TRANSITIONS TO COMPETITIVE GOVERNMENT

Speed, Consensus, and Performance

RONALD B. CULLEN
DONALD P. CUSHMAN

Transitions to Competitive Government

SUNY series, Human Communication Processes
Donald P. Cushman and Ted J. Smith III, Editors

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Ronald B. Cullen
and
Donald P. Cushman

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This book is dedicated to Marie,
my wife and partner
in the consultancy business and life.
Her commitment to research and the
development of knowledge is for me an inspiration.

RBC

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Acknowledgments

This book emerged from a collaboration with Don Cushman that started on a visit to Phillip Island, and developed in Melbourne, Hartford, Albany, Catania, and London. When we started, we did not share the feeling that "reinvention" was the complete new paradigm, that the solution to the crisis in government management was at hand. As we finished, the consensus was that the most extensive government management reform in the U.S. for decades had only solved part of the crisis. We believe that it is important to view reform as an ongoing transition from where government management currently is to where it might be in the future. It is now important to expand the reform framework and learn from and build on what has been achieved. The ideas in this book can contribute to that process.

I would like to thank those politicians, colleagues, and clients who assisted me to learn about the business of government and those who helped with comments on parts of this manuscript. Thanks also to Skye who helped more than she knew and who will hopefully grow up in a world where books like this no longer need to be written.

Ron Cullen
August, 2000

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Transitions to Competitive Government

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Chapter 1

Government in Crises

> *Our governments are in deep trouble today. In government after government and public system after public system, reinvention is the only option left. But the lack of a vision—a new paradigm—holds us back.*
>
> —Osborne and Gaebler, *Reinventing Government*

A global consensus has begun to emerge that management in government is something that needs to be fixed. We can see the recognition of that in the titles of recent reports on the subject: "Reinventing Government," "Creating a Government That Works Better and Costs Less," "The Reinventing Government Exercise: Misrepresenting the Problem, Misjudging the Consequences," "Reinventing Government: A Fifth Year Report Card," and "Continuing Attention Is Needed to Improve Government Performance" (Osborne and Gaebler 1993; Gore 1993; Moe 1994; Kettl 1998; Mihm 2000).

While David Osborne and Ted Gaebler (1993) are only one of many analysts who have identified the crises, they advanced government reform by exploring solutions and by arguing for discontinuous change (reinvention). Symptoms of the crisis discussed by Osborne and Gaebler abound. Nations are becoming less governable as public dissatisfaction with the performance of government increases. Governments are seen to have failed to deliver noticeable benefits let alone what they promised when seeking election. A focus on old products and services has led to both a lack of response to new problems and a shortfall in government revenues. Cuts in government spending and the rationalization of functions and services associated with privatization in many nations has led to the impression that government is inefficient. Many governments seem unable to contribute to improvements in national competitiveness at a time when the private sector needs new responses from government to survive and prosper in the new global marketplace.

Most attempts at reforming public administration presume that the challenge is to manage better rather than to govern differently. Attempts to transform government management without examining the causes of the crises and the ways in which external factors are changing the role of government, end up treating symptoms rather than the causes of the crises.

Most attempts at reforming public sector management turn to such recent advances in private sector management as transformational leadership, empowerment, entrepreneurship, high performance teams, reengineering and continuous improvement programs and recommend their use in transforming management practices in the public sector. Our analysis suggests that one reason for the ongoing crisis in government management is that many new solutions compound the initial problem by building new barriers to performance. For example, used as a single cure, cutback management solves short-term budget problems but often slows a government's capacity to respond and erodes the comfort zones which allow it to govern.

While attempts to transform government management using private sector management insights can add real value to government change processes, such strategies have encountered several key problems. First, most authors fail to articulate a new public sector model of government which applies to a broad range of national challenges, regions and levels of government (Callahan and Holzer 1994; Caiden 1994). Such a model or set of models is necessary to understand the causes of the crises and to appropriately guide and assess the strategic use of such private sector management tools. Second, most authors fail to indicate that the tools they recommend were only capable of being employed successfully 20 to 30 percent of the time in the private sector. In addition, in their zeal to motivate high performance improvements in the public sector, these authors fail to clearly articulate the limiting conditions for the successful use of these tools (Ventkatramm and Prescot 1990; Vessey 1991; Port, Cary, Kelly and Forrest 1992). Third, most authors fail to recognize that all governments have ongoing management systems that must not only change to improve, but must be shown how in some orderly manner to get from where they are to where they need to be. This process of transition needs to point out what needs to remain the same while other forces change in order to succeed at systematic change (Caiden 1994; Dunn 1994; Cox 1994; Elling 1994).

The purpose of this book is to respond to the crisis in government management by analyzing the causes, evaluating the responses by governments, and proposing models and management tools which extend and focus current solutions and increase the chances of successful reform. In this chapter we examine the changing role of government, the causes of the crisis in government management and the priorities for effective solutions. First, we examine major global trends that are impacting on all aspects of life and focus on the implications for the management of nations. Second, we discuss the impact of these external pressures on the role of governments. We examine the changing role of government and the links between national competitiveness and government competitiveness in a number of countries. Third, we examine current government reforms and evaluate these against the external pressures which nations must manage. Finally we discuss the implications of this analysis for successful reform.

