# ECONSTOR

WWW.ECONSTOR.EU

Der Open-Access-Publikationsserver der ZBW – Leibniz-Informationszentrum Wirtschaft
*The Open Access Publication Server of the ZBW – Leibniz Information Centre for Economics*

Naschold, Frieder

**Working Paper**

# The dialectics of modernising local government: an assessment for the mid-90s and an agenda for the 21st century (Agenda 21)

ZBW
Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Mitglied der
Leibniz-Gemeinschaft

# The dialectics of modernising local government
## – An assessment for the mid-90s and an agenda for the 21$^{st}$ century (Agenda 21)

**Frieder Naschold**

Wissenschaftszentrum Berlin für Sozialforschung gGmbH
Forschungsschwerpunkt „Technik-Arbeit-Umwelt"
Abteilung „Regulierung von Arbeit"
ISSN 0724-5084

# Contents

**Figures:**

At the end of the century we are in a position to look back at almost 10 years' of restructuring local government within the international environment. It is high time that an evaluation of the current state of the process of local government restructuring under way throughout the world were made. The central finding of any such an evaluation would be likely to indicate that the restructuring process is based on a pronounced "dialectic of modernisation": considerable progress in certain important areas goes hand in hand with a stagnation and erosion of the modernisation process. Against this background the strategic framework for an agenda for the 21$^{st}$ century needs to be redefined.

The first step in such a preliminary evaluation is to determine the central criteria of its frame of reference, against the background of which the evaluation itself can be performed: evaluation of overall trends, the leading innovative developments and the most important failings and failures. This preliminary evaluation then provides the basis for an Agenda 21, which sets out the central challenges facing local government in the run-up to the 21$^{st}$ century. They lie in the transition from internal modernisation to the development of strategic management, together with a redefinition of the interfaces between local administration and politics, society and the economy.

*Figure 1: The Dialectics of Modernising Local Government – an Assessment for the mid-1990s and an Agenda for the 21$^{st}$ century (Agenda 21)*

| | |
|---|---|
| I | Frame of Reference |
| II | Evaluation of Local Government Modernisation |
| III | Innovative Developments |
| IV | Negative Developments |
| V | Agenda 21 |
| VI | Conditions for the Success of the Implementation Process |

F. Naschold, Science Center Berlin, 1997/6

# I    *Frame of Reference*

### 1.    Frame of Reference and Dichotomous Evaluations

The history of administrative modernisation is frequently seen as a relatively linear, institutional evaluatory process of constant differentiation and performance improvement on the part of "modern" administrations with respect to "pre-modern" bureaucracies: from feudal authori-

tarian counsellors to the Weberian type of bureaucracy as rational administration to modern client-oriented and results-centred forms of organisation (for surveys of the literature cf. Schedler 1995 and Budäus 1994).

While this currently constitutes the prevailing view, it is nonetheless a highly controversial one (cf., among others, Brunssen/Olsen 1995 and Pollit 1990).

*Figure 2: Two Contrasting Assessments of Modernisation*

| 1. Effectiveness | 0 | low | medium | high |
|---|---|---|---|---|
| 2. Sustainability | no fashion cycle (Hawthorne effect) | sustainable | secular trend | |
| 3. Democracy-compatibility | | incompatibility | tension | compatibility |
| 4. Distributional constellation | loose-loose | area and hierarchy-specific win-loose-constellation | area-specific win-loose-constellation | win-win |
| 5. Specificity | highly specific | regional | limited pluralism | universal |
| | critics of new public management-led modernisation | | | new public management |

F. Naschold, Science Center Berlin, 1997/6

Applying a number of meta-criteria - such as effectiveness, sustainability, democratic compatibility, distributive justice and the specificity of management concepts - to the modernisation process, in line with the New Public Management approach, two rather unexpected findings emerge.

– the prevailing view that administrative modernisation is to be seen as an institutional evolutionary process aimed at improving performance faces competition from an almost exactly opposing view: the results of the restructuring process, it is argued, are decidedly poor in terms of effectiveness, sustainability and compatibility with democracy and generate a significant degree of distributive injustice; moreover, proponents of this view hold that there are no universal best practices, but rather a number of highly specific approaches to reform;

– between these two dichotomous positions there is an almost complete lack of intermediary viewpoints, not to mention evaluations based on completely different frames of reference.

## 2.    Cumulative Empirical Evidence

In the face of these dichotomous views of the modernisation process, particularly regarding global trends at local government level, we are fortunate that, at the start of 1997, we have at least four studies of a broadly similar orientation at our disposal.

