



PM MAGAZINE

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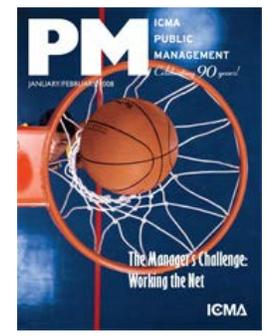


Leading a Net

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Camille Cates Barnett, Philadelphia, Pennsylvania.

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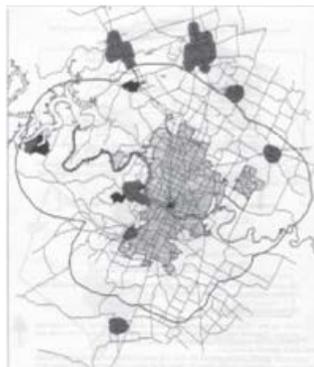
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COVER STORY

Leading a Net

by Camille Cates Barnett

"How wonderful that we have met with a paradox. Now we have some hope of making progress."
—Niels Henrik David Bohr, Danish physicist and winner of the Nobel Prize in Physics, 1922



Austin, 1975: Austin abutted 10 cities and 3 municipal utility districts.

The leader is the person at the top of an organization—right?

Think of the mental model this question assumes. It assumes an organizational structure that has a specific top and a hierarchy with a chain of command from top to bottom. Our mental model of governance is often one of hierarchy and central control.

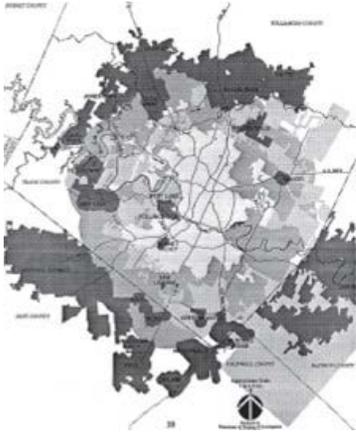
Author Kevin Kelly describes this mental model as the icon of the past century:

The popular symbol of the atom is stark; a black dot encircled by the hairline orbits of several other dots. The atom whirls alone, the epitome of singleness. It is the metaphor for individuality; . . . the atom stands for power and knowledge and certainty.¹

We have even developed local governments that fit this mental model. Years ago, I presented the Austin, Texas, city council with two maps that shook our understanding of what we were leading. We were leading a city that no longer existed. We considered Austin the central city dominating the surrounding suburbs. It was an Austin that looked like an atom.

Our city was actually part of a network of jurisdictions that made up a metropolitan region.

Think about our cities and counties—as you see them when you fly over them. A city or county today is actually a complex system of overlapping, interrelating jurisdictions—a net.



Austin Environs, 1993: Austin abuts 22 cities and some 40 municipal utility districts.

Thought Experiment: What Is a Network?

Decide whether each of the following is or is not a network and why.

1. The Internet.
2. Traffic.
3. College alumni.
4. Your neighborhood.
5. Your metropolitan region.
6. The federal system.
7. The executives of your organization.
8. The contractors of your organization.
9. Your state legislature.
10. A terrorist organization.

The things we really care about in cities cannot be resolved without looking beyond the arbitrary political jurisdictions we call cities, counties, school districts, special districts—or state or federal government. We cannot be successful focusing only on the public sector, the private sector, or the nonprofit sector. We work with organizational models that are outdated.

In an information society, we are trying to make bureaucracies work that were designed for an industrial society. We work in a governmental system that is changing. We still talk about our system as federal, state, and local—when the emerging governance systems are global, regional, and by neighborhood.

What has become clear is that we are leading organizations and communities that are networks. In fact, the icon for the 21st century is the Net:

The Net icon has no center—it is a bunch of dots connected to other dots, . . . the restless image fading at indeterminate edges. The Net is . . . all intelligence, all interdependence, all things economic and social and ecological, all communications, all democracy, all groups, all large systems.²

We need to change the way we think so we can change the way we govern. We need a governance system for a networked society.

Most of what leaders today are asked to influence are networks. So here is the paradox—how do you lead a net? Here is how:

1. Model behavior.
2. Design structures.
3. Facilitate flows.

Model Behavior

I got into public service because I wanted to change the world. What I didn't realize at the time was that the world would also change me. You cannot change an organization without changing yourself. That is both the risk and the reward of public management.

I remember when I first realized this. I was deputy city

Tips for Modeling Behavior

- Walk your talk.
- Listen and learn.
- Look for networks.
- Don't try to control the players; involve them.
- Cross boundaries.

manager of Dallas, Texas, and was encouraging department directors to be more participative. My instructions to them were something like: "Talk with your staff, develop a new communication strategy, and report back to me on what you've done."

As I read their memos, dutifully submitted on time, I got angrier and angrier. All I was getting was the same old stuff. Then it hit me. They were doing exactly what I had said—and what I had been doing. I had been using a command and control style to get them to be more participative! My actions spoke louder than my words. So, I changed my actions. I took a risk and started meeting with middle managers. I began to conduct creativity workshops in the organization. I learned a lot—about the organization and about myself. You have to model the behavior you want in others. As the saying goes: Walk your talk.

Leaders also know how to listen and learn. They have the vision to see connections and networks, to cross boundaries to find new players and ideas. These leaders do not *control* others as much as they *engage* others.

C. Clinton Sidle and Chester C. Warzynski of Cornell University say ". . . network leaders have learned to see connections and develop a level of personal influence that helps them serve as attractor—important nodes or connectors. . . ."³ They liken leaders to the role of "strange attractors" in physics. They identify the skills needed for this type of leadership as:

- **"Knowledge** for understanding the business and a grasp of the cross-functional issues for seeing the possible connections.
- **Relationship** skills for building trust, interpersonal influence, and social capital for collaborative efforts.
- **Vision** for seeing the possibilities, what is most important, and communicating direction and strategy.
- **Action** orientation for leading by example, and embodying and modeling the way for others.
- **Personal mastery** and self-knowledge for understanding personal motivations and values that drive personal development and the ability to learn from experience."⁴

You lead a net first by modeling network behavior. The best leader is the best learner.

Design Structures

Can you design an invisible organization?

Dee Hock, Visa's creator and first CEO, said: "The better an organization is, the less obvious it is. In Visa, we tried to create an invisible organization and keep it that way. It's the results, not the structure or management that should be apparent."⁵

The story of how Visa was created as a network organization is a fascinating tale, told in Hock's book, *Birth of the Chaordic Age*.⁶ ("Chaordic" is the blending of chaos and order.) Hock describes the representatives of competitive banks meeting over many sessions to determine how to design Visa. They focused on:

Purpose—the mission of the organization.

Principles—the core values.

People—the roles of people and the membership in the organization.

Structure—the rules of engagement and governance (the relationships).

The organizing principles, which could also be transforming as principles for metropolitan regions or management teams, are:

- "It must be equitably owned by all the participants.
- Power and function must be distributive to the maximum degree.
- Governance must be distributive.
- It must be infinitely malleable yet extremely durable.
- It must embrace diversity and change."⁷

- Call leaders something new (architects, servants, gardeners, facilitators, conveners).
- Initiate and volunteer.
- Become a "strange attractor."
- Show joy and passion.

Tools: Walk around, recognition, management rotation, coaching, learning circles, 360 evaluations.



Design characteristic	From	To
Leadership	Leader at the top	Leading from anywhere
Purpose	Standardize outputs	Enable results
Power	Command and control	Facilitate flows
Organizational principle	Specialization and separation	Diversity and connections
Equity	Equal treatment	Treatment customized
How to get something done	Enforcement—compel behavior	Engagement—induce behavior
Values	Efficiency, stability, routine, and predictability	Effectiveness, flexibility, innovation, and resiliency
Information guidelines	Need to know	Open access
Conflict resolution	Adversarial advocacy	Negotiation and mediation
How to define structure	Organization chart, job descriptions, rules	Agreements and contracts

Every time you use a credit card or log on to the Internet, you are a member of a networked organization. These new organizations are highly decentralized and highly collaborative. They are largely invisible to us. Network organizations are not defined by a new organization chart or headquarters building. They are defined by the results they enable.

Designing networks to enable results is a principal leadership task. Think how you would design your organization to move from one set of design characteristics to another.

Leaders have ideas. Leaders can conceptualize and operationalize new organizational designs, new networks.

They know that complex organizations are not led by systems of control but by systems of values.

Designing networks is easier when you know several models of networks that could be adapted to the needs of the situation. In his ground-breaking book published in 2006, *The Long Tail: Why the Future of Business Is Selling Less of More*, Chris Anderson showed that beneath social power curves, especially in consumer markets and popular culture, lies a reality that has been greatly amplified by modern telecommunications and information processing technologies.⁸ Figure 1 shows that, although the demand curve tends downward, it is for all practical purposes asymptotic, that is, it never reaches zero. Whether it is an unpopular song or movie, there is always somebody out there who will assign value to it.

Because there are many more non-hits than hits and blockbusters for consumer items, selling more of less-popular items is a viable business model. Anderson insightfully explains that, unlike in the past, when the economics of our technological limitations made available only the hits and blockbusters, modern technologies such as those that make eBay or Netflix possible now let us get more choices from more people. The implications of this for leaders in public networks are intriguing.

Among other things, it means that we can ensure nothing gets by our network without at least some degree of engagement. A network with a large, diverse membership will have a lot of eyes trained in a lot of directions. It will be able to catch and assimilate more information and, therefore, bring to bear more capacity to anticipate and solve problems, take advantage of opportunities, and, in general, out-compete its less robust rivals.

It also means that you can connect the public more effectively into your network.

Washington, D.C., used this long-tail network model to change the way its public service agencies did business.⁹ After discovering that the majority of citizen requests for such services as pothole repair, bulky-trash pickup, and snow removal were either reported but unclosed or altogether unrecorded despite an elaborate automated system for tracking them, the District decided to stream each request to the Internet immediately after it came in (http://data.octo.dc.gov/Main_DataCatalog_Go.aspx?category=0&view=RSS).

This meant that program managers would get each report at the same time as the public and would be accountable directly to the public for slow responses and inaccurate report closeouts. To ensure the public found them meaningful, each report went out with exact street address and geo-positioning information.

Staff was given one month to update their existing reports and prepare for the new order of business. When it was time to broadcast the reports, the agencies had attained a near-perfect accuracy rate, and the game had now changed to making sure every citizen request was recorded no matter whether it came directly from residents, or indirectly from the mayor's office or through an offhand remark by a well-intentioned employee. Today, the information generated by the District's customer service request system is highly reliable, and the response times are shorter than they've ever been. For more information, contact Marina Havan at 202/478-9209; e-mail, marina.havan@dc.gov.

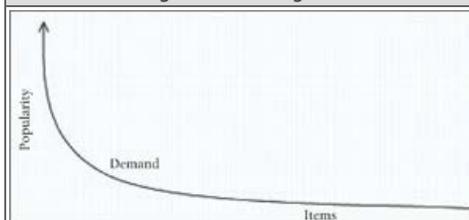
We have more options if we think of our problems as challenges that we can meet, not by ourselves or through the government alone, but by an entire network. Managers can solve their problems by facilitating the participation of an increasingly technologically savvy public, an unmistakably vital member of an effective city network. In this hypothetical thought experiment, the city went so far as to inform the would-be criminals of the change in their environment, in this way channeling their participation in the network.