THE CHANGING ROLE OF GOVERNMENT

> *This (globalization) leaves government with the daunting challenge: to figure ways to reduce their intervention in some areas and to retool and refocus their intervention in others, while preserving the public trust. It is a challenge of imagination. It requires buying into the idea of fundamental global change and taking on the task of translating that change into policies that accord with national culture, history and temperament. . . . What this means, then, is that for all the erosion of boundaries and fundamental technological change, governments still matter—and, most of all, political leadership matters. It also means that even if change in the direction of "more market" and "less state" is a persuasive global phenomenon, it does not lead to a single, common result.*
>
> —Yergin and Stanislaw, *The Commanding Heights*

Daniel Yergin and Joseph Stanislaw (1998) present a challenging analysis of the battle between "government" and the "marketplace." Although Yergin and Stanislaw argue that the shift toward the marketplace will be the dominant force in the management of nations in the future, they also argue that government remains important and that it must find new ways to adjust its role to respond to these new (market) realities.

Reform of government management is no longer a matter of fine-tuning old systems that address old ideas about performance. Fixing management in government requires both the development of new management platforms to address new realities, and it requires new assumptions about what governments can and ought to deliver. In country after country, the reform of government management is associated with a growing gap between the requirements of national competitiveness and the internal assumptions which governments make about their own role and achievements.

Government managers have responded to the complexity and rate of change in government roles by segmenting the role of government. This narrow focus has diverted attention from three realities. First, because the roles are interconnected, a focus on part of the system can obscure important impacts on other parts of the system. Second, some roles of government are more important than others and this differs between countries. Third, both the roles of government and the strategies which governments must use to deliver these roles, are changing. Analysis of government reforms that avoids a consideration of what government needs to deliver, and what it can reasonably expect to accomplish, is bound to misunderstand, and, worse, misdirect, the changes which are underway.

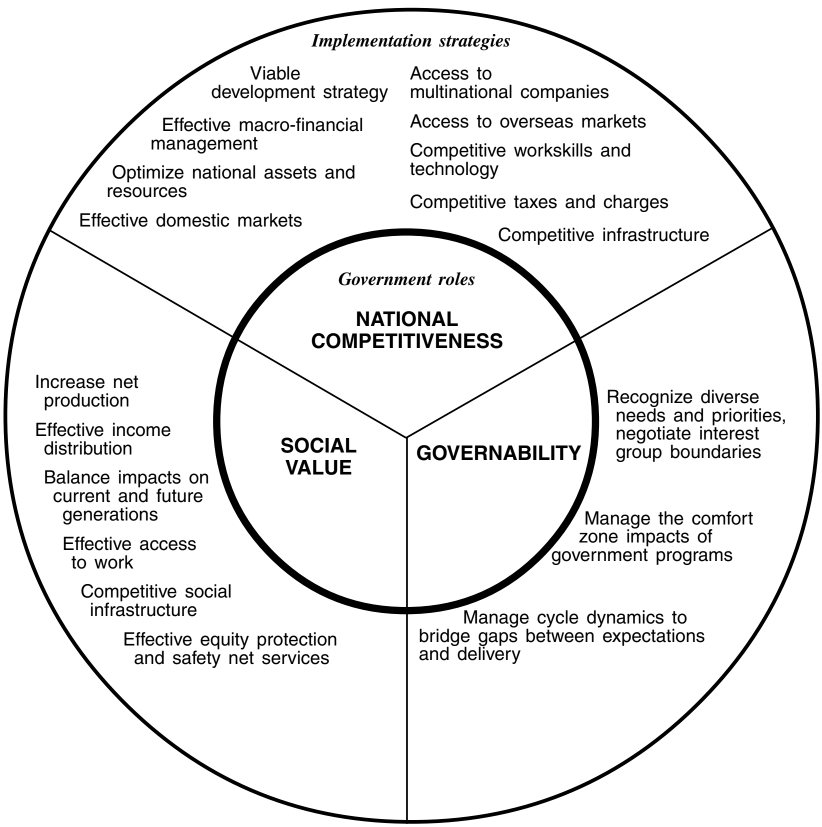
We describe governments and government management systems that respond more effectively to external and internal pressures than others as "competitive." It is important to distinguish this idea from the idea that government processes can sometimes be made more efficient by exposing government processes and products to competition. While sometimes the use of competition to change internal processes and product delivery can contribute to government reform, these strategies are best seen as management tools to be applied where the situation indicates rather than as an end point or objective of reform. In our view, the primary driver of government reform is the need to add value to overall national competitiveness. We suggest that whether a particular government (or government reform program) has achieved competitiveness can be gauged by addressing three fundamental questions. Has national (or state) competitiveness increased and has government contributed value to the process? Have the social impacts of development and change been addressed effectively? Has government been able to address these issues while maintaining or increasing its overall scope to govern?