*Figure 3: The Cumulative Empirical Evidence*

1. Bertelsmann competition 1993

2. State of Saarland/Germany competition 1996

3. Norwegian-Swedish replication study 1997

4. WZB evaluation study 1997
   Split sample from Bertelsmann cities and
   additional cities of other countries

Results fairly
generalizable
and robust
by function as
well as by good
practice cities
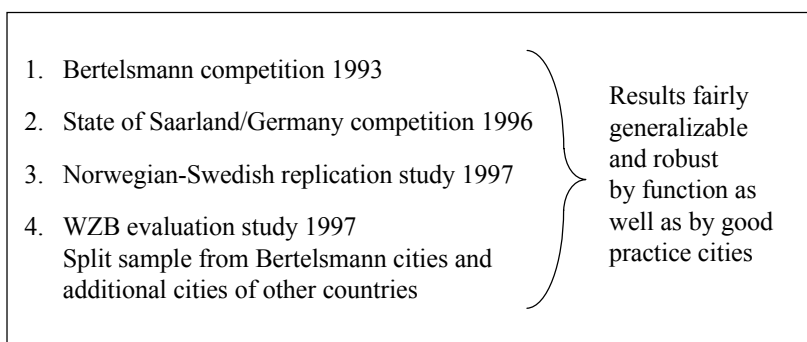
Frieder Naschold, Science Center Berlin, 1997/6

The first three empirical studies - 1992 on the occasion of the Carl-Bertelsmann Prize, 1995 in connection with the competition in the state of Saarland, Germany and 1996 in the Norwegian-Swedish replication study - applied more or less the same set of criteria to, respectively, international leading-edge cities, practically all local government administrations in Saarland and leading cities in Scandinavia. Let us take the summery of the results of the Norwegian-Swedish replication study to illustrate this type of approach to empirical analysis and evaluation. They are summarised in Figure 4.

*Figure 4: Norwegian-Swedish Replication Study 1997*

|  | Phoenix USA | Duisburg FRG | Hämeen-linna Finland | Farum Denmark | Nacka Sweden | A Norway | B Norway | C Norway |
|---|---|---|---|---|---|---|---|---|
| Performance under democratic control | 100 | 56 | 58 | 70 | 78 | 52 | 60 | 52 |
| Citizen and customer orientation | 100 | 54 | 58 | 68 | 56 | 27 | 33 | 17 |
| Cooperation between politics and administration | 95 | 45 | 55 | 52 | 87 | 40 | 64 | 56 |
| Decentralised leadership | 98 | 28 | 64 | 55 | 79 | 26 | 43 | 14 |
| Controlling and information systems | 93 | 28 | 35 | 32 | 64 | 27 | 21 | 4 |
| Staff potential | 91 | 33 | 35 | 50 | 51 | 26 | 41 | 21 |
| Innovativeness | 86 | 34 | 54 | 60 | 53 | 28 | 35 | 30 |
| Total/rank | 663/1 | 278/6 | 359/4 | 387/3 | 468/2 | 226/8 | 297/5 | 194/7 |

Baldersheim and Ogard 1996

The Study by the WZB conducted between 1995 and 1997 has substantially expanded and deepened the set of criteria and applied it to an larger sample of leading-edge cities. Taking all four studies together, over recent years researchers have accompanied the process of local government modernisation, applying a relatively consistent set of criteria over a medium-term period - five years - to a core group of 11 cities throughout the world and to a number of other city administrations specific to particular studies. It is rare in empirical social scientific re-

search to experience such an accumulated data base. To this extent the findings described in the next section can be seen as relatively robust and generalisable.

**3.     The European Model of Comprehensive Quality Management**

Current practice in terms of the evaluation of private sector companies is dominated by either purely process-based approaches, such as ISO 9000, which lack a normative modelling, or on the US "Malcolm Baldridge Award model" or the Europe model of comprehensive quality management. Both the two latter approaches are based on an explicit normative structural modelling.