Tips for Designing Structures

1. Design collaboratively.
2. Be clear about the purpose of the organization.
3. Agree on the principles or core values.
4. Describe the membership of and the roles of people in the organization.
5. Define the structure as the rules of engagement and governance.
6. Relationships matter.

Tools: Team charters, service agreements, performance contracts, associations, Web-based services.

Figure 1. The Long Tail.



This graph demonstrates author Chris Anderson's explanation of long tail or high demand for a few items, tapering to low demand, but never zero, for many items.

Thought Experiment: Imagine Using a Long-Tail Network

Imagine using this long-tail network model in the future. A local government could decide to enlist the direct and constant intervention of its citizens to fight crime. Already enjoying the benefits of a wireless telecommunications network covering much of the area within its limits, the community starts a program to host an enormous volume of visual documents that the public can send from cell phones and Internet cameras over the city's wireless network, which it opens up to the public for free in the neighborhoods surrounding the crime hot spots.

At the same time it launched the innovative program, the police department would put the word out on the street that from then on it would be virtually impossible to commit a crime without it being recorded and broadcast to the whole world. Because so many cameras would be eyeing the streets, there would be no point in trying to block any one of them. Just weeks into the program, crime rates plummet and the public works department reports an unexpected sudden reduction of litter on the streets.

—Oscar Rodriguez
 Executive Director
 Maryland-National Capital Park and Planning Commission
 Montgomery County and Prince George's County, Maryland

Facilitate Flows

The third leadership task is to facilitate flows of information, feedback, ideas, resources, and power. Facilitate flows by developing new connections and repairing broken connections:

"We have many organizational models that demonstrate how open access to information contributes to self-organized effectiveness. The literature on organizational innovation, creativity and knowledge management is rich in lessons that apply here; not surprisingly, they describe processes that also characterize the natural universe. Innovation is fostered by information gathered from new connections; from insights gained by journeys into other disciplines or places; from active, collegial networks and fluid, open boundaries. Knowledge grows inside relationships, from ongoing circles of exchange where information is not just accumulated by individuals, but is willingly shared. Information-rich, ambiguous environments are the source of surprising new births."¹⁰

We grow networks by making and repairing connections. Part of what public managers do is spend time in the organization and in the community. One of the functions of this activity is to make new relationships and nourish existing relationships. It is facilitating networks, connections, and relationships.

Leaders of today's governments know the real organization is made up of networks of relationships people have within and outside the formal organization. You lead a net by developing and maintaining webs of informal connections.

Facilitation Tips

- Focus on flows of people, ideas, resources, power.
- Make and repair connections.
- See information as nourishment; we all need it.
- Order is not control.
- Measurement is not neutral.
- See results, not credit or blame
- Tell stories.

Tools: Scenario planning, budgeting for outcomes, Web sites, public policy mediation.

Thought Experiment: Responding to Hurricanes Katrina and Rita

You are a public sector expert called in to give advice on one of the perplexing problems in the United States today—rebuilding New Orleans.

1. Who are the people of New Orleans? Who is in charge? How could someone "lead from anywhere" in New Orleans?
2. What are the principles to use in developing the most effective relationship among the federal, state, and local governments to enable the recovery?
3. What are the principles you would use to design the rebuilding of systems for public safety, health care, education, flood control, economic development, and a high-performing city government?

Think of using network principles to rebuild a city. How would you facilitate flows of people, information, money, and power in the city of New Orleans? Facilitate flows by recognizing that boundaries are flexible and permeable. Facilitate flows by crossing boundaries and including what is needed but is now excluded.

Another lesson from today's science is that the act of observing changes what is observed. In this context, no measurement is neutral. What we chose to measure is what we focus on, what we declare as meaningful and important. That is why outcome measures are more helpful in describing process than activity measures. That is also why having citizens and other stakeholders involved in developing and tracking the measures has great impact on the

organization.

Many governments today are vulnerable to surprises or adversity in the environment. Bureaucracies are slow to respond to unplanned events. Resiliency depends on frequently getting insights about changes in the environment and distributing this information broadly so that many are involved in determining its meaning and the best responses. Net leaders build agility to ensure engagement.

Net governance would build on all these efforts. We would create new ways to govern these new kinds of cities.

A Leadership Challenge for Us All

Suppose we took these ideas about leading a net and applied them to our jobs now. What would that look like?

- We would focus on results by using citizen-driven indicators.
- We would post in real-time on the Internet the data and transactions that drive those indicators so members of the public can see and analyze them on their own.
- We would design our service delivery systems to maximize the public's interaction on a self-initiated basis.
- We would use virtual reality technology to model land use and transportation decisions of our region, and citizens of our region could see—and change—these models on their computer or television screens.
- We would consistently highlight the relationships, the consequences, and the unintended consequences of various public policies in land use, transportation, economic development, environment, education, health, housing, social services, and public safety.
- We would focus more on facilitation and less on control.
- We would cross boundaries and include diversity.
- We would focus on repairing broken connections among cities, suburbs, and rural areas.
- We would strengthen our interdependencies through revenue sharing and joint projects.
- We would be able to see our collective self-interest in economic development and environmental protection strategies.
- We would be able to cooperate without a central authority requiring it.
- We would encourage sharing of ideas among diverse cultures, professions, places.
- We would be open to experimentation and a search for better outcomes.

Network Facilitation Skills

- Ability to see networks.
- Self awareness.
- Negotiating and collaborating.
- Integrating.
- Inviting, giving, and receiving feedback.
- Using influence, not control.
- Accepting accountability without complete control.

Tools: Interest-based negotiation, systems thinking.

Thought Experiment: Bringing It Home

Pick a problem that you want to solve at work. Here are some questions to ask yourself using the principles of network leadership:

1. Who is in charge? Who defined the problem?
2. Where are the leaders? What is the basis of their leadership? What new relationships among leaders would enable a solution?
3. Which networks affect the problem? What connections matter the most?
4. What could be the principles to use in developing the most effective relationships to enable a solution?
5. Which metaphor would you use to describe your approach to this problem?

The beginnings of net leadership are already emerging. We can take a piece of advice from hockey player Wayne Gretzky. When asked what made him so good at hockey, he said, "I don't skate to where the puck is; I skate to where the puck will be."

Mastery of the game is more than skill. It is more than knowing the rules. Mastery of the game is seeing where it is going.

It is already a new game. It is a new world. We need a new kind of leader.

¹Kevin Kelly, *Out of Control: The Rise of Neo-Biological Civilization* (Reading, Mass.: Addison-Wesley, 1994).

²Ibid., 25.

³C. Clinton Sidle and Chester C. Warzynski, "A New Mission for Business Schools: The Development of Actor-Network Leaders," working paper, Cornell University, Johnson Graduate School of Management, n.d., www.clintside.org/uploads/JEBParkLeadershipModel.doc.

⁴Ibid., p. 9.

⁵M. Mitchell Waldrop, "The Trillion-Dollar Vision of Dee Hock," *Fast Company*, October 1996, 75, www.fastcompany.com/magazine/05/deehock.html.

⁶Dee Hock, *Birth of the Chaordic Age* (San Francisco: Berrett-Koehler, 1999).

"The Chaordic Organization: Out of Control and into Order," *World Business Academy Perspectives* 9, no. 1 (1995).

⁸Chris Anderson, *The Long Tail: Why the Future of Business Is Selling Less of More* (New York: Hyperion, 2006).

⁹Oscar Rodriguez, executive director, Maryland-National Capital Park and Planning Commission (M-NCPPC), contributed to this article by helping explain the long tail concept and how it applies to public administration today. M-NCPPC is a state-created agency that serves the cities and unincorporated communities of Montgomery County and Prince George's County, Maryland. He also coauthored the previous two articles in *PM's* three-part series on networks.

¹⁰Margaret J. Wheatley, *Leadership and the New Science: Discovering Order in a Chaotic World*, 3rd ed. (San Francisco: Berrett-Koehler, 2006), 104.

Camille Cates Barnett is managing director, city of Philadelphia, Pennsylvania.

Editor's Note: This is the third article in the *PM* series on networks. The first article, "Connections Matter: Using Networks for Economic Development," was published in March 2006. The second, "Connections Matter: Using Networks for Improved Performance," was published in June 2006.



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What Goes Around, Turns Around

by Dale Iman

It has been said that “it is not the strongest species that will survive, nor the most intelligent, but the one most responsive to change.” It’s clear that most local government managers understand the importance of keeping an open mind, seeking innovative solutions to difficult problems, and valuing creative thinking. These are clearly personal attributes that contribute to individual success and enable managers to reach lofty goals.

These same characteristics are vital to the success of the organizations we manage. A vibrant and progressive manager, as well as local government officials who are of the same mindset, will embrace opportunities for change and never shy away from the constant challenge of finding a better way to serve citizens and improve communities.

Unfortunately, and for a variety of reasons, managers will from time to time lose sight of the fact that they must remain highly competitive. They also sometimes forget that they must be on the cutting edge and that positive change is a key core value of every successful organization.

When a local government loses its competitive drive and becomes willing to settle for something less than excellence, it’s a sure sign that mediocrity has gained a strong foothold. It is when these telltale signs of stagnation become obvious that the governing body turns to a manager who thrives on the concepts that embody an upbeat, positive, can-do attitude—a management style that expects the unexpected and demands nothing less from staff members than an unrelenting pursuit of excellence.

To Salvage the Situation

The challenge for a manager is to convince the entire organization, including staff, elected officials, and citizens, that the benefits of embracing change management will yield the desired results of reinvigorating the organization and the community it serves. As a city manager who has developed a reputation as a “turnaround manager,” I was asked by *PM* magazine if I would share my insights and experiences on the subject of change management.

This article identifies and discusses the frequent problems and pitfalls that contribute to stagnation, missed opportunities, and disgruntled citizens. It will also explore successful techniques used to fix problems, right the ship, and indeed revitalize and turn around the organization.

A multitude of issues can contribute to less than stellar organizational performance. Libraries are filled with books that reflect on management techniques that if left unattended will lead to sluggish performance and a loss of momentum. The balance of this article will focus on what contributes to an ineffective local government that will eventually need an inspired change manager.

Don't Agonize . . . Organize

It is amazing how often you find local government

Top 10 Things a Turnaround Manager Should Do

1. Bring elected officials together (retreat) to build a strategic plan. Establish a clear direction for the organization. This helps to build consensus, and it helps to build a positive relationship with the new manager, staff, and the elected officials.
2. Target an important project or program and make it a reality. This is the idea of getting an early victory under your belt. Success breeds success. It will help bring the elected officials, staff, and management together and start to solidify the bond of a successful team.
3. Create an environment that encourages and requires a fully engaged team. It’s imperative that the new manager addresses the “curse of complacency” early and often. The manager and key senior staff must constantly fight the curse.
4. Establish an organizational culture that is founded on discipline. Use a disciplined process in the development of budgets, policies, operational procedures, and decisions.
5. Recognize the importance of building and maintaining strong, healthy relationships with as many community stake-holders as possible. Allies are important when you need support of your proposals and programs.

administrators who don't understand how important it is to update their community's strategic plan and comprehensive master plan regularly. Updating plans takes discipline, but few things are more conducive to high-performance government than strong planning and implementation.