In defining the role of government, there is a tendency to focus on function and processes rather then on the results these processes seek to deliver. This confusion of "means" with "ends" leads some analysts to assume that government exists to deliver traditional processes more effectively and efficiently. Such assumptions commence analysis of government management systems at the wrong level, at a level where the core roles of government and the impacts of external factors on government performance are either missed or only partially addressed. For example, many governments address the need to add value to economic performance by leveraging private and public sector resources, regulating markets, providing infrastructure and services, by addressing access to international markets and research and technology, and by ensuring that the education and training system delivers world competitive workskills. Governments can achieve performance targets in all these areas but still fail to deliver increases in national competitiveness. The likelihood that implementation will fail increases as the rate of change increases. The solution for government is to address performance directly. Surrogates for performance often reflect old solutions and old ways of viewing the world. The strategies which government must now employ to address these core roles and public expectations of government performance are light years removed from approaches which seemed to work well enough even a decade ago.

In Exhibit 1.1. Changing Roles of Government, we define the core roles of government as adding to "competitiveness," adding "social value," and maintaining "governability." Key implementation strategies for government are summarized as part of Exhibit 1.1.

Our intention in starting with such generalized roles is to place the crises and the solutions in context, and to provide a framework for both evaluation

Exhibit 1.1. Changing Roles of Government



and the study of differences. This general statement of roles does not assume that differences are not important. Results and strategies that are considered successful in one nation will not necessarily meet the needs of another. Commencing our examination of government management at this generalized level allows us to explore the impact of globalization and external change on governments and government management systems. Although the three roles are different, there are major interconnections between these roles which need to be examined to understand the causes of the current crisis. For example, action to respond to changes required by the competitiveness role impact on both the social value role and the governability role. Unless a nation can fund and deliver its basic value system and unless government can govern, there is little prospect of achieving and maintaining world competitiveness.

Competitiveness

Governments need to work with business to increase the share of world resources available to a nation or region. The new forms of government which are evolving need to deliver world-class performance. To achieve world-class performance, governments need to develop a world-class business and development environment; they need to deliver a world-class education system. A key mission for government is the development and support of a strong industry system supported by competitive infrastructure and the ability to access world markets competitively. Competitive government needs to be far more proactive in working with business to achieve national competitiveness than traditional models of government assume.

Historically, roles were segmented; governments provided infrastructure and regulated markets and business delivered access to resources. Globalization and the growth of multinational companies means that today governments must work with business to deliver a world competitive industrial base able to access world markets.

Government management reforms needed to support national competitiveness require an increased focus on results, reductions in cycle time, and changes to government financial priorities. Governments, seeking to avoid this challenge by protecting local industry from the need to be globally competitive, or by seeking to administer a shrinking but orderly world, are unlikely to deliver or maintain competitiveness. And they are likely to be find themselves increasingly unable to govern. Governments focusing on adding value to competitiveness by dismantling old systems and shortening cycle times, must manage the impact of change on the various interest groups that comprise each political system.

Social Value

Governments need to be seen to improve the short- and long-term well-being of citizens. Governments have key roles in regulating the framework within which resources are distributed within a country. Most governments use this process to address the needs of disadvantaged groups.

Historically, businesses delivered employment while governments addressed income redistribution, provided safety nets, and selected services. Competitiveness was assumed to occur almost independently of the structures used to deliver social value. Today the links are all too apparent in many countries. For example, employment underpins the social structure of most nations. Additions to social value need to maximize both competitiveness and employment. A number of countries, seeking to manage these factors independently, have discovered they can no longer fund old value systems and old solutions.

The pressures of global competitiveness have made employment less certain and retraining a fact of life for most workers. Governments need to address access to employment more actively than in the past. The pressures to shorten cycle time and respond strategically to industrial opportunities have threatened many of the old systems which provided some security in the sense that they were predictable and were seen to address historical needs. Governments in developed countries have found that the pressures of competition have threatened their capacity to fund old value systems. Governments today need to manage the social impacts of change and to address emerging social needs. These demands increase as governments commit to competitiveness objectives.

Global pressures are altering both the overall wealth and the distribution of that wealth in most countries. In developed countries, the increasing mobility of the labor force requires new responses from governments, labor unions, and business. Developing countries face even greater transition pressures as wealth and labor costs grow and as community expectations about the benefits of increased competitiveness develop.

The pressures on governments to respond to changing patterns of winners and losers in the economic system cannot be managed to restore the past or to insulate groups from the pressures of change. There is an urgent need for governments to redesign safety nets, and to think through the options to protect those disadvantaged by change. The challenge differs between countries but almost no government can expect to move into the new millennium without redesigning strategies for adding social as well as economic value.