*Figure 5: European Model of Comprehensive Quality Management*
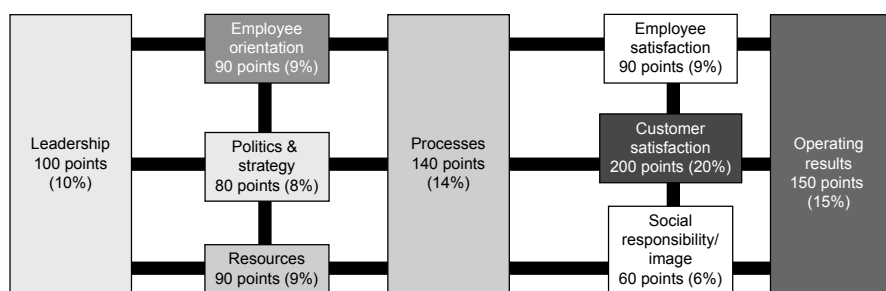


European Foundation for Quality Management: Selbstbewertung 1996, Brussels 1995, p. 7

In these two models - the only difference between which refers to the inclusion of operative and financial results in the European quality model, but not in the American Malcolm Baldridge Award model - great emphasis is placed on customer satisfaction, core processes and political-administrative leadership, followed by employee orientation and satisfaction. The triad of operating result, customer satisfaction and core processes shows that the dominant private-sector approach is both integrated and very much outward-oriented, i.e. towards the environment of the organisation. Increasingly during the 1990s, this approach has been adopted for the evaluation of public sector administrative reform.

A normative modelling of this type also forms the basis of the WZB study (Naschold, Oppen, Wegener 1997a/b), which forms the basis of this provisional evaluation.

## II.     An International-Comparative Evaluation of Local Government Modernisation

**1.     Three Mega-Trends: Internal Rationalisation, Market Orientation and Decentralisation**

The confusing multiplicity of individual measures implemented in all the cities studied can be brought together in three broad-based trends of administrative restructuring.

*Figure 6: Focal points of Local Government Modernisation*



| I **Internal modernisation** |
| 1. Steering model incl. controlling |
| 2. Budgeting variants |
| 3. Development of work organisation/personnel |
| 4. Quality assurance |
| II **Democratisation of local government administration** |
| 5. Local government autonomy/decentralisation of govnmt. |
| 6. Relationship between politicians and top administrators |
| 7. Relationship between administration and citizens |
| III **Market-oriented organisation developments** |
| 8. Granting of autonomy |
| 9. Privatisation |
| 10. Compulsory competitive tendering/market testing |
| 11. Principal-agent models |
| (purchaser-supplier, commissioner-provider models) |

Frieder Naschold, Science Center Berlin, 1997/6

– The first focal point relates to the internal modernisation of local government, involving results steering, budgeting, and the flexibilisation of the organisation of work and personnel policies;

– a second broad-based trend is to be seen in the democratisation of local government in the sense of democratising decision-making processes and, above all, in the devolution of government tasks back to civil society;

– a third area concerns the increasingly strong orientation towards market forces, and involves instruments such as market testing, legal-organisational autonomy, principal-agent models and, as the "strongest " measure, privatisation.

In the context of the international discussion, one particularly important point that needs to be emphasised here is that administrative reform is much more than mere internal modernisation: administrative reform aims, above and beyond internal modernisation, to change the interfaces between government and the market on the one hand and between government and society on the other.

Having said that, of the three mega-trends the internal modernisation of the administration has from the outset play the predominant role in terms of local government modernisation, a trend that has been maintained and even intensified. At a much lower level in quantitative terms, but exhibiting a very rapid rate of growth, we find trends involving an increasingly market-oriented approach by local government. Democratisation and devolution measures, on the other hand, are both relatively small in number and exhibit weak growth rates.

Of course the strategically decisive question here is whether these developments, and all the buzz words with which they are associated, constitute merely just another cyclical and

passing "fashion" of management concepts, or, on the other hand, the extent to which new and sustainable mega-trends are indeed establishing themselves.

## 2.    Level and Distribution of Capacity Maturity in the World's Leading-Edge Cities[1]

The WZB study reveals a relatively clear, and at the same time surprising, picture of the distribution of capacity maturity, defined as the degree of "process control" achieved by administrative activities:

*Figure 7: Capacity Maturity Level and Distribution*
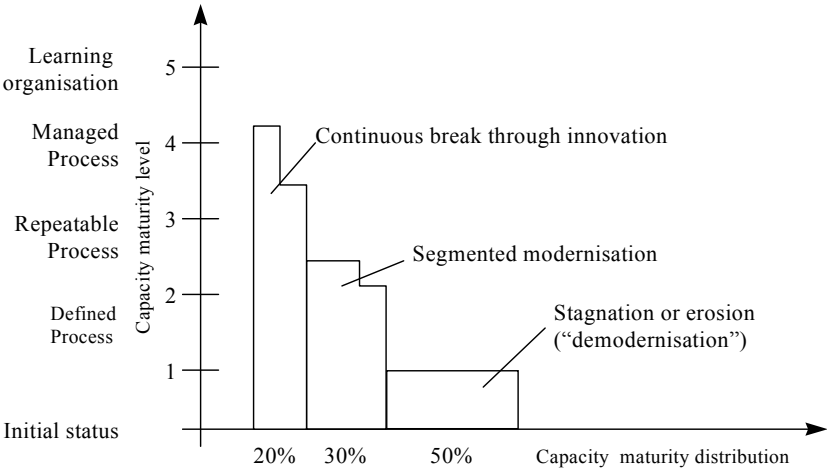
Humphrey 1988

In 20% of the cities an exceptionally highly developed level of breakthrough innovations was identified virtually across the entire breadth of activities; in 30% of cities innovations were identified in individual areas, usually at a somewhat reduced level of development; yet on the other hand, in 50% of cases stark symptoms of the stagnation or even erosion of the modernisation process were identified alongside interesting examples of innovation.

## 3.    Five Conclusions Regarding International Trends in Local Government Modernisation

From both a longitudinal and cross-sectional comparative perspective, five central conclusions can be drawn from the WZB study - in conjunction with those of the prior studies already mentioned[2] - with regard to the trends of local government modernisation on which views differ so widely.

---

1   The following is based on an analysis of the WZB sample of the world's leading-edge cities, an extended population compared with the Bertelsmann sample. The line of argument is based on the "resource approach" to organisations, which has proved its superiority with respect to dynamic development processes over the previously dominant "industry structure approach" (Porter). In its operationalised form the study was oriented towards the scale used to measure industrial software development organisations, without of course being able to achieve the latter's level (cf. DeMarco and Lister 1990).

2   In the case of German cities the conclusions receive additional confirmation from the three-city comparison of the winners of the quality competition in Speyer. Cf. Bogumil, J. and L. Kißler 1997.

### 3.1 Sustained and Effective Modernisation of Local Government over the Medium Term

In as many as 50% of the world's leading-edge cities, the restructuring of the public admini-stration has been achieved with a high degree of goal attainment, in which far-reaching inno-vations have been successfully implemented, albeit to varying degrees of development and in varying breadth. The fact that these innovations have proved relatively stable over the obser-vation period (7 years) suggests that these development processes are sustainable at least in the medium term. The frequently propounded counter-hypothesis - that administrative mod-ernisation is a passing fashion of largely symbolic importance - can be considered to have been refuted, while - given the medium-term time framework of the analysis - at the very least serious doubt can be cast on the view that such developments occur merely in historical cy-cles.

### 3.2 Considerable Degree of Generalisation

Given the trends followed by the cities in the modernisation process, it is clear that the con-clusions drawn are highly generalisable. This can be shown by means of the task profile and the degree of autonomy of selected cities from the WZB sample.

*Figure 8: Task Profile and Autonomy*
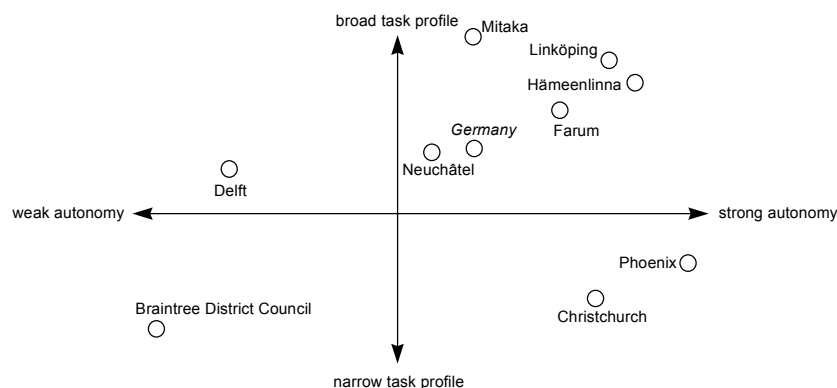


Task profile: Breadth of own local government tasks, tasks assigned to local government and tasks performed by commission.
Autonomy: Degree of legal independence, direct own tax revenues as a proportion of total revenue, degree of independence of central government financial allocations.