The strategic plan establishes the mission, core values, goals, and objectives for the entire organization. It's the work plan that, if properly implemented, will lead a city or county to prosperity. Goal achievement is paramount to success, and success breeds success. The strategic planning process promotes teamwork at and between all levels of the organization. A manager without the support of a strategic plan is truly like a carpenter without tools.

The comprehensive master plan is equally important in that it provides long-range planning for all infrastructure, utilities, capital improvements, land use, and facilities. All too often, the comprehensive master plan is not updated regularly, and it becomes antiquated and ineffective.

The benefits of undertaking a comprehensive planning process are far-reaching and long-lasting. The planning process itself represents an outstanding opportunity to inform the public of the many assets and opportunities within the community. An added benefit is that it engages the public in a process that clearly defines the goals and plans for economic and community development potential.

A comprehensive plan eliminates the guesswork, reduces the bureaucracy, and streamlines the development process. In short, the plan enhances the development readiness of a community and positions the organization to maximize opportunities for quality development.

Momentum in Moline

In 1995, Moline, Illinois, had just opened a beautiful new civic center, The Mark of the Quad Cities, and it attracted an award-winning Radisson Hotel to the city's downtown, on the banks of the Mississippi River. Across the street stood a new Deere & Company office complex and visitor pavilion with collector shops and a restaurant.

Earlier in the decade, the city had established a public-private partnership and a nonprofit economic development corporation known as Renew Moline. Moline certainly was enjoying the taste of success during the mid-1990s, much of which was attributed to a strong dose of corporate citizenship by John Deere. The city then took a collective break from the difficult work of redeveloping the heart of the city.

In 1998, I was appointed city administrator of Moline and quickly went to work. Within 30 days we planned, scheduled, and brought the council and senior staff together to develop the city's first strategic plan. By the end of the first year, we had commissioned a planning firm to facilitate the development of a comprehensive master plan.

This was the first time since the mid-1960s that the city had taken a good look at the comprehensive plan. Corridor studies and downtown development plans were completed at the same time and were folded into the new comprehensive plan. Planning is hard work because it involves collaboration with countless stakeholders, consensus building, and negotiation. The very fact that it is such difficult work is probably the reason that good community planning is frequently neglected.

Results from Moline's intensive planning efforts began paying benefits almost immediately. The key to any successful plan is implementation. City council, staff, and citizens who participated in the development of the plan now had a vested interest in seeing those plans become reality. The development community quickly embraced the city's plans and became an active part of the team.

Momentum that nearly had been lost was now revived. Riverfront condominiums, office buildings, historic restoration, new downtown restaurants and shops, and a new campus of the University of Illinois were projects that resulted from the extensive planning effort. Residential housing in newly annexed areas of the city was being developed.

A second riverfront hotel was constructed, and new retail shopping areas emerged. Public improvements included a \$25 million water plant expansion, a new police headquarters, and a 400-space parking garage. The dreams that citizens had held for decades—such as the new public library—finally came to fruition. And the crown jewel—my personal favorite—was the total restoration of the 1890 Historic Prospect Park.

Yes, planning is hard work, but the satisfaction of helping citizens fulfill their dreams makes it all worthwhile.

6. Don't try to be everyone's friend. If you ignore poor performing employees and don't adequately reward outstanding performance, the result will be that you make your best people mad.

7. Focus. Focus. Focus. Be consistent in your decisions and your actions. The last thing a community needs is a manager that changes his or her opinions as often as their socks. Stability and consistency in direction is important.

8. Place a high level of emphasis on results. . . organizations need to be results oriented in this fast paced, stretch the dollar, "get it done" environment that we live in today. Just about everything we do as public employ-ees should be directed towards results. Ask the question, does this add value to your organization?

9. Create an environment that embraces technology. New and emerging technology represents the best opportunity to improve efficiency and effectiveness without increasing the budget.

10. Be open, honest, ethical, and above board in everything you do. Abraham Lincoln said it in 1862, and his words still hold true today: "With public trust we can do any-thing...without it, nothing."

Power of Teamwork

There is universal agreement that organizations that promote and employ a team approach are more likely to enjoy success than those that do not, and I've found this to be true in the turnaround environment. Why, then, is it not uncommon to find elected officials who are extremely dysfunctional when it comes to working together as a team? Isn't it incumbent upon us as public servants to set aside differences and do what is best for the community?

All too often we find city councils and county boards making decisions for the wrong reasons. Decisions are too frequently made with the next election in mind rather than what will produce the most favorable long-term benefit for the community.

Compounding the problem is the decline in civility and a lack of trust among elected officials, which also can hamper the work of a turnaround manager. I still remember the first time I heard a councilmember refer to himself as a politician and the resulting sick feeling that quickly formed in the pit of my stomach. It hasn't always been this way, and I know there are still plenty of good, hard-working local elected officials out there doing their jobs solely for the purpose of improving their respective communities.

When members of the governing board can't set aside their personal conflicts for the good of the community and don't understand the importance of teamwork, it sends a message that permeates the entire organization. It is extremely difficult for a manager to come into a situation where the council is not working well as a group and try to get the staff to pull together, support one another, share resources, and function as a well-oiled machine. But that is precisely the challenge confronting the turnaround manager in today's environment.

What Can Be Done?

So, what does the manager do in this situation? I've found that the most effective way to combat negatives is to create positives. The first thing a manager should do is to create opportunities that will allow the council and staff to become successful and see themselves as winners. Put your council and your staff into a light where their self-image and the perception of others are enhanced.

Success breeds success. Once employees begin to see the results that are accomplished from working together as a team, their feelings of success will start a chain reaction. Everyone wants to be a part of a winning team.

I witnessed this as city manager of Gallipolis, Ohio. We implemented a highly successful downtown revitalization program. The facade restoration projects started slowly, but as soon as the first storefronts were finished, they so impressed the property owners that they lined up to take part. In the end, the award-winning project was a huge success and provided a great sense of pride for the city.

I learned even earlier in my career about the power of teamwork and how success brings people together. In 1982, soon after I was appointed the first city administrator of Frostburg, Maryland, this relatively small university community realized that its water reservoir was no longer dependable. A series of droughts and major water leaks made it necessary to take drastic steps.

The city, concerned about its ability to provide enough water to its residents and the university, had little choice but to declare a moratorium on new construction. Frostburg was not a wealthy community, and the city did not have the resources to expand its Piney Dam Reservoir.

To say the least, things looked rather bleak. Working as a team, the current city administrator, John Kirby; the city engineer, Chris Hovatter; and I developed and implemented a plan to create a broad-based coalition of city, county, state, and federal representatives who pledged to help Frostburg secure the funding needed to build a new Piney Reservoir.

The council, which had never been dysfunctional but had also not been highly effective, came together in support of the plan and worked it. Thus, the council and staff, through a team effort, developed the needed support and obtained a large federal grant. The new reservoir was constructed, the moratorium lifted, and some rather impressive residential and commercial development followed. The council and staff had transformed itself into a high-performing team.

The most satisfying part of this story to me personally came about this past summer. While visiting family members in western Maryland, I stopped at our favorite restaurant in Frostburg. Much to my delight and (let me admit it) pride, I saw my former mayor and city councilmembers dining in a group with their partners. After we caught up on what everyone had been doing, they explained that they still try to get together every Saturday evening.

It is obvious that, after 25 years, the power of their team is stronger than ever. Never underestimate the power of teamwork!

Curse of Complacency

In his bestselling book, *Good to Great*, author Jim Collins proclaims the "enemy of great is good." His book focuses on the differences between good companies and great companies. The same concepts apply to public organizations, including local governments. You don't have to look far to find communities that have implemented outstanding projects and successful programs that have been recognized for excellence. The challenge is to sustain high performance and maintain an image of excellence.

Localities, however, are made up of individuals and, unfortunately, many people tend to rest once they have reached high plateaus. Organizations tend to do the same. Think about the annual list of All-America Cities, which are presented by the National Civic League. Achieving All-America status is a great honor, a true symbol of excellence and outstanding achievement.

How often, though, do you see an All-America award winner continue to excel at peak performance? I've had the privilege of managing in four All-America cities during my career—Marquette, Michigan; Grand Island, Nebraska; Southfield, Michigan; and Fayetteville, North Carolina. Each of these cities has experienced an exciting and unique level of success as well as challenges that make sustainability difficult.

Located on the southern shore of Lake Superior, Marquette enjoys unparalleled natural beauty and has a restored historic downtown contributing to its charm. The city's geographic, far-north isolation and harsh winters hinder its economic development efforts. Grand Island, Nebraska, rebounded from one of the worst tornadoes in U.S. history in 1980 to achieve All-America status, only to be set back by the agricultural recession of the next two decades.

Southfield, Michigan, features a spectacular skyline filled with modern high-rise office complexes and Fortune 500 companies. The devastating decline of the automobile industry has left the city with deficit spending and a leadership that is struggling to adapt to the new economic reality. Fayetteville, North Carolina, is a rapidly growing city with a revitalized downtown and a bright future. This city of 175,000 people is working hard to overcome years of inadequate planning and undisciplined budget practices.

So What's the Key?

A turnaround manager is often recruited after a community has been lulled into long-lasting complacency. Fighting complacency is a continuous struggle, but it is a fight that must be fought.

Telltale signs of complacency in an organization include lackluster performance, diminished accountability, disengaged employees, low employee initiative, and lack of discipline. The job of the manager is to clearly define the goals and expectations for the future, identify the strengths and weaknesses of the organization, and set in place a plan of action to accomplish the goals.

In short, the manager must reinvigorate an organization by energizing employees and emphasizing the importance of accountability and discipline. The job of the manager is to provide a seat on the bus for every team member who is willing to meet or exceed expectations. When the bus leaves the station for its destination, all the seats should be filled with team players. Those who have not found their seats will have to be left behind.

Numerous issues can contribute to poor organizational performance, and the job of a turnaround manager is filled with challenges, frustration, controversy, and—frequently—conflict. That is to be expected because change is almost certain to be met with strong opposition.

The turnaround position is not a job for a thin-skinned person. But nothing is more rewarding than looking back over several years of work and realizing that the community you served is a more successful, vibrant, and progressive community because you dared to make a difference. Challenges are what make life interesting; overcoming them is what makes life meaningful.

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PM MAGAZINE

PM PLUS

Get Up, Get Out, Get On It: How Human Resources Can Become a Strategic Partner

by Patrick Ibarra

Human resources should be defined not by what it does but by what it delivers." This provocative assertion was made by Dave Ulrich, author and thought leader, about the future of the human resources (HR) function in the workplace. What exactly does this mean? For all individuals who hold HR responsibilities in their organizations, it means that, because the role of human resources continues to evolve, its value should be defined by the contribution it makes to organizational effectiveness and not simply by historical measures, like the turnover rate, that don't measure effectiveness.

Traditionally, the role of human resources has been limited to such administrative functions as recruitment, payroll, benefits administration, and workers' compensation. Its function also is to minimize risk as it pertains to potential harassment, discrimination, and/or wrongful discharge issues. This largely process-driven role for HR has been endorsed for several years by a majority of top administrative officers in local government, as in the private sector.