Governability

Governments must manage change while at the same time maintaining the scope to govern. In suggesting that maintaining the scope to govern is a core government role, we reflect a reality for most governments today. We also reflect our view that government managers, by failing to manage the impact of their activities on the "comfort zone" within which the public is content to allow government to govern, have eroded the scope to govern in many countries.

A number of authors have suggested that nations are becoming less governable. For example, Peter Drucker (1993) describes government as caught between the twin pressures of globalization (including extra national regionalization) and tribalization (diversity) and suggests that, from a management viewpoint, some national boundaries may no longer be viable. It is important to consider the extent to which misguided government reforms have exacerbated this situation. It is also important to identify solutions that can enhance governability.

It is no coincidence that in a decade where globalization has dominated changes in the role of government, the forces of tribalization have also been unleashed in many countries. The governability mission must address the reductions in governability created by new external and internal pressures. Traditional government systems assumed that diversity could be subsumed by a focus on consensus and minimizing differences. Although successful approaches to the management of diversity respect differences and manage the impact of government action on interest groups, much of the rhetoric about reform seems to ignore this reality.

GLOBAL TRENDS ARE RESHAPING NATIONAL COMPETITIVENESS

> *An isle is emerging that is bigger than a continent—the Interlinked Economy (ILE) of the Triad (the United States, Europe, and Japan), joined by aggressive economies such as Taiwan, Hong Kong, and Singapore. . . . It is becoming so powerful that it has swallowed most consumers and corporations, made traditional national borders almost disappear, and pushed bureaucrats, politicians, and the military toward the status of declining industries.*
>
> —Kenichi Ohmae, *The Borderless World*

Fundamental trends are altering the way in which business must operate to succeed and the way in which wealth is created and distributed between and within nations. These same trends are altering the role of government and the way in which government and business must operate to compete.

We now examine the impact of five external trends on the way in which governments are managed and on the relationship between the business and government. Globalization, competition for scarce resources, and technology development and transfer are fundamentally altering the value-chain of many industries. Technology is revolutionizing approaches to integration and control in both the business and government sectors. The need for governments to respond to increasing diversity within and between nations and the need to manage these issues under the glare of mass information, which highlights differences and inequities in the process of government, are generating new constraints on governments and on government management platforms.

Globalization

The traditional model for external relationships was to manage them to contribute to the domestic economy of a nation by buffering the domestic economy from undesirable external pressures. However, the capacity of nations to buffer their values and development from external influences has all but passed. This has created new external threats and opportunities. Governments can no longer respond effectively to recession or deliver economic growth and employment in isolation. Nations need to access global resources, technologies, and markets. The price for this access is the need to meet external needs and expectations.

Nations are forming new external regional alliances which are seen to assist individual nations to access global markets.

Competition

Nations must compete externally for a share of global resources and for access to markets and technologies. The traditional model for competition conveniently separated the role of government and business: government was required to regulate markets; business and industry groups were required to operate independently to create added value. This approach has proved unable to cope with external changes; in the new global economy, government and industry need to work together to optimize the share of global resources accessed by a nation or region.

Global resources are increasingly allocated by business networks such as multinationals, by international trade and investment, and by agencies such as the World Bank which seek to facilitate development. Nations that fail to respond effectively are accessing a decreasing share of these global resources.

As global market forces compare the systems and regulatory regimes of nations, governments are being forced to address new external imperatives which impact on taxation, trade, and financial regulation. The role of government can no longer be studied separately from the rest of the economy. The way in which business and government interact is no longer fixed; it has become a key variable in new approaches to government. The boundaries between the two sectors are changing as integration between the private and public sectors becomes more critical. Government must work with the business sector to gain a share of global resources and to develop the internal resources required to exploit global markets and technologies.

Technology

To compete, nations must access and apply developing technologies cost effectively. The development of technology has made technology access and technology transfer, the application of new technology and advanced technological information and processes, key issues for the economic competitiveness of nations.

Old technology tends to be reflected in established production values and practices; new technology requires adaptation of those values and practices to facilitate technology transfer. The traditional model for technology transfer was to develop a technology base hierarchically, starting with low technologies and leading to higher technologies and then upgrading and developing the base incrementally. These strategies are no longer effective. Pursued in the current global environment, they are a prescription for disaster and economic exploitation.

To develop as part of the global economy, countries need: to recognize that many technology changes are necessarily discontinuous; to access technologies strategically at all levels; to apply and exploit technologies to produce competitive advantage; and finally, to position themselves to exploit emerging technologies.

These strategies in turn require nations: to develop international alliances; to reform labor markets; to review approaches to education and training; to accept and manage technological redundancy as a cost of remaining competitive; and to develop public and private sector partnerships to access key technologies. Generic skills are no longer enough; governments must ensure that there is a strategic fit between the demand- and supply-sides of the education and training system.

Diversity

In addition to globalization and competition for resources and markets, governments must manage major increases in the level of diversity between nations, regions, and interest groups. This requires new approaches by governments.