Wegener, WZB, 1996

The effectiveness and sustainability of the modernisation process is distributed across virtu-ally all types of city, defined here in terms of their respective task profiles and degree of autonomy. Although there are indications that the reform mode currently predominant can be most successfully achieved in cities with a relatively narrow task profile - i.e. particularly in cities in the English-speaking world - Scandinavian cities, with their typical profile of a broad spectrum of tasks and considerable decision-making autonomy, have also generated first-rate innovative developments. Nor did significant differences emerge with respect to the size of

the reforming cities: the modernisation process is distributed over virtually all local government size categories; the "megacities" were, however, not incorporated into the analysis. There is thus strong empirical evidence for the view that local government reform can be effectively implemented and can be stabilised over time, at least for the medium term.

### 3.3    *Substantial Variation in the Level of Development*

At the same time the findings indicate a substantial degree of variance in the level and the points of access to the phases of capacity maturity. Even among the selected reform cities, very substantial differences emerged in all the empirical studies mentioned. Particularly striking is the fact that very different development speeds were observed in the various cities when studied in longitudinal-comparative perspective. Thus the existing variance between the leading-edge cities is increasing over time.

### 3.4    *"De-modernisation" processes*

The difference in the level and pace of development point to a particularly remarkable finding, one which, in this form, only emerged on comparing the WZB study with its predecessors. In as many as 50% of the cities in the sample, clear signs of a stagnation - and not infrequently of an erosion - of the restructuring process within local government are evident. In other words, in half of the sample cities the modernisation process has become bogged down and is in danger of regressing towards traditional administrative patterns. Processes of "de-modernisation" (Huntingdon), such as frequently observed in studies of developing countries, are thus also evident in local government modernisation processes. Thus modernisation is not merely a linear institutional evolution involving cumulative differentiation, specialisation and innovation at ever-higher levels, but also exhibits strategic discontinuities, reverses and signs of disintegration.

### 3.5    *Structural Ambivalences*

Even in the leading-edge cities studied, the modernisation process was not a homogeneous and cumulative upward trend, but rather one that is subject to structural ambivalences:

- quality policy as a cornerstone of local government modernisation all too easily degenerates to the "creation of acceptance" by the administration among the population, even in the absence of client-oriented quality improvement;
- the commercialisation of public tasks often amounts merely to a swift and frequently ideologically driven "dumping" by local government of its responsibilities or in seemingly pragmatic cost-cutting strategies, that actually achieve at best only short-term, rather than lasting successes in terms of costs;

- results steering - the new steering model in Germany - is permanently subject to a trend towards a regression back to rule steering, albeit under a different name, and this time of activities instead of "inputs", a form of steering that is then all the more resilient.

At this point I will only mention in passing the recent controversy over the steering model of the KGSt in Germany: I will deal with this issue in detail subsequently.

Let us once again summarise the evaluation so far:

- local government reform has proved to be effective and stable over the medium term, and there is evidence of its sustainability over the longer term;
- on the other hand there is no guarantee of on-going, continuous optimisation, nor of a structural barrier preventing de-modernisation;
- the hybrid and excessively complex governance structures of local government thus frequently prove less stable than the frequently less complex structures of private sector companies, even in competitive markets.

## III    *Case Studies of Innovative Developments*

Against the background of these structural trends I would now like to turn to a number of particularly striking innovative developments in the reform cities analysed, in the hope that they may serve as an orientation for the debate in Germany. I have selected four strategic areas, each illustrated with a single example: the most controversially debated, *commercialisation*; the seemingly least controversial topic, *quality policy*; and, finally, that to which probably the greatest attention has been paid, *fiscal consolidation*. I would like to emphasise that the following consists of a description of practical experiences and concrete projects and not an analysis of abstract concepts.

### 1.    Commercialisation

That local government reform is not always a win-win situation from which all benefit is particularly evident from the topic of commercialisation. It is here that the fiercest battles are fought, in particular between proponents of a privatisation of public tasks and those that believe that such functions should be performed primarily by public sector organisations. Rather than recite long theoretical or ideological arguments I would like to describe practical experiences with commercialisation.