With recent trends toward the outsourcing of functions, however, the future of human resources is at a critical juncture: should it try to hang onto the past and risk becoming marginalized, or embrace a new future that requires different competencies? There is an unambiguous imperative confronting individuals responsible for running or overseeing HR: Rethink the HR function's structure, services, and programs in order to add value to today's organizations, or suffer the consequences.

For instance, what if Monster or Career Builder submitted an unsolicited proposal to handle your locality's recruitment of new employees faster, better, and cheaper? What would your local government's response be? This is something to consider and not beyond the realm of imagination.

Regardless of the reason, the time is here for human resource people to embrace the role of leader and not wait for administrators to grant them permission to do so. They should tactfully "crash" the party, inviting themselves in!

The author has known several HR professionals over the years who continually lobbied to gain a "seat at the table" of their organizations' brain trust and to help devise a strategy and execute tactics—only to find, when they arrived at the table, that they were not prepared. Often, they spoke HR jargon that reduced their credibility in the eyes of their peers and superiors.

Furthermore, their business acumen was lacking when discussions focused on the issues that their customers (other departments and their employees) were struggling to overcome. Combine a heavy dose of HR language with a lack of business acumen, and you get human resource people with little influence and thus minimal value. This situation reinforces the notion that HR services are transactional, not strategic, and therefore are feeding the trend toward outsourcing.

To take on a more proactive, business-minded approach, HR should function as a business partner. The business-partner approach emphasizes the fact that the HR function involves developing systems and practices to ensure that the organization's workforce has the needed competencies and is motivated to perform effectively. HR must also be on the agenda when business and organizational issues are discussed: there must be a credible perspective on the role it plays in helping a locality anticipate and respond to pressing issues.

To legitimize their seat at the table, human resources people must use terminology relevant to the organization's business needs and rely less on HR-speak. Moreover, they should be able to comfortably make transitions between macro- and micro-issues; in this way, they will contribute strategies and tactics that will help improve the performance of their organizations.

Several recent studies have addressed the new competencies required by the HR function as it strives to be a strategic business partner. In addition to HR professionals' acquiring new competencies, however, the function itself must be revised so as to integrate these new competencies and to provide services in a manner that adds value. One competency that must be addressed is that of leadership.

Traditionally, HR professionals have chosen not to be strong, assertive organizational leaders. Maybe they tried this in the past and were summarily dismissed by their peers or even by city or county managers. Regardless of the reason, the time is here for human resource people to embrace the role of leader and not wait for administrators to grant them permission to do so. They should tactfully "crash" the party, inviting themselves in! Seemingly, the leader and strategic business-partner roles present a problem similar to the chicken-and-egg question: Which comes first? Actually, the two have a reciprocal relationship, and being an effective leader can strengthen a person's strategic business-partner role, as well as vice versa.

BEING A STRATEGIC PARTNER IS AN OUTCOME

It is not enough simply to refer to oneself as a strategic partner. To actually be one is the result of performing a variety of responsibilities; in other words, it is an outcome. Managers need to recognize that these major responsibilities are involved:

Business knowledge. As any manager would agree, a local government's HR professionals must understand their organizations in particular and government in general, so as to make strategic contributions. Those who can offer business acumen on non-HR subjects will come to be viewed by operating departments as credible partners. Granted, it can be a full-time job just to stay up with all the latest issues affecting the field of human resources, what with court cases, changing federal and state laws, and so forth. So what can administrators suggest to HR directors and members of their staff so they can become conversant with issues influencing their departments?

Managers can recommend that these steps be taken immediately by human resources professionals:

- Regularly attend staff meetings for operating departments. Before attending its first meeting, HR should chat with the senior manager in charge of the meetings, and let this manager know that HR is genuinely interested in learning more and, by attending these meetings, will increase its level of understanding and thus become more effective. Once people at the meeting realize that HR's presence does not indicate that someone is in trouble, they should begin viewing an HR attendee differently. A key here is attending regularly, not simply when it is convenient. Remember, HR practitioners are going to these meetings to listen and learn and not necessarily to contribute, until they are more seasoned and able to do so.
- Meet with senior managers of departments, and ask a series of questions related to budgets, work processes, management practices, and operational matters.
- Find mentors for themselves from other departments.
- Mentor employees in other departments.
- Instead of attending another HR-related conference, buddy up and join a department director, attending one of his/her conferences.
- Read periodicals that HR's customers (other departments) are reading, to stay current on their issues and on potential solutions.
- Participate in a job-shadowing program. (While serving as assistant city manager and HR director, the author began a program entitled "My Day to SWITCH" (Stop Working In The City Hall). During this initiative, I worked alongside field employees for two days a month. I progressed down the list of employees alphabetically so as not to give any hint of favoritism, and I now remember some of those days as the most valuable in more than 15 years of government service.)

HR delivery. Already a strong suit for seasoned HR professionals, this area focuses on the principles of human resource management: staffing (attracting, promoting, and retaining strong performers); designing and implementing programs that facilitate change; and managing employee performance.

A manager's recommended steps for HR should include:

- Revisit the structure of the HR department, and institute client service teams that support a number of departments. At a minimum, each team should comprise an analyst and administrative support personnel and should provide the normal daily services to the department managers it supports. In addition, create "centers of expertise" for classification and compensation, training and development, and workplace safety; these centers should comprise HR specialists who support the client service teams. HR must get (and stay) closer to its customers in order to provide better value.
- Explore innovative practices to relax the sometimes-constraining forces of the usual civil-service system. Give hiring managers more discretion by moving away from the rule of 3 and rule of 5, to the rule of 10, when hiring new employees from a civil-service list.
- Offer behaviorally based training in interviewing to all employees responsible for hiring.
- Encourage the use of effective selection tools to ensure high-quality hires.
- Design and implement a systematic and comprehensive approach to succession planning, which is not about playing

While turnover can be a valuable metric, what actions is the organization taking as a result of analyzing this type of information? Turnover should be tracked by department, occupation, and manager; then, based on trends, a response should occur.

favorites or fostering an entitlement atmosphere for incumbents. Instead, it is an open, results-based development process for building talent within the local government.

- Introduce competencies (combinations of smarts, skills, attitudes, and behaviors) to the organization, and integrate them into recruitment and promotional processes, as well as into the performance evaluation system.
- Develop a robust training and development program for all employees.
- Revise the existing performance evaluation system, incorporating changes that focus more on results and less on activities. Preach that performance management is a process, not an annual event. For those in supervisory and management positions, concentrate a larger portion of their evaluations on their ability to manage and lead a team and less on their individual performance.
- Augment their knowledge of effective organizational development principles and practices, and become a change adviser to departments trying to improve operations or introduce new programs.
- Implement meaningful performance measures. While turnover can be a valuable metric, what actions is the organization taking as a result of analyzing this type of information? Turnover should be tracked by department, occupation, and manager; then, based on trends, a response should occur. Other meaningful performance measures include: cost per hire, time to fill a job, and workdays lost because of on-the-job injuries.

HR technology. The “silver bullet” philosophy, which holds that technology is the solution to any problem that befalls an organization, should be discarded. Resist the habit of relying on IT staff to solve HR-related issues. Instead, determine how best to apply HR technology and Web-based channels to deliver services.

Managers would do well to make these recommendations:

- Implement a Web-based application process for candidates seeking employment. Allowing applicants to print a PDF of the application, manually complete it, and then submit it does not constitute a Web-based system. A number of applicant tracking systems are on the market, and, beyond streamlining the process for applicants, they also provide real-time information to hiring managers about applicants and the status of any given recruitment. Visit www.ci.seattle.wa.us and www.sanjoseca.gov to review some best practices concerning applicants and the Web-based application process. While these are large organizations and the assumption is that large organizations are more sophisticated and have more financial resources to invest in such advancements, the fact remains that sophistication and investment have little to do with the size of the organization and more to do with the leadership qualities of those within the organization.
- Install a robust intranet, permitting employees to register for benefits, make noneconomic changes to personal information, and read updates on policy and procedure changes.

Personal credibility. Like it or not, the most influential factor in whether HR can be considered a strategic partner, as determined by the hearts and minds of people in other departments, is the characteristics of the HR professionals themselves. This being said, much of this factor is within the control of HR supervisors and local government managers.

Credibility, in an odd way, is both an input and an output. It is an input through which human resource people are allowed to do more value-added tasks, once they have established credibility with the department managers they support. Similarly, it is an output earned by mastering the competency factors that make for personal credibility.

It is an input through which human resource people are allowed to do more value-added tasks, once they have established credibility with the department managers they support. Similarly, it is an output earned by mastering the competency factors that make for personal credibility.

Recommended steps that managers can take involve seeing that HR practitioners do the following:

- Meet commitments.
- Ask a lot of questions to help shape an issue so that it can be solved.
- Act with integrity.
- Build and sustain effective working relationships throughout the organization.
- Solicit feedback from customers on HR’s performance and on that of everyone working in HR.
- Train and develop HR staff members.
- Balance the advocate versus the regulator role, and be more consultative when asked a question by an employee or manager.

Strategic Contribution. For too long, too many HR professionals have not considered themselves as leaders within their own organizations, somehow wanting their managers to give them permission to assume the mantle of leadership. I am a firm believer that indeed HR professionals must “get up, get out, and get on it” when it comes to leadership. Only by taking the risk of becoming visible and having their opinions scrutinized will they step beyond their comfort zones and truly contribute to their organizations’ effectiveness.

While city and county managers and members of their executive teams often advocate that HR should play a more significant role in realizing this transition, these same executives will have to accept a new way of conducting business, or progress can be difficult to achieve. Simply said, to change HR and make it more effective is not just a matter of “replacing all those people who work there with new people.” And it cannot be done by changing clothes and identities in a phone booth à la Superman.

Because HR has long arms and stretches throughout a local government, it needs support and patience from top managers and from the workforce. Persistence and the generation of some early victories (visible, meaningful outcomes) are crucial in convincing departments that this newfangled strategic-partner role they've been hearing about is indeed here to stay.

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Ethics

The Retired City Manager's New Opportunities

Q. Shortly after the city manager retired, a company asked him whether he would like to do consulting work for them. The manager ran the idea by the city council, and the elected officials expressed no concerns. He said he would not make public presentations; neither would he attempt to influence staff decisions. What other ethical considerations should he consider?

A. Retired members of ICMA are subject to Tenets 1 and 3 of the ICMA Code of Ethics. They also need to be sure they look at any local ethics laws that might apply to them after they leave local government service. For example, some local governments have ethics ordinances that restrict former managers' employment with firms that have city contracts if the city manager had a role in negotiating or approving that contract. ICMA has received ethics complaints about members who went to work for firms that had recently received city contracts. The concern is that some former local government employees are in a position to profit personally from the terms that they negotiated.

Another consideration is the retired manager's relationship with the new city manager. Most retired managers who remain active in the community they once served are careful about their involvement with the city government, particularly in matters where their views on a policy matter differ from those of a new administration.