The traditional model for managing diversity was to focus on common values and consensus and to isolate and reduce anomalies. There are three problems with this approach to diversity. First, as pressures from diverse groups have increased, the prospects of consensus have reduced. Increasingly, governments have come to regard consensus as 51 percent of the whole. Second, the assumption that national consensus translates into the integration of economic and political factors at the regional and industry level is no longer valid for many countries. Third, although the management of high response situations demands devolution, the devolution of consensus issues raises new challenges for those who believe that equity requires centralized government and majority rule.

Increasingly, the old search for consensus is being seen as counterproductive. Nations are learning to manage their affairs within a comfort zone within which key groups are not motivated to oppose change. This requires political systems able to recognize and negotiate needs with interest groups and an administrative system able to deliver results while managing negative impacts. Increasingly governments must manage both internal and external comfort zones and the interrelationship between these.

The management challenge for governments today can be reduced to the twin challenges of meeting public expectations for real impacts rather than rhetoric while simultaneously managing within the comfort zone to accommodate diversity and maintain the scope for change. The myriad of new administrative tools developed in recent times can be seen as responses to these two challenges. The techniques reduce two new approaches to government administration: performance management, and comfort zone management.

Information

The traditional approach to communication was to control and shape reporting in order to reinforce established values and approaches. In the 1980s, when the political and entertainment businesses found much common ground, the objective of most government communication was to manipulate mass communications to support established priorities and values and to conceal differences and failures. Simple communicable ideas rather than prescriptions for action were the hallmarks of successful governments.

Governments can no longer convince the public that their interests are synonymous with the national or even the public interest. It is difficult to convince people that they are moving ahead or even leading the world when the nightly telecasts reflect a more compelling reality. The speed and saturation of today's mass communications combined with the Internet revolution have outflanked these old strategies in many countries. Information about the performance of governments is more readily available, as is information about the performance of other nations.

Performance or the lack of it can no longer be hidden, and public expectations are now more demanding. The grand plans and platitudes that characterized much national planning are no longer persuasive, either to key interest groups within a country, or to external groups who increasingly require evidence of performance as a prerequisite for investment and trade.

NATIONAL COMPETITIVENESS AND THE ROLE OF GOVERNMENT

> *While globalization of competition might appear to make the nation less important, instead it seems to make it more so. . . . While the role of government in creating and sustaining national advantage is significant, however, it is inevitably partial.*
>
> —Porter, *The Competitive Advantage of Nations*

The literature is rich in descriptions of both the symptoms and solutions to the crises in government management. However, before we consider key solutions to the crisis in government management, it is important to examine theories about the causes of the crisis. First, we consider whether the crisis is caused by internal or external factors. Second, we consider the complex interactions between the crises and responses to the crises and governability.

Many prescriptions for improvement appear to presume that the causes of the government management breakdown are internal. The idea that government is too large, too expensive, and poorly managed underpins many government reform programs. If this is the case, responding to the crisis requires the rationalization of functions and the modernization of management. While new management and structures are part of the solution for many governments, they address symptoms rather than causes of the crises. Many governments have treated these systems by restructuring and changing management systems only to find that the crisis reemerges in terms of new problems.

A development of these "more efficient" government solutions is the idea that the crisis has been caused by governments seeking to fund and deliver traditional roles and services when external trends are reducing the natural role of government. Kenechi Ohmae (1994) suggests that both national sovereignty and the role of government are declining. If Ohmae is correct, responding to the crisis requires cutback management to remove resources from roles which are redundant and to ensure that other ongoing roles are resourced and delivered. The response of nations and the global economy to the Asian financial crises have challenged two ideas central to Ohmae's analysis: the assumption that business and unfettered market forces can increasingly meet national as well as business needs and address the core insecurities of people; and the assumption that the performance of governments is in some senses a second order issue, for it is not a critical prerequisite for national performance.

A number of analysts have argued that governments remain critical to national competitiveness. These authors argue for a shift in the roles of government rather than for its gradual abolition. This argument is advanced in a major analysis of national competitiveness by Michael Porter (1990). If Porter is correct, government needs to develop a new role which works with business to deliver improvements in national competitiveness. Porter argues that this role needs to be a catalyst for change rather than a protector of existing business interests. Eisuke Sakakibara (1993) argues a similar case for national differences from a Japanese perspective. The Porter analysis is also supported by several more general studies which focus on the impact of the global markets. Yergin and Stanislaw (1998), in a cross-country analysis of the changing role of government and the marketplace, have argued that while central planning and direct service delivery by governments has declined, other government roles such as creating and maintaining markets, addressing social "safety net" issues, maintaining trust in government, and ensuring responses reflect national differences and values have become more important. George Soros (1998) in a useful study of global financial markets argues that the failure of governments to regulate these markets and to manage the impacts on nations is a major impediment to the operation of global markets.