*Figure 9: Three Ways of Commercialising Public Tasks*

| | UK (Braintree) | NZL (Christchurch)<br>USA (Phoenix) | SU (Hämeenlinna) |
|---|---|---|---|
| Regulatory form | Central government steering of a material privatisation programme | Central government regulation of framework with decentral/pluralistic market forms<br>- oligopolistic-monopolistic market<br>- mixed competitive markets<br>- internal markets | Central government regulation of framework with local options regarding legal form |
| Instruments | Compulsory competitive tendering of all local government services with price as the central parameter | Market testing with pluralistic methods<br>- market price<br>- benchmarking<br>- customer surveys<br>- experience | Internal-administrative cost-reduction programme |
| Causal mechanisms | Change of ownership ➡ material privatisation ➡ shift in social power relations | Competition ➡ improvement in performance/cost reduction<br>↑<br>flexible legal form | Change in legal form<br>➡ flexibilisation of the managerial function<br>➡ reduction of local government costs<br>➡ relocation |
| | Commercialisation = material privatisation | Commercialisation = regulated competition between public and private organisations | Commercialisation = internal rationalisation through flexible legal forms |

Frieder Naschold, Science Center Berlin, 1997/6

The figure illustrates the regulatory form, the instruments and the causal mechanisms behind commercialisation in three cities in three countries.

As is apparent from the figure, the three forms of commercialisation in the three cities differ fundamentally. In Braintree/Great Britain commercialisation consists of a central-government-steered, strongly ideologically motivated, material privatisation programme; in Hämeenlinna/Finland commercialisation involves a central-government framework offering options for local legal forms and flexibility; in Christchurch/New Zealand the framework is also set by central government, but the aim is to free up competition in pluralistic market forms ranging from oligopolistic-monopolistic markets (energy supply), through mixed competitive markets containing both private and public contractors (construction and waste) to internal markets for administrative support benefits.

The commercialisation instruments used also vary widely. Braintree is characterised by the compulsory competitive tendering of *all* local government services, with the market price as the central, indeed often the sole parameter. Christchurch, on the other hand, bases its commercialisation strategy on market testing using pragmatically deployed, pluralistic methods: in addition to the market price, benchmarking, customer surveys and experience play an important role. In Hämeenlinna the central instrument is the flexible legal form, this very largely within the public sector.

It is important to realise that each of the three forms of commercialising public functions activates different causal mechanisms. By inducing a change in property rights Great Britain has relied on material privatisation and thus on a shift in the balance of social power (and this as part of local government policy!). In Christchurch/NZL it is the mechanism of competition

that is the centre of attention, and with it improvements in local government services and cost cutting (i.e. not merely the latter). In Hämeenlinna the change in legal form aimed to bring about more flexible management and consequently a cut in costs or a shift in the cost burden.

Fierce controversy surrounds the effectiveness of all three commercialisation strategies in the theoretical literature. Yet the experiences gained so far and preliminary attempts to measure efficiency (see Naschold 1995) are increasingly converging on a relatively unambiguous finding:

- in more or less open market structures, competition between private and public providers with respect to price, quality and customer orientation proves to be the most favourable solution (favourable being defined in terms of the interest of customers and citizens);
- material privatisations frequently have a substantial direct cost-cutting effect, but this advantage is frequently reduced significantly within a short space of time (two to three years), a little is changed with regard to the structural cost-increasing factors;
- changes in legal form and the flexibilisation this is hoped to generate, taken alone, exhibit a disappointingly modest potential for improvement.

These findings have so far scarcely entered into the local government debate in Germany. I will return to this point once more in the context of fiscal consolidation.

## 2. Quality Policy

At first sight all the cities and countries appear to exhibit a consensus regarding quality policy. After all, who could possibly be against service quality? Practical experience, however, reveals the major differences in quality policy that exist. What is decisive is whether, in the final analysis, it is still the technical and legal norms of producers, or rather customer utility that are the focus of attention and the extent to which the latter can be realised in the form of concrete local government activities. Let us now consider three variants of practical quality policy in more detail.

*Figure 10: Three Forms of Quality Policy*

| | Norway (A) | New Zealand (Christchurch) USA (Phoenix) | United Kingdom |
|---|---|---|---|
| **Approach** | Organisational development and employee participation | Internalisation of consumer utility within the organisation | Generating customer/ citizen acceptance |
| **Orientation** | Internal | External-interactive | External-manipulative |
| **Instruments** | Quality circle movement and instruments including spatial deconcentration | - Detailed market research via focus groups and detailed customer surveys<br>- internal surveys of customers/ employees<br>- standard setting via service agreements<br>- renewal of processes and structures<br>- spatial deconcentration | General customer surveys (degree of satisfaction) Citizen charter movement Spatial deconcentration |

Frieder Naschold, Science Center Berlin, 1997/6

The figure illustrates the approach, the orientation and the instruments of three variants of quality policy.

The approach to quality policy in A/Norway is based on an internal administrative orientation. The aim of quality policy in A/Norway is to induce an organisational development process within the administration with the broad participation of public sector employees, but rather distant from "internal customers".