Billing the County for a Service Club's Cause

Q. The county government pays for the county manager's membership and monthly meeting expenses to participate in a popular service club. The networking opportunities with business leaders in the club are valued, so this practice has been in place for many years. Recently, the service club sent the county manager a letter that included two raffle tickets. The proceeds from the raffle ticket sales would benefit a well-regarded charity. How should the county manager handle this?

A. While it is a usual business practice for local governments to pay dues and meeting expenses for designated staff to participate in service clubs and other organizations, it would not be appropriate to use public funds for the raffle tickets. The county manager should write a personal check for any charities she wishes to support.

The Exit Interview Opportunity

Q. The assistant city manager is leaving his job after 10 years, primarily because of the new city manager's management style. Some members of the city council have asked the assistant city manager privately to explain why he is leaving. Although the new city manager has done nothing unethical, the assistant manager believes that his management style has harmed employee morale. Employees have told the assistant city manager that they no longer offer their candid advice to the city manager because the manager makes it clear he does not want to hear any opposing views. Does the assistant city manager have an obligation to speak frankly with elected officials who ask him about the city manager's performance?

A. There is no ethical obligation for the assistant city manager to offer his assessment of the city manager's effectiveness. In fact, there are good reasons to offer no assessment to the council without the knowledge of the manager. If the assistant manager has suggestions for the manager, those should be shared privately with the city manager. The council has the responsibility to make its own determination about whether the manager's style is effective in that community.

—Elizabeth Kellar
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DEPARTMENTS

On Retirement

IRA Season Begins

CHANGES IN TAX LAWS MEAN ADDITIONAL BENEFITS FOR SAVERS

There's no question that the issue of saving for retirement has become a major concern for our nation's leaders. In recent years, Congress has emphasized its commitment through its renewed support of National Save for Retirement Week, which took place last year from October 21 to October 27.

Every year, Congress opens up more opportunities to save, and it's important that plan sponsors and participants understand the different ways they can build nest eggs for retirement.

A number of changes in the tax laws in 2008 will raise the contribution limits for those who can save at the maximum rate. Some other changes in the rules will also make it easier to move dollars from one savings program to another.

Individual retirement accounts (IRAs) offer tax advantages, and you still have until April 15, 2008, to make contributions on your 2007 tax return. The contribution limit for your IRA contribution for tax year 2007 is \$4,000. That amount increases to \$5,000 if you are 50 or older. In tax year 2008, those limits increase to \$5,000; if you are 50 or older, the new limit is \$6,000.

There are two types of IRA plans, and deciding which plan is best is a matter of fitting your personal circumstances to the program.

Contributions to a *traditional IRA* may or may not be tax deductible, depending on your income and pension plan situation. Account earnings accumulate tax deferred and withdrawals of deductible contributions and account earnings are taxable. Until you reach age 59-1/2, withdrawals from a traditional IRA are generally subject to a 10 percent penalty in addition to income tax, although there are several penalty exceptions.

A *Roth* IRA is different in that contributions are not tax deductible, but the account offers the potential for tax-free investment growth. To receive tax-free distributions of investment earnings from a Roth IRA, at least five years must have passed since the year of your first Roth contribution and you must be at least 59-1/2, disabled, or paying firsttime home-buying expenses (\$10,000 lifetime cap). There are certain income limits that cap how much, if anything, you can contribute to a Roth IRA.

As long as we're talking taxes, you should consider the possibilities of converting your traditional IRA to a Roth IRA if you are eligible. The real advantage of paying taxes up front on your IRA is that you don't have to take Roth distributions even after you reach 70-1/2, unlike the traditional IRA, so you can benefit from years of tax-free investment growth. Be aware that in 2010 the law changes so that some of today's eligibility restrictions preventing a conversion will no longer apply.

Note that one of the IRA provisions of the Pension Protection Act of 2006 was effective January 1, 2008; this will make it easier for a qualified participant to convert assets from an employer-based retirement plan directly to a Roth IRA. Previously, participants were required to roll over their assets to a traditional IRA and then convert the traditional IRA to a Roth.

For most public employees, the employer-sponsored 457 deferred compensation plan is the primary supplemental means of saving for retirement. Through payroll contributions, participants can assign their funds to a variety of investments that meet their savings objectives.

In 2008, the maximum amount that participants under 50 years of age can contribute to their accounts remains at \$15,500. Those age 50 or older can contribute an additional \$5,000. Special saving opportunities are also available for those within three years of retirement.

Building a secure retirement is an essential component for anybody's financial plan. Understanding the opportunities

to save helps public sector employees reach their retirement dreams.

—Joan McCallen
President and CEO
ICMA-RC
Washington, D.C.
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DEPARTMENTS

Profile



Maryann Courson isn't a stranger to challenges. The complete Orlando Sentinel article can be viewed at: <http://www.orlandosentinel.com/community/news/ucf/orl-vcourson2607aug26,0,5422565.story>

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Leaders at the Core of Better Communities

ICMA Management Perspective

Fall 2007

Sustainability

ICMA Members Target "The Issue of Our Age"

Sustainability is a familiar concept for local government professionals, many of whom trace its roots to the values and considerations inherent in the practice of community planning. They are familiar with approaches to development that weigh long-term impacts as well as near-term benefits.

But city and county managers also know that the definition of sustainability goes well beyond planning and development. For local governments, it is not only about preparing for growth or trying to redevelop a vacant industrial property. It encompasses everything that a local government does—from long-term stewardship of the community to the smallest day-to-day tasks. It's about adding hybrid vehicles to fleets and using recycled water to irrigate public landscaping. It's about conducting a thorough financial analysis and considering the condition of existing infrastructure before making a decision to extend sewer lines. It's about creating a balanced economy with a variety of jobs. And much more.

For a growing number of communities, sustainability in its broader definition is becoming the overarching theme in their planning for the future. In some places, it has taken on other names such as smart growth, but the basic idea remains the same: development should improve quality of life, making a place more livable without harming the environment or creating a financial burden for future residents. Just as important, that principle should extend into the economic and social realms. And for local government organizations, it's critical to ensure that basic business practices—from hiring policies to fiscal management—are conducted with that same eye to the future.

That's the theory. But as anyone who's been through a rezoning hearing or efforts to recruit a major new employer can attest, it is never easy. For all the strong support for the broad principles, developing a consensus about what sustainability really means on the ground and how to reach agreement among community members with conflicting or competing goals can be something else altogether.

It is for all of these reasons—the great promise and considerable challenges associated with sustainability—that the ICMA Executive Board has adopted it as "the issue of our age." In February 2007, the board decided to make sustainability a priority issue and directed

In coming months, **ICMA** will publish a position paper on sustainability that will be informed by ongoing member dialogue. The ICMA Government Affairs and Policy Committee is also developing a paper to advise the "big seven" state and local government organizations on how sustainability-related policies at the federal level on energy, transportation, agriculture, and other issues could impact the ability of state and local governments to carry out sustainable practices.

ICMA also kicked off an on-line sustainability discussion forum on Earth Day 2007, giving members the opportunity to debate the topic and share their experiences. Members are encouraged to weigh in with their thoughts on the manager's role and other questions related to sustainability at <http://forums.icma.org>.

staff to launch efforts to position ICMA as a leader on sustainability. ICMA has established a Sustainability Advisory Committee made up of members dedicated to the issue, whose work as a committee is being supported by ICMA's strategic partner Camp Dresser & McKee Inc.—CDM. The leadership advisory committee convened by teleconference for the first time in early August, and its 37 members have agreed to serve as a sounding board on sustainability,

providing direction and guidance to ICMA's work. Two successive ICMA presidents—Michael Willis in 2005-06 and Bill Buchanan in 2006-07—have highlighted sustainability as themes for their terms as president, as well.

The establishment of the advisory committee follows a long history of sustainability work. ICMA has been the institutional home of the Smart Growth Network for nearly a decade, and has done extensive work on brownfields cleanup and

redevelopment, environmental management systems, energy efficiency and renewable energy, financial management, and other sustainability-related topics.

But the issue clearly is taking on greater importance. ICMA has never had more momentum in the effort to define sustainability and advance the fundamental role played by local government managers in promoting it.

What Does Sustainability Mean for Local Governments?

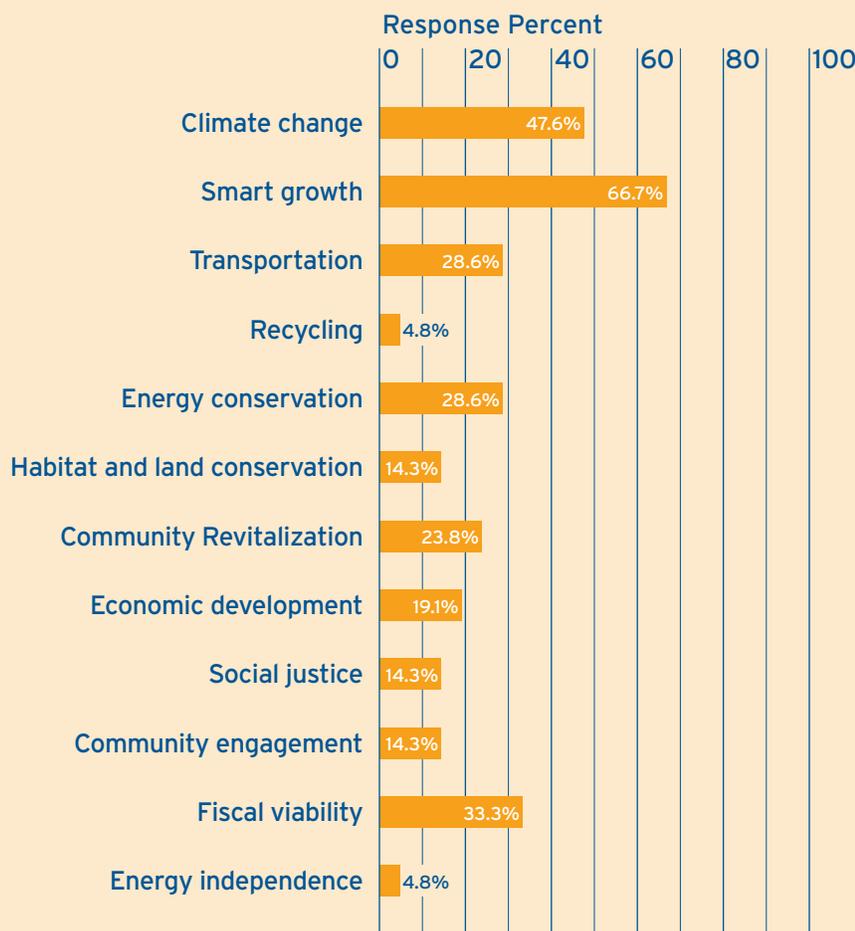
The classic definition of sustainability, as “meeting the needs of the present without compromising the ability of future generations to meet their own needs,” remains as relevant today as when it was first articulated in 1987 by the World Commission on Environment and Development.

ICMA further defines the concept as central to the professional management of local government, with three interdependent elements: environmental stewardship, economic development, and social equity. ICMA members also recognize that the financial and organizational viability of local governments is closely connected to sustainability, because without a solid financial foundation and strong institutions, they cannot attain their environmental, economic, and social goals.