In our opinion, the case for external causes is compelling. Assuming that changing external pressures are the underlying causes of the government crises does not mean that reform can ignore internal factors and the interaction of external factors with governability. A number of authors have addressed the impact of these wider changes on governability. Drucker (1993) explores these restraints on governments in a penetrating analysis of national structures and political processes. John Kenneth Galbraith (1992) in an insightful, if depressing, examination of the politics of contentment, explores much the same problem. If these authors are correct, it follows that the solutions to the current crisis must also find new ways to manage diversity and, where these cannot be found, redefine the role of government to fit these new realities.

The cause of governability problems can also be related to the failure of governments to address changes in their traditional role and to the institutionalized and centralized strategies used to manage consensus. In part, the reforms proposed by Osborne and Gaebler (1993) recognize the negative impacts of these traditional approaches. This analysis suggests that old frameworks for government management, which seek to eliminate diversity, have exacerbated the problem.

What are the implications of this discussion of causation for our analysis of government transitions? We believe that the current crisis has been caused by the inability of traditional government roles and management to respond to new pressures for global competitiveness and by the failure of governments to manage effectively the pressures generated by entrenched interest groups which resist change and slow a nation's capacity to respond.

It follows that our analysis of the crisis in government management needs to start by examining external pressures and the strategic fit between these pressures and the role and management systems used by government. We need to move beyond the impediments to change discussed by Drucker and Galbraith and, in the process, develop management tools to manage the impacts of change. Although government reform needs to address these external changes directly, most government reform remains inwardly focused. Reform programs, which seek to put the government house in order without recognizing that the house is burning down, or is at least in the midst of a major externally induced crisis, seem bound to fail.

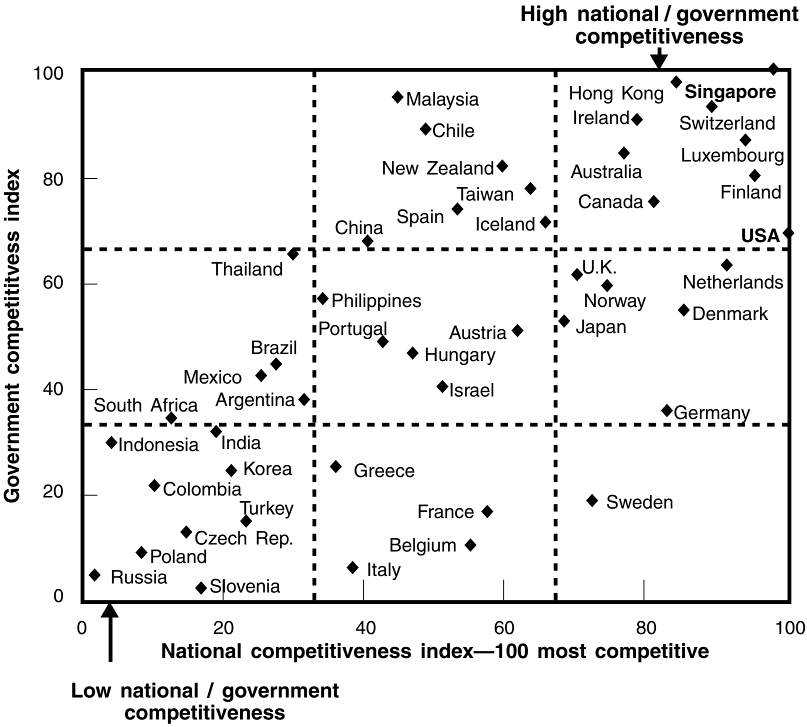
BENCHMARKING NATIONAL COMPETITIVENESS

> *World competitiveness is the ability of a country or a company to, proportionally, generate more wealth than its competitors in world markets. Competitiveness combines assests and processes: (1) assets which are inherited (e.g., natural resources) or created (e.g., infrastructure); (2) processes which transform assets into economic results (e.g., manufacturing); and then (3) internationalization, which tests the formula in international markets to create world competitiveness.*
>
> —*The World Competitiveness Report,* 1994

We have explored the changing role of governments and the external pressures that governments must address. We have suggested that a key cause of the crisis in government management is that government responses to external pressures have been inadequate. We now examine the measurement of national competitiveness and government competitiveness and address the reality that some government are responding more effectively than others.

Exhibit 1.2. National Competitiveness—The Role of Government in Selected Countries compares evaluations for selected countries on the basis of national competitiveness and the contribution of governments to national competitiveness. A number of differences between countries can be identified from these data. Most countries that rank low on the contribution of government policies to competition also rank low on overall national competitiveness, for example, Indonesia, India, Korea, Columbia, Turkey, Czech Republic,

Exhibit 1.2. National Competitiveness—The Role of Government in Selected Countries



Source: The World Competitiveness Yearbook (1999). Country ranks converted into a competitiveness index with 100 being the most competitive country.

Note: The *Yearbook* ranks countries on overall country competitiveness and on a number of factors including "government." This points on the chart are the government factor and country (national) competitiveness indices for each country.

Poland, Russia, and Slovenia. Most countries that rank high on national competitiveness also rank high on the contribution of government policies, for example, United States, Singapore, Finland, Luxembourg, Switzerland, Hong Kong, Canada, Ireland, and Australia.

