is watched by congressional oversight committees, the General Accountability Office, Inspectors General, the audit agencies of each federal agency and even the media, such initiatives may be viewed as “window dressing”, i.e., to "look good" while doing little of substance in giving more attention to areas where innovative change is necessary to operate more effectively and at lower cost. The U.S. federal government can be managed more effectively in the future than it has in the past but not until the barriers to innovation are changed. Such change cannot be achieved by the Executive branch of government alone; Congress needs to improve its examination of programs and policies that waste taxpayer dollars and cause more problems than they solve.

Illegal versus "Legal" Corruption: Eliminating Policies that Permit the Latter

What should be evident in our criticism of auditing is that it is directed at audits of government rather than audits by government. As we suggest below, increased auditing in the health care sector is needed to reduce the extensiveness of fraud, waste and abuse that contributes to the unsustainable costs of these programs. The U.S. government already devotes substantial resources to such audit initiatives and the results often are effective in finding and eliminating illegal practices. However, our point is that auditing of this type, while necessary, does not get at the policies of government that encourage or at minimum permit fraud to occur. Even worse, auditing does not have any impact on federal government policies and rules that, in effect, permit what may be termed "legal corruption." Policies that allow health care providers or insurers to over charge the government and patients for services rendered are indefensible. Food and Drug Administration (FDA) rules and practices that allow large pharmaceutical firms to obtain exclusive rights to produce and distribute prescription medicines when applications for the same patent rights by smaller and more efficient firms that would charge less for their products are delayed almost indefinitely or ignored completely need to be examined. Based on the results, i.e., the costs of such medicines, it would appear that the FDA has been captured by the industry it is supposed to regulate. Similar special interest tax expenditures and regulatory measures that provide financial advantages to the farm industry and to oil companies appear to increase the costs of products to U.S. consumers by virtue of eliminating market competition as a means of controlling prices. Why is competition from foreign firms prohibited when such competition would likely result in savings to U.S. consumers. What is the justification for allowing collusion among oil companies in price setting when such practices would appear to be illegal under federal anti-trust law?

The current fiscal environment in the U.S. would seem to compel such attention to things that matter more than simply what is most closely related to election campaigning. As noted, one important element in reducing the costs of federally sponsored health care is the reduction of fraud, corruption and waste of money in Medicare where past experience has demonstrated there is abundant fraud practiced as a normal way of operation. Provision of health benefits under U.S. regulations results in Americans paying far more for prescription medicines that consumers pay in other nations. Why explains this fact and what benefits are provided to the pharmaceutical industry in the U.S. that are not given by other nations? Why does hospital care cost so much more in the U.S. than in other developed nations? These are some of the big questions to be addressed by U.S. political and managerial leadership that are related to the topic of innovation to reduce corrupt practices.

CONCLUSIONS

This study examined factors that stimulate or retard innovation in government based on our sample of U.S. government managers. In doing so it identifies variables that are associated with and perhaps help explain successful innovation. Many of these same factors we assert will affect other types of change in the same way. In evaluating these factors we have suggested that application of them as criteria for assessing the success of current anti-corruption initiatives or the likely success of measures proposed but not yet adopted could lead to improved anti-corruption policy. We have addressed what we term "legal corruption" that results from U.S. government policies and noted that this type of policy often inhibits price and market entry competition that could result in delivery of products and services at lower costs to American consumers. In addition, elimination of subsidies in whatever form to special interests could contribute a substantial amount of revenue to help the federal government balance annual budgets and reduce total debt. We have targeted the healthcare, pharmaceutical, oil, and agricultural industries as examples where the government appears to permit exploitation of U.S. consumers and taxpayers.

This paper has concentrated on innovation experiments and lessons learned from the examples examined. What needs to happen for innovations to become integrated into longer-term government and public organizational strategic planning is a topic beyond the scope of this research project. Given the nature and limitations of our research project and our findings we believe that for anti-corruption efforts in any nation, whether developing or developed, or in other jurisdictions to be successful, these variables must be present. In our view they may be regarded as necessary but not sufficient in that other external factors including government regulation and provision of subsidies and tax breaks to special interests that reduce or eliminate market competition must be addressed to effectively combat corruption.

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This paper was written for presentation at the annual conference of the International Public Management Network in Honolulu, Hawaii at the East-West Center, June 27-29, 2012.

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