Former ICMA President and Sustainability Advisory Committee member Michael Willis describes sustainability as having an integrated *triple bottom line* (environment, economy, and equity), as integrated thinking lies at the core of sustainability. When the manager and staff advance initiatives for the community, they consider and

ICMA Surveys Sustainability Advisory Committee Members

When asked to identify the top three among a dozen sustainability issues, two-thirds of the advisory committee members chose smart growth. Respondents also ranked what managers need most to develop and implement sustainability programs. A slight majority named support from elected officials as most important, with community support coming in second.



balance actions that serve not just the environment, the economy, or social equity, but also the impact such actions have on all three elements. They make decisions and recommendations that attempt to simultaneously optimize the highest possible goals for all three.

Sustainability represents both a responsibility and an opportunity for local government managers, and provides a way of thinking about year-to-year decisions and policy making over the long term. Managers consider sustainability in everything from routine budget decisions to the most complex problems. By supporting citizens and elected officials' efforts to see issues through the sustainability lens, managers help provide a window to the future. They can help translate esoteric policy options into concrete impacts on daily life and a community's health. That, in turn, makes it easier to inform elected officials and build public support for decisions that benefit a community over the long term.

While there are themes common to every community working toward sustainability, many of the problems and solutions are different, because each community faces a different environment, has different resources, and holds different values.

For jurisdictions in Michigan hard hit by the downturn in Detroit auto-making, economic viability and social equity are key drivers. In Northbrook, Illinois, climate change might not be a key motivator, but energy independence is. Likewise, growth issues are central for many cities and counties, but they must be framed for the unique goals of each jurisdiction. In Arlington County, Virginia, the community uses the term "smart growth" to describe its progress in focusing urban growth along a subway and bus transit corridor to

optimize economic and environmental viability. County Manager Ron Carlee notes that the county has generated a lot of discussion this year around a major new initiative it has launched around climate change. He describes the focus as being an expansion of Arlington's smart growth efforts. "We have to take good land-use planning and good transit-oriented growth to the next level," Carlee said. "It is also about how we act and behave through our personal and business decisions, building community in ways that are truly sustainable."

Alternatively, Tallahassee, Florida, is using conservation as its rallying cry for sustainability. With its *Go Green Tallahassee* initiative, the city has engaged its citizens to work toward reducing energy demands and the need to build new utility plants.

The Manager's Role

Being responsible for community sustainability requires a perspective that addresses the long term and the big picture. City and county managers, by the nature of their work, have *always* been the executives within local government who see the community and the organization in its entirety, without being tied to one department, one interest group, or one political point of view. And they have a natural affinity for the perspective that sustainability isn't just what the city or county government is doing. Sustainability encompasses what businesses are doing, what major institutions and citizens are doing, what neighboring jurisdictions and the region are doing, and what the state, the nation, and countries around the world are doing. Managers understand that

building sustainable communities requires partnerships with people outside local government.

Members of ICMA's Sustainability Advisory Committee noted that it is easy to be distracted by "the flavor of the month" approach to tackling sustainability, moving from crisis to crisis. The truth is that managers often face crises that threaten community survival—whether it is a factory closing, a budget shortfall, or droughts or natural disasters exacerbated by the impacts of climate change. They all are interlocking challenges, and managers know they need to address each event with a long-term perspective on how to care for the community's well-being beyond the current crisis.

In summary, managers have to play many roles to effectively build momentum for sustainability. They must be:

Educators. Managers have to help educate elected officials, department directors and staff, businesses, and citizens about what sustainability is and why it is important.

Interpreters. Managers should always help "frame" the discussion and clarify what sustainability means in terms that coincide with community values.

Technicians. Managers must utilize the best available technology, science and data to continuously work toward sustainability.

Organizers. Managers can align the resources of the organizations they serve to make sure everyone pulls in the same direction.

Diplomats. Managers must recognize that this is a topic that might get ignored, resisted, or hijacked for political purposes, and that they might have to defuse tensions and depoliticize the issues.

Leaders. Managers need to recognize that values will often come into conflict, and that they will be called upon to help engage the whole community in developing a vision and plan that can reconcile competing demands and perspectives.

Finally, managers have to be **Students.** Because tomorrow will bring something new—a new scientific discovery, a natural disaster, a global economic slowdown—that will require them to reinterpret and realign what they think and do related to sustainability.

The Sustainability Movement and ICMA's Next Steps

Advisory committee member Rick Cole reflected on the similarities between what's happening with sustainability today and the civil rights movement of 40 years ago. "As managers, we don't tend to identify with being part of a movement, even though our profession was born out of a civic reform

movement," he noted. But think back, Cole said, to when local governments started addressing the crisis of racial inequality in the 1960s, launching fair housing efforts and other initiatives. "None of those local efforts would have made any sense absent a profound civil rights movement that changed people's hearts, changed people's minds, changed people's attitudes, changed people's lives; that movement was the backdrop that propelled governments to change our policies, in some cases implementing things that were politically inconceivable just weeks before."

In the same way, he described sustainability as "a profound global movement" that has placed managers in a unique interplay between their role in the policy realm "and our role as being part and partners of a movement that is both well beyond our borders and is actually happening inside our towns with our citizens who take up this banner."

ICMA and the advisory committee will continue to explore the leadership role for local govern-

ment managers in sustainability, developing new tools and techniques that can help ICMA members promote sustainability as it grows in importance. To learn more about the advisory committee, go to <http://icma.org/sustainability>.

Sustainability presents a critical challenge for local government managers, but it's the sort of challenge that defines the profession. The next step is to take what has started as a very substantive discussion and turn it into influential actions that members can begin to seed at home. As Bill Buchanan put it in his closing comments during the recent advisory committee teleconference, "It is now in our lap to make sure that it doesn't just turn out to be words, but some actual concrete steps forward that you and I can take as we try to improve our communities."

This brief is the first in a series of educational resources that will be developed through the ICMA/CDM partnership.

About ICMA

ICMA is the premier local government leadership and management organization. Its mission is to create excellence in local governance by developing and advancing professional management of local government worldwide. ICMA provides member support; publications, data, and information; peer and results-oriented assistance; and training and professional development to nearly 9,000 city, town, and county experts and other individuals and organizations throughout the world.

About CDM

CDM is a consulting, engineering, construction, and operations firm that delivers integrated solutions to improve quality of life, create economic opportunities, and provide for vital services—while enhancing and protecting the environment. CDM collaborates with public agencies, non-profit organizations, the private sector, and the academic community to develop innovative environmental and infrastructure solutions to improve the livability and sustainability of communities globally.

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Assessing an Organization's Readiness for Performance Management

by Howard Risher

"Can't live with it, can't live without it" might be a good way to describe the status of employee performance management in public organizations at all levels. The practice has been a frequent theme in "Dilbert" comic strips. Managers and their staffs probably agree—the way performance management has been handled has made its value negligible. Some critics would argue it's a no-win for everyone. And that is true in every sector.

Despite the resistance, however, in some organizations performance management is an accepted and valued process that has contributed to improved performance. In fact, studies by Gallup show that performance management is central to employee engagement, and engaged employees are more productive, have lower turnover and absenteeism, and have better safety records. Some also argue that younger workers who have grown up with video games, with their instantaneous feedback and rewards for good performance, expect the same when they go to work. Thus, many argue that the payoff from investing in more effective performance systems easily offsets the cost.

The pressure for improved performance seems to be true everywhere, from our intelligence community to our public libraries and to our public schools. A thread that is relevant at every level of government is that employees and their individual work efforts are or should be a core issue in initiatives to improve performance. Another thread, however, is that the many critics and reported problems over the years have made many public officials skeptical. They do not see the performance management system as a tool to improve performance. This article focuses on the steps that agencies should consider to build support for more effective performance management practices.

This article follows from a study funded by the IBM Center for the Business of Government.¹ It reflects conclusions drawn from a survey conducted by the author and Dr. Charles Fay (of Rutgers University) that included state and local jurisdictions, colleges and universities, and a group of corporations.

Our survey builds on a recent McKinsey and Company study that looked at the impact of selected management practices on the success of more than 700 companies in four countries.² That study is relevant here because it helps to explain why there is a shared commitment to performance in the typical corporate culture. Culture and the emphasis on performance are central to the management of employee performance.

What Is Effective Employee Performance Management?

In many organizations, public and private, the existing employee performance system should be allowed to die. In these organizations, managers go through the motions, complete the forms, and then no doubt put the ritual out of their minds until it is required again a year later. The practice exists on paper but it has no practical value; managers would like to see it eliminated. Even the human resources (HR) managers in these organizations would be reluctant to defend the practice.

On the one hand, the problems are real and all too prevalent. On the other hand, we know how to manage employee performance effectively. The Gallup analyses show how simple, commonsense practices can contribute to improved performance. Their focus is on the day-to-day interactions between the manager and the manager's staff.

We know, for example, that employees need to know what's expected of them. It's also important for employees to know their opinions count and that they feel their jobs are important and that they receive regular recognition and praise. The Gallup analyses highlight the importance of performance management in high-performing work groups.³

By comparison, the traditional appraisal is best seen as a required task—the completion of the form—that is unrelated to the management of work. Performance management, in contrast, starts at the beginning of the year with

performance planning and goal setting; involves regular discussions on performance issues, with feedback and coaching to help the employees reach their goals; and concludes with that same form but with a key difference—the ratings focus on how well the employees performed compared with their performance plans. Ideally the process is integral to the day-to-day management of the organization.

When performance is managed effectively, it contributes to a sense of engagement, which Gallup defines as employees who “work with passion and feel a profound connection to their employer. They feel involved in and enthusiastic about their work.” Every employer would of course like to have workers who feel this way. These are the employees who are likely to stand out as high performers. The goal should be to increase the number of employees who are engaged and committed to the success of their employer.

Not too many years ago, the purpose of performance appraisal was simple—to ensure workers met minimal performance standards. Workers were required to comply with expectations dictated by supervisors and with rules established by their employers. The thinking reflected a “machine” model of organizations. Employees were cogs in the wheel. Their jobs were highly prescribed, often by industrial engineers. In that context, compliance was the primary concern. That philosophy is now an impediment to realizing higher performance levels.

The new focus dates roughly to the 1990–1991 recession, when world competition forced companies to reduce costs and rethink the way work was organized and managed. The emergence of “knowledge organizations” is central to the change. The dramatic impact that technology has had on work and jobs is another part of the story. As our economy has shifted from production to services, the focus of performance improvement efforts has shifted from machines to people. Public agencies are clearly moving in the same direction.

The business press throughout the 1990s carried stories confirming that people are capable of much more than their employers expected in the past. The focus now is on what capabilities are inside an employee’s head, rather than employees’ body strength. The new work paradigm gives employees more discretion and responsibility and raises the bar of performance much higher than in the past. Studies have shown that it is fully possible to expect performance gains of at least 30 to 40 percent with different work management practices.

Our understanding of possible strategies to improve worker performance comes together with the pressure on public agencies to find ways to improve performance. Some experts contend that finding ways to improve public sector performance is an imperative that is going to continue to grow in importance. For too many public agencies, the capabilities of the workforce represent a resource that has not been fully tapped.