Quality policy in Christchurch, by contrast, is decidedly "external" in its orientation, based on interaction between the administration and citizens/customers. In accordance with the original Japanese idea, quality policy in Christchurch aims to internalise customer utility into the process of administrative service provision.

Quality policy in Great Britain, on the other hand, has to be seen rather as the generation of "acceptance" among citizens/customers by the administration. Although the orientation is external in this case, too, the approach is instrumentalist in nature.

Accordingly, the instruments deployed by the three quality policy approaches differ widely. In A/Norway it is the classical instruments of a quality circle movement that have been implemented; Great Britain operates with rather general customer surveys (satisfaction surveys) and, parallel to this, the Citizen Charter, i.e. a general declaration of intent by local government to its citizens.

The situation is very different in Christchurch. Here the instrumentation is highly differentiated, ranging from complex market surveys - detailed customer surveys are preceded by additional, so-called "focus groups", which decide autonomously on the questions to be asked - internal customer and employee analyses and complaints systems, to administrative standard setting as a binding service agreement with the public. The overall collective learning process

is then used as a source of continuous process and structural improvements in the sense of a Total Quality Management properly understood, processed within the administration and implemented accordingly.

Quality policy in Christchurch, the city with the most highly developed practices in this area, thus consists of a bundle of instruments the aim of which is to constantly compare and contrast the attitudes and expectations held by citizens with internal government service and performance processes.

## 3.    Resource Steering

It is not only in Germany that local government, faced with the contextual conditions described above, is so fixated by fiscal consolidation that administrative reform is often equated with fiscal consolidation and this with cost reduction. Ignoring for a moment structural measures to raise additional revenue or reduce expenditure, the central element of a policy of fiscal consolidation is seen in a strengthening of the budgetary instrumentation: in a move away from "cameralistic" (receipts-expenditure) accounting to double-entry accounting, in budgeting, cost benefit calculations and decentralised resource responsibility. These measures are doubtless all desirable and difficult enough to implement. Yet they fail to hit the nail of fiscal consolidation on the head; they only deal with one aspect of the problem. Besides the need to improve budgeting in the narrow sense, the solution to the problem makes two requirements:

– dealing with structural cost-drivers;

– activating additional forces within and without the administration in addition to the city treasury officials in support of the resource steering process.

Again, rather than present long abstract arguments, let us look at work done on the ground; here, too, it is in Christchurch that resource steering is most highly developed.

*Figure 11: Resource Steering in Christchurch (Sketch of Principle)*
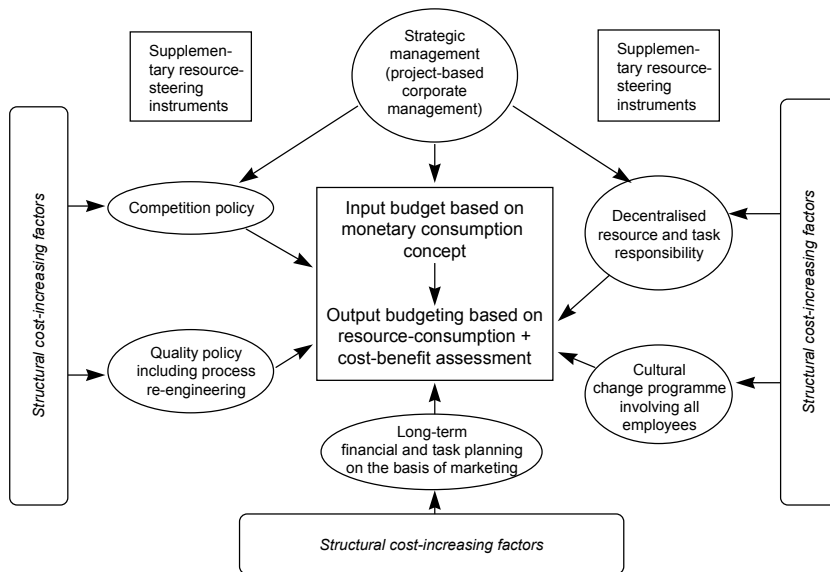


Frieder Naschold, Science Center Berlin, 1997/6

Allow me briefly to explain this rather complex figure. The slide illustrates the principles behind resource steering in Christchurch. In the middle is the traditional budgetary process in the narrow sense of the term and its development from the classical input budget to output budgeting with cost, performance and impact budgeting on the basis of the resource consumption concept. Grouped around this traditional budgetary process in Christchurch are a whole series of supplementary, indirect resource steering instruments, from strategic management, quality and competition policy to cultural change within the organisation as a whole. These indirect resource steering instruments are applied to the structural cost-increasing factors in local government.