A number of countries rank high on government competitiveness but obtain a lower ranking for national competitiveness, for example, Iceland, Taiwan, New Zealand, Spain, Chile, Malaysia, and China.

Three conclusions can be drawn from this material. First, countries vary widely in competitiveness and this is a measure of their success in exploiting the external changes discussed earlier. Second, there is a relationship between the approach to government and national competitiveness. While the relationship is complex, this suggests that one focus for government reform should be national competitiveness. Third, the complexity of the relationship is evidenced by the reality that competitive countries achieve this result with very different strategies and with very different approaches to the contribution and role of government and business. Any framework for competitive government needs to address these differences rather than presume there is one solution to government reform or one path to national competitiveness.

Benchmarking Government Performance

In responding to the external pressures discussed above, governments need to move beyond processes and maximize added value. Three assumptions are suggested to benchmark added value. First, added value for the competitiveness role is best measured in terms of increased national competitiveness. Second, the most effective measures for each of the three roles of government are relative measures which compare one country with another. Third, comparisons need to extend to the key factors which underpin each role.

The *World Competitveness Yearbook* is a rich source of detailed comparative country data. Exhibit 1.3. World Competitiveness Yearbook Factors summarizes country rankings for the upper third of countries. Country factors rankings that are similar or higher than overall country competitiveness rankings can be assumed to drive competitiveness. For example, U.S. competitiveness is driven by all factors except governance and perhaps people. Singapore's competitiveness is driven by infrastructure, government, management, and people. Australia's competitiveness is driven by infrastructure, government, and *perhaps* people.

Benchmarking Workskills and National Competitiveness

We have suggested that one way in which government contributes to national competitiveness is by developing an education and training system that delivers world competitive workskills. We now illustrate the use of benchmarking to evaluate the performance of government education and training reforms in this area.

A number of studies have analyzed these relationships. Paul Decker, Jennifer Rice, and Mary Moore (1997) explore a range of indicators for the U.S. education system. Hilary Steedman, Andy Green, Oliver Bertrand, Ansgar Richter, Marcus Rubin, and Klaus Weber (1997) examine the competitiveness of United Kingdom skills base. The Organization for Economic Co-operation and Development (OECD) have developed a data base and analysis which explores differences in the stocks of qualified persons in different countries and have published projections of these measures. R. B. Cullen (1998) suggests that

Exhibit 1.3. World Competitiveness Yearbook Factors

	National competitiveness	*Avg. var. in comp. 95–99*	Domestic economy	Internationalization	Government	Finance	Infrastructure	Management	Science and technology	People
United States	**1**	*0.0*	**1**	**1**	*15*	**1**	**1**	**1**	**1**	6
Singapore	**2**	*0.0*	*18*	*2*	*1*	*9*	*13*	4	*12*	**4**
Finland	**3**	*4.0*	*4*	*11*	*10*	8	2	**3**	6	**1**
Luxembourg	**4**	1.1	**3**	**3**	7	**2**	*15*	*12*	*20*	10
Netherlands	**5**	*0.9*	**7**	**6**	*18*	**3**	**7**	**2**	8	*12*
Switzerland	**6**	*0.0*	**8**	*26*	**4**	**4**	10	*15*	**3**	9
Hong Kong	**7**	*–0.8*	*36*	**5**	**2**	**7**	*19*	**5**	*22*	*14*
Denmark	**8**	*–0.5*	**10**	12	22	**5**	**9**	11	**9**	**2**
Germany	**9**	*–1.0*	**11**	**7**	*31*	**6**	**6**	*18*	**4**	*20*
Canada	**10**	*0.8*	**12**	24	**12**	**11**	**8**	**8**	13	**7**
Ireland	**11**	*3.3*	**2**	**8**	**5**	16	*23*	**7**	**11**	*21*
Australia	**12**	*1.4*	16	*28*	**8**	**10**	**4**	16	16	**11**
Norway	**13**	*–0.6*	**9**	*25*	*20*	*19*	**3**	*19*	*17*	**5**
Sweden	**14**	*–0.7*	*27*	**15**	*39*	**13**	**5**	**6**	**6**	*17*
United Kingdom	**15**	*0.7*	*26*	**4**	19	**12**	**17**	20	**14**	*24*
Japan	**16**	*–3.8*	*29*	21	*23*	*25*	20	*26*	**2**	**13**