Ratings are also used for personnel actions such as salary increases and promotions, and they need to be perceived by managers and employees as credible indicators of an individual’s performance. If the ratings are not credible, that belief will undermine any use of the information.

Finally, another purpose is to provide feedback to employees that is useful for their individual development planning. This rides on three factors: (1) the manager’s ability to provide the feedback in a constructive way, (2) the relevance of the information to an individual’s job and career ladder, and (3) the organization’s support for employees who want to act on the feedback and pursue developmental programs. Some advocates of performance management contend individual development should be the primary purpose.

Too often, performance management systems in the public sector are, at best, only marginally satisfactory for any purpose. Discussing and agreeing on the goals in tackling this problem are essential beginning steps. Managers and employees alike will need to understand how a new performance management system will benefit the organization.

If a new system is adopted as an isolated change, however, the results are likely to be only more of the same. Putting in place only a new system is analogous to saying financial results will be better if we install a new accounting system. Raising the bar of employee performance even marginally requires a re-examination of the context in which performance is managed. It rides on organizational change and a renewed commitment to better performance. This article outlines the framework for tackling this problem.

Whose Problem Is This?

The failed practices that have passed for performance management are embedded in an entrenched culture. Entitlement is probably not too strong a description. A central issue is the continued reliance on “living and breathing” step increases (to use a federal reference). The use of pass-fail ratings is another piece of the puzzle. Badly inflated ratings is another. When poor performance has no real consequences, it sends an unfortunate message. But the prospect of moving to more meaningful practices will make many employees and managers anxious.

The overriding issue is that managers and supervisors will have to assume responsibility for managing, not simply supervising, the performance of their people. Ideally, for an organization to be “ready,” managers at all levels will need to own the performance management process. One of the primary reasons performance appraisal is so often not viewed as effective is that managers and supervisors see it as an HR requirement that is almost irrelevant to their day-to-day world. For performance appraisal to become a valued tool, managers need to be involved in shaping it to meet their needs.

For performance management to be effective, employees need to know there are consequences. And that message has to be consistent at all levels.

This is obviously not an HR problem. HR has virtually no responsibility for managing employee performance. HR needs

to provide training, send out the forms, and keep the records. These specialists also need to monitor the process for compliance with policy and for possible problems, but the management of employee performance is a line responsibility. Like those on the sidelines at a football game who carry the water and the towels, the HR staff is not in the room when the manager (or coach) discusses performance.

The most crucial step in preparing an organization to move to a more rigorous approach to performance management is convincing managers to accept this responsibility. Reluctance is a sure signal that they are not ready. Managers need to understand why this is important to the organization and to accept responsibility for what for many is a new role.

Communication Is Fundamental

This is at its core a communications problem. That is consistent with the Gallup analyses; Gallup's conclusions focus on the manager's role and the messages the manager's actions send. Managers are responsible for working with their people to define performance expectations, for encouraging their development and career prospects, for recognizing or praising them when they do good work, and for putting them into positions where they can use their capabilities. That is basic to employee engagement.

There is also a higher-level communications issue. Studies of high-performance organizations show that employees want to understand what their organization is working to accomplish and to know how well it is doing. The mission or vision is important; thus, leaders should make clarifying that mission a communication goal. Advertising specialists contend that an ad must run a minimum of 13 times to get through the noise level of other daily messages, which suggests that leaders should repeat their message in different forums.

Employees also want to know their organization is well managed and moving in the right direction. That involves both the statement of mission and the strategic plan, as well as their group's work plan. They want to have confidence in their leaders and their manager. That again is communications.

People also want to understand how their work contributes to their employer's success. The idea of "line of sight" is used to refer to an employee's understanding of how their personal work efforts contribute to the performance of the organization and work group. That is consistent with the cascading-goals strategy—a well-established principle in the business world—that is discussed in textbooks on management.

What is not communicated is also important. This is especially true if a new performance system is to be linked to salary increases or cash awards. It's a question of trust. Managers should keep employees informed of any initiatives to plan new policies or practices. If the goal is to introduce practices that contribute to improved performance, employee acceptance is essential.

Shifting the Focus to the Better Performers

An interesting aspect of the problem is the impact of W. Edwards Deming, the TQM guru, who referred to performance appraisal as one of the "deadly diseases of management." He contended that the appraisal process leaves employees "embittered, dejected, and unfit for productive work for many weeks after the rating." He recommended that employers eliminate the practice completely. His criticism was voiced roughly two decades ago, but since then performance management has become far more important.

His criticism of appraisal practices was largely ignored, but in his own way he started a revolution. He was one of the early advocates of what is now called "empowerment," and one of the first to argue that frontline workers were in the best position to satisfy customers. His writing preceded and no doubt contributed to the changes in work management practices that commenced in the 1990s. Now many workers perform their jobs with little, if any, direct supervision; empowerment is no longer a radical idea.

He also influenced another private sector trend. If it is reasonable to expect more, then it is important to recognize and reward those employees—the stars—who stand out. Because corporations want to motivate high performance and not lose their best contributors, recognizing and rewarding star employees with larger salary increases and bonus awards, stock options, individual development, and special assignments has become a common thread running through corporate performance management practices.

Every private company has a few poor performers, but for the most part they are handled quietly and confidentially. The focus is on the high performers. That gives pay for performance in the business world a more positive connotation than it has in the public sector. Too often in public organizations, the few poor performers are the focus of attention, which gives the year-end performance review process a negative connotation.

Private companies celebrate success and reward the individuals responsible for that success. They want their people to exceed their goals. Individual and team success is recognized. Employees at all levels benefit when their employer is successful. Their focus on the positive contributes to an environment that reinforces the value of high performance. It would be decidedly advantageous for public employers to refocus their practices to recognize the contribution of the high performers. Refocusing would build better support for change.

Best Practices in Performance Management

Another recent study— this one by Ed Lawler, the director of the University of Southern California’s Center for Effective Organizations (affiliated with the Marshall School of Business) and one of the best thinkers in the field— highlights the best practices in performance management.⁴ Lawler’s focus in the study was on the process and the ties to the organization’s strategy and operating goals. His respondents were corporate HR managers, so they presumably worked in organizations where the management of performance is already accepted as a priority.

The ideal performance system, according to Lawler, would be based on these practices:

- “Ownership” of performance management by line managers.
- Training for both managers and the individuals being appraised in the use of the system as well as in the skills and behaviors important to the process.
- Leadership by top management in creating a climate that focuses on high performance.
- Individual performance goals and expected results that are driven by and linked to business strategy.
- Ongoing performance feedback from managers throughout the year.
- Use of competencies to provide a basis for individual growth.
- Ties between performance ratings and financial rewards (or other consequences).
- “Calibration” committee meetings where managers are expected to compare and level ratings.
- Use of e-HR technology to facilitate the process and the record keeping.

It is important to note that Lawler is focusing on the process of performance management, not the completion of the appraisal form. Significantly, in the article, he does not mention the appraisal form. The year-end appraisal meeting, as an isolated event, is not discussed. Performance management, in contrast, is a process that starts with performance planning at the beginning of the year.

As an emerging best practice, the idea of a calibration committee has proved to increase support among both managers and non-managers. These committees are composed of peer-level managers who are asked to review and approve performance ratings for employees rated at the highest and lowest ratings. It forces managers to develop solid justifications for their ratings, which reduces the rating inflation problem. It also gives employees greater assurance that ratings will be fair and consistent across the organization.

Lawler’s conclusions focus on the practices involved in managing employee performance. The performance system brings together and attempts to institutionalize the proven practices managers need in their role as managers of employee performance. His first point about ownership is fundamentally important. His list is a good starting point for any employer that decides to rethink the way employee performance is managed.

Public Agencies Are Different

There is no reason to think Lawler would have reached different conclusions if he had studied government organizations. Public agencies are, however, different in one important respect—managers and employees do not make performance the high priority it is in a corporation. The pressure to perform varies from company to company but is understood by every employee; it is endemic in the corporate culture. It is not the same critical issue in government because survival as an entity is not in question.

The culture issue has been the subject of numerous reports and articles both here and abroad. The phrase “performance culture” is now widely used in government circles to refer to an organization where good performance is a priority and broadly accepted as an important goal. Corporations have little choice but to make continued profitability a priority. Every corporate manager and employee understands that; it influences their behavior. The shared commitment to success surfaces regularly in conversations.

Companies reinforce the importance of good performance in their daily management practices. The McKinsey study focused on the importance of those practices. Over time, those practices define the culture—“the way things get done around here.”⁵

Culture governs the beliefs and ideas shared among employees. It influences behavior. When a shared commitment to performance exists, the prospects for gaining acceptance for a new performance management system are considerably higher.

The management practices that are important in the corporate world are certainly not alien to government although public agencies will never be run like businesses. Competition triggers unique differences in the private sector, but good management is good management. A number of the best management practices from industry, such as the balanced scorecard, have already been adopted by many public employers.

Our Risher-Fay survey looked at the differences in the management practices of for-profit and not-for-profit organizations. We started with the 18 practices in the McKinsey study, excluded three that were specific to manufacturing, and then focused on the use of the 15 generic practices available to all employers, public as well as private (e.g., performance tracking and the use of stretch performance goals).

Overall, the 15 practices represent good management and are relevant to both government and industry. Public employers like the city of Charlotte, North Carolina, that have a reputation for being well managed would score relatively high on the practices. However, the response pattern from public employers differed consistently from the responses of private employers. On every management practice, public employers’ responses indicate they rely on

practices that are not as rigorous or as focused on performance. For example, they do not place much emphasis on tracking and communicating organizational performance to staff. That is consistent with our experience as consultants to these organizations. High-performing companies, especially those that are publicly traded, communicate results widely and frequently.

Each of the 15 practices reinforces the message that performance is a corporate priority. When managers pay less attention to performance, their implicit message is that the organization is not focused on performance (or, perhaps worse, that they don't think employees will be interested). The lack of focus is consistent with our experience as consultants and leads us to believe the differences explain why performance is often not a cultural priority.

Although not specifically an issue in the survey, public agencies also differ in that they typically do not have an explicit, easily understood goal comparable to the pressure for profitability. In the business world, that is a powerful motivator that is clear to everyone. Government agencies share the abstract purpose of public service but an overarching goal would help to unite their efforts. President Kennedy's goal of reaching the moon is an obvious example. A more practical example might be a parole office that commits to reducing the rate of recidivism. People respond to challenging goals.

Ideally, effective performance management will become a way of life. People are often reluctant to accept change, however, especially in government when they anticipate newly elected officials will have new ideas.

The work to articulate a compelling mission and one or more overarching goals is likely to boost employee commitment to an agency's success. They should also consider emphasizing the practices highlighted in the McKinsey study; for example, agencies could announce their goals to all staff and start tracking and communicating progress toward reaching the goals. Those steps will create a culture that resembles a well-managed company. The move to a more rigorous employee performance system, as outlined by Ed Lawler, needs a strong commitment by top management. It also needs to fit the culture of the organization. And it has to be accepted by managers and supervisors as important personal responsibilities.

A Critical Difference – Executive Pay and Performance

Differences in pay and performance practices are of course highly significant at the executive level. Compensation levels are of course different but the linkage of incentive awards and stock-based compensation to company performance is the more important difference. The philosophy governing the pay of government executives is very different.