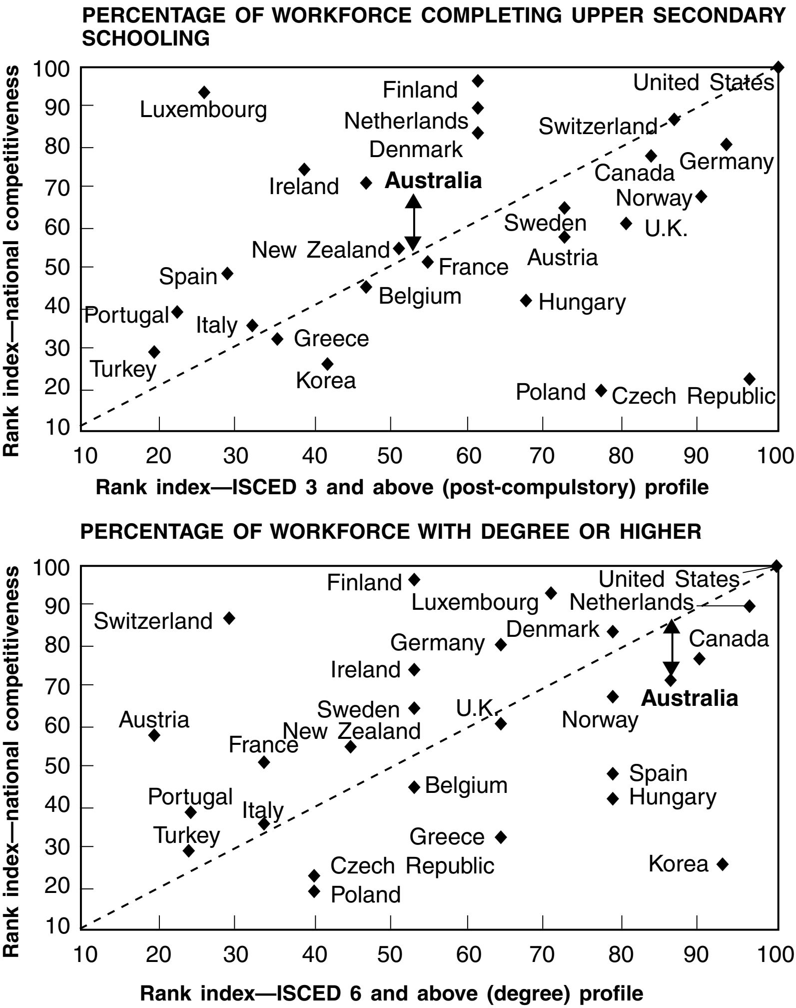
Source: Rankings from *The World Competitiveness Yearbook 1999,* IMD: Geneva 1999.

Note: Factor rankings in bold are potential strengths. Factor rankings in italics are potential weaknesses. Average variation is the average reduction in rank (increase in competitiveness) 1995–1999.

evaluating education and training reform should focus on the competitiveness of workskills and that the proportion of persons with different levels of qualification can provide a surrogate measure of workskills.

Cullen showed that OECD education data and *The World Competitiveness Yearbook* competitiveness data can be combined to benchmark the performance of Australia's nations educational and training system. Exhibit 1.4. Benchmarking Workskills and National Competitiveness repeats this analysis

Exhibit 1.4. Benchmarking Workskills and National Competitiveness



Source: Adapted from R. B. Cullen, *Benchmarking Australian Qualification Profiles* (Brisbane, Australia: Australian National Training Authority, 1998), by inserting 1999 competitiveness and 1998 OECD qualification profile data.

using 1998 and 1999 data. The upper chart uses workskill rankings derived from the proportion of the workforce who have completed secondary school, obtained a major trade qualification, or obtained higher level qualifications. The lower graph repeats the analysis using the proportion of the workforce with degree or higher level qualifications. These results show a strong correlation between country rankings based on qualification profiles and country competitiveness. The relationship is strongest for the secondary school and higher education profile which includes all those who complete school, a trade qualification, or a degree program.

Three points should be noted in examining this analysis. First, most examinations of national education and training systems examine inputs and access. Some extend this to an examination of current flows through education and training systems. Only a few studies examine the links with competitiveness. Second, although the proportion of the workforce in different countries with defined levels of minimum educational qualifications is an imperfect measure of workskills, a number of studies suggest that these measures provide a useful comparative measure. Third, the analysis suggests that these workskill measures impact on competitiveness by differentiating countries rather than through absolute inputs to production functions. Cullen extends this by suggesting that differentiation is likely to be hierarchical with countries first being differentiated on the bases of secondary school profiles and then on the basis of higher level qualifications. Finally, to be useful, benchmarks need to shorten the cycle time between education and training decisions and outcomes in terms of competitiveness. One way to do this is to project future qualification stocks on the basis of existing education policies. OECD projections provide a sound staring point for such benchmarking.

Our purpose in raising this analysis is not to explore the complex issues which underpin this analysis but to illustrate the use of available international data to benchmark government contributions to national performance. Although education and training programs are only one link that determine competitiveness, a simple examination of country differences and the impact of existing policies on future qualification can provide key options for a country to add value to workskills.

The objective is not to manage a shift in qualifications in isolation but to manage a country's profile against projected shifts for competitors. The priorities for each country are different. They depend on the existing skill base, education and training outputs, and on a study of the likely competitiveness impact of the education and training policies of competitors.

- The challenge for the United States is not that other countries will pass historically high U.S. secondary school qualification profiles, but that they will catch up and neutralize a source of competitive advantage.