Public employers have initiated efforts to emulate corporate performance planning and measurement practices. Goal setting, performance tracking, and midyear plan adjustments are common now in corporations down through the management ranks and below. Public agencies, however, are still struggling with a key issue: the integration of organizational and executive performance plans.

There are two vital differences between the public sector and the private sector. First, when a company is successful, every executive and manager stands to benefit, and a portion of their year-end cash incentive payouts depends on company performance. That is also true of stock options. Together, those links make this a team compensation scheme; these practices provide powerful incentives for executives to pull together and work as a team to make the company successful.

Agencies often have a set of organizational goals, but they rarely assume the importance of a company's need for profitability. Moreover, it is still unusual for the goals to be linked to executive rewards. All of that is possible, however, and would undoubtedly contribute to improved performance.

Second, typical linkages are close to a mathematical formula, tightly tied down and predictable. That, in part, comes from the tradition of a profit-sharing formula. Corporate executives and managers can track their performances relative to goals, and they have a good sense of what they can expect to earn. According to the old donkey-and-carrot analogy, the carrot is in sight at all times. That is a different and more powerful incentive than the subjective bonus awards that are typical in government organizations.

The management of cash awards in public agencies also differs in another important respect: Agencies usually pay awards from leftover funds. It is only when an agency does not spend its entire budget that awards are paid. In contrast, companies budget for awards, with adjustments as the year and projected results unfold. They plan for awards as an integral component of the compensation package.

At the federal level, the regulations governing the pay and performance of members of the Senior Executive Service establish a framework for assessing executives that mirrors practices in the private sector. Federal agencies budget 10 percent of executive salaries for awards. The District of Columbia has a somewhat similar approach to awards for those who head local agencies.

For organizations that are contemplating the adoption of a more rigorous performance system, the executive cadre should be the starting point. With true executives or managers, they should be able to specify what they are expected to accomplish. Goal setting is a proven practice in every sector. If performance management is not taken seriously for executives and managers, it sends a powerful message about priorities to lower-level employees.

Preparing Managers and Supervisors

A performance management system is only as good as the managers who use it. The best-designed system can fail if it is not used as intended. The adoption of a more rigorous approach to performance management will change managers' jobs and their relationships with their people. It actually redefines the psychological contract that governs those relationships. Managers are likely to be reluctant to embrace the change; their jobs were easier when performance was less important. They may in fact be more anxious than their staffs.

An open question to consider is the readiness of managers and supervisors to buy into the changes that may emerge from a performance improvement initiative. Generally, the status quo is preferable and if they are risk averse, they may be reluctant to embrace changes.

At a minimum, managers need to understand why the change is important to the organization. They also need to understand what is expected of them as the change is implemented. Those are key communication issues. Actually, that message is best handled as a marketing campaign that needs to be repeated several times and in several different ways. Managers need to be convinced.

Managers will of course need to understand the implementation plan and, at an appropriate time, the details of the new system and any new policies. This can be introduced during a brief training session or two on using a new system. The more important training, however, is focused on the skills to manage performance—performance planning, providing feedback, coaching, handling problem employees, and so forth. Those skills are essential, and a manager is not ready to manage in the new system until that manager can demonstrate those skills.

If performance management is seen as a key duty for managers and supervisors, that is a good reason to make it a prominent issue in evaluating their performance and specifying their salary increases. They should be rewarded for how well they handle this responsibility, especially in the first year or two. That should help them to appreciate that this is an important part of a manager's job.

A good starting point is the creation of a task force composed of managers; the task force can plan and guide the creation of new performance management practices. The managers on the task force need to develop policies and practices that fit the organization and reflect their needs. They are also in the best position to determine training needs and to decide how to communicate their plans throughout the organization.

All of this should be reflected in the competencies used to evaluate the performance of managers and supervisors. For example, adding the competency "Supportive of Change Initiatives" sends the message that they need to get on board. The profile of competencies should spell out the management priorities and desired behaviors. They also need to know what is expected.

Involving Employees in the Planning

The use of the word "system" in this context is misleading. Performance management is not a system as that word is commonly understood. It is carried out in the day-by-day discussions between a manager and that manager's staff. When we think of it as a system, it prompts the image of something like an inventory system, but performance management is far messier and disjointed than that.

The importance of the interactions required to manage performance cannot be overstated. Those discussions should be frequent and focused. The skills that managers need to handle those interactions should be a vital concern. No other system is as completely dependent on the skills and the commitment of individual managers. Because the primary goal is to improve employee performance, the best way to assess the effectiveness of the process is to change the perspective: Look at the changes through the eyes of the staff. Surveys and focus groups can be used to explore employee perception of current practices to understand what's broken and to identify particularly sensitive issues. That should be a basic step in the preliminary planning for a new performance system.

Experience also confirms that employees can be valuable during the planning for new practices. They know their jobs and the impediments to good performance better than anyone. With guidance, small groups of high performers in the principal occupation groups will be able to define competencies and other system components. They can be expected to set the bar high because they know what's needed for success. When they discuss what's happening with coworkers, they are far more credible than a manager. Managers should not be reluctant to involve employees in planning.

The final reason is that staff will help to surface sensitive issues that could quickly trigger resistance. If a new performance system, for example, threatens future step increases for employees close to retirement, it would be better to learn of that possibility in the planning stage instead of after it is announced.

Central Role of Recognition and Reward Practices

This is a complex organizational change that has to be accepted and assimilated into the day-to-day work routines of managers across the organization. Ideally, effective performance management will become a way of life. People are often reluctant to accept change, however, especially in government when they anticipate newly elected officials will have new ideas.

To facilitate and reinforce the importance of the changes, it makes sense to reinforce the planning and implementation with the reward system. The idea mentioned previously of including a competency for managers and supervisors—for example, effective management of employee performance—is one possibility. It would also make

sense to develop one or more goals focused on the implementation of new practices. These issues should become central in the evaluation of employees' performance for at least the first year or two.

As the McKinsey study shows, recognizing and rewarding star performers is a key to good management. The better-performing companies work actively to identify, develop, and promote top performers. They also take action to end the employment of poor performers, or they move them to less critical roles. Such practices reinforce the importance of good performance, which is equally relevant to managers who need to develop the skills to manage the performance of their people.

Realistically, the performance management system is not needed to identify the star performers. They stand out in every work group. It would make sense to start recognizing these individuals before a new performance system is adopted in order to reaffirm the importance of high performance.

An issue that often surfaces in assessments of employee attitudes is fear of the unknown—employees do not know how honest ratings will affect them, and they also have no way of knowing whether other managers will commit to honesty. Actually, they know that's extremely unlikely. If there is one issue that can undermine the change in practice, it is the distinct possibility that its impact will not be consistent across the organization. A simple strategy to address employees' concerns is the creation of a "calibration committee"—Lawler's label—as a way to assure employees of fairness and consistency.

For performance management to be effective, employees need to know there are consequences. And that message has to be consistent at all levels. If pay for performance is not a possibility, a number of no-cost rewards are available. The book by Bob Nelson, *1001 Ways to Reward Employees*, is a useful resource. Everyone wants to see their contributions valued and recognized.

Is the HR Staff Ready?

Performance management should not be treated as a responsibility of the HR department, but those specialists are no doubt going to play a prominent role in the planning and implementation of improved practices. They will need to be knowledgeable advocates and assume a lead role in many of the meetings. Each HR specialist who gets involved will have to be a believer who can convince others that the change is needed. A lot of managers and employees will need to be convinced.

There is a tendency in the public sector to staff the HR office in each agency with administrators. Broad-based change occurs infrequently, so these administrators have not had many opportunities to develop change management skills. They are not change agents by inclination, and they would not have lasted in roles where the focus is on "firefighting" and compliance.

This is compounded by shared beliefs based on years of tradition that a primary HR role is serving as an employee champion. In that tradition, HR is responsible for looking out for the interests of employees. As the employee champion, HR staff worry about issues like morale, discrimination, and work-life balance. Certainly, nothing is wrong with that thinking. Here, however, that traditional thinking must be balanced with a commitment to changes that channel larger rewards to the high performers.

The Importance of Leadership

Broad-based change requires effective leadership. It has to come from the highest levels. The organization's leaders need to convince their direct reports that effective performance management is a priority, and that has to cascade to lower-level managers and supervisors.

The importance of leadership cannot be overstated. It should be reiterated and reinforced in what is communicated and in the way people are managed. The "walk the talk" message carries over to all of the changes eventually adopted to improve performance.

Leadership is particularly important at the level of agency head. One of the realities of government is that each agency is different, with its own culture, values, and management style. For performance management to be effective, it has to fit the organization. Agency heads need to take active roles in defining the needs of the agency and in balancing those needs with jurisdiction-wide plans. They need to not only "sell" the importance of performance management to their people but also resist policy changes that are not in the best interest of their agency.

Pulling It All Together

This is not a simple problem. It is clear the answer is not as simple as installing a new performance system. The successful plan includes changes that give new emphasis to performance and to the way employees are managed. The onus here is on managers to develop the necessary skills and to accept responsibility for managing the performance of their people. The performance system is an essential tool, but only if it is used effectively.

Generalizations are also not useful. Too many factors could affect an organization's plans to improve performance. Public employers at all levels comprise many different organizations, with different cultures, values, and histories. It is completely reasonable to assume some offices are ready while others are not. A good first step would be to make a preliminary assessment of each. A failed attempt could set back the chances for success by several years.

We know from Ed Lawler’s research and a long history of previous thinkers what an effective performance management system looks like. There may not be a perfect system in any organization, but it is important to appreciate that performance management will be accepted more readily by managers and employees if they are involved in its planning and implementation. With guidance, managers and staff are fully capable of developing effective policies and practices. Their acceptance or at least acquiescence is far more important than the technical design considerations.

It is essential to decide at an early date whether an organization is ready for a more rigorous approach to performance management. Top management has to commit to improved performance as a priority. This article outlines a number of issues and possible steps to reinforce the importance of performance and thereby prepare the organization for performance management.

The idea is not to tackle every problem; that’s not realistic or necessary. Employees, however, should not perceive performance management as something being done to employees; instead, they have to appreciate that their employer has a concerted strategy to improve the way performance is managed. Achieving that perception requires more than changing the way employee performance is assessed.

¹Charles Fay and Howard Risher, *Managing for Better Performance: Enhancing Federal Performance Management Practices* (Washington, D.C.: IBM Center for the Business of Government, 2007).

²N. Bloom, S. Dorgan, J. Dowdy, J. Van Reenen, and T. Rippin, “Management Practices Across Firms and Nations,” June 2005 (report is posted on a Web site of the London School of Economics, <http://cep.lse.ac.uk/management/management.pdf>).

³The Gallup Q12 is a series of 12 questions that are associated with employee engagement. Nine or 10 of the questions, depending on how they are interpreted, are related to the management of an employee’s performance.

⁴Edward E. Lawler III, “Current Performance Management Practices: Examining the Varying Impacts,” *WorldatWork Journal* 12, no. 2 (2003): 49–60.

⁵T.E. Deal and A. A. Kennedy, *Corporate Cultures: The Rites and Rituals of Corporate Life* (Penguin Books, 1982).

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