Of course Christchurch, as any other city, has had to do its homework, difficult as that was, in the traditional area of the budget. To the best of my knowledge Christchurch is the first city with a complete output-based budget on the basis of "accrual accounting" (resource consumption accounting) to use the apposite term coined by the KGST. Closely linked to this is a comprehensive, yet pragmatically implemented, cost and performance accounting. The most recent development aims to move from output accounting to impact measurement and accounting.

The decisive breakthrough achieved by Christchurch, however, lies in its mobilisation of new political arenas for the resource steering process which impact on the structural cost-increasing factors in the local authority and also activate additional forces and groups to assist with resource steering.

Within the framework of resource steering the following causal mechanisms are involved alongside the traditional budgeting process in the narrow sense of the term:

- the top management team focuses by means of its project-based management the centrifugal departmental forces;
- strategic long-term planning gives the budget an operational orientation based on consumer-related priorities, in interaction with decentralised resource and task responsibilities;
- competition policy is a continuous source of substantial performance improvement and cost cutting;
- quality policy aims to reduce waste, as measured against consumer utility, and thus holds a potential for on-going rationalisation;
- the programme of cultural change aims to overcome dysfunctional barriers formed by the "unwritten rules of the game" of status and power and to mobilise employees through participatory influence on services and strategy-forming from the bottom up.

In sum, Christchurch has developed the traditional management of budgetary steering into a broad-based system of resource utilisation in which:

- the treasury plays a "serving" role;
- the top management team develops "generating mechanisms" with which to exert a multifarious and lasting influence on structural cost-increasing factors;
- employees in the various departments, markets and social forces are integrated into a powerful process of resource utilisation.

Of course fiscal consolidation in Christchurch has not been without its administrative and political conflicts. There is no "automatism" of effective budgetary steering in the city. Yet in international comparison the path taken by Christchurch is clearly leading towards a more effective and efficient use of scarce resources than that possible under traditional local government.

## IV. Negative Developments

Even in the world's leading reform cities the history of local government reform is not merely a succession of glorious victories and lofty achievements. Along with all the laboriously achieved innovative developments we also find a series of negative developments and those that have so far failed to occur ("failings"); they are discussed in greater detail in the WZB study (Nashold, Oppen, Wegener 1997b). The negative developments reflect the structural ambivalence of the modernisation process mentioned earlier.

In this section I would like to point to five areas in which the modernisation process in the cities under consideration has lagged behind or where there are signs of potentially negative developments.

*Figure 12: Negative Developments*

1. *Predominance of managerialism* over a democratic political steering in the sense of competent and responsive political leadership. Danger of a change in the governance structure of local authorities as a democratic-political entity.
2. Reversal of management by results from interactive negotiations with competent decentralised units to *new centralised detailed intervention leading to serious rigidisation* ("neo-bureaucratisation").
3. *Manipulative treatment of customer wishes:* generation of high rates of customer satisfaction by *means of special survey techniques.*
4. *Decoupling of the labour process and personnel management from management reform:* danger of *neo-Taylorism* in personnel management and thus continued under-utilisation of human resources .
5. Local government modernisation often causes broad segments of "rationalisation loosers", raising *fundamental issues of justice* that threaten to undermine the process of local government modernisation.

Frieder Naschold, Science Center Berlin, 1997/6

In the process of local government modernisation so far the following negative developments whose significance is such that they threaten to restrict or even undermine the effectiveness and the sustainability of the restructuring strategy have been observed.

## 1.      The Predominance of Managerialism

The organisational forms, methods and instruments discussed and deployed in the course of administrative reform are oriented in the vast majority of cases to the managerial process. The central aim of budgeting and controlling, coefficient systems, quality assurance and competition strategies, personnel and organisation development measures and many other similar instruments is to increase the efficiency and effectiveness of administrative management. Analogous attempts at rationalisation are not to be found in the area of political leadership or the parliamentary representation systems of local government (see below). This finding at the micro level of the restructuring process is completely in accordance with the trend observations at the macro level of administrative modernisation (see II.). Consequently, administrative reform threatens to lead to a predominance of professional managerialism over the democratic political leadership system of executive and local council and thus to an - initially often merely latent - change in local governance structures. Such tendencies can be observed in all the cities in the WZB sample. They are particularly pronounced and, it must be recognised, justified by a certain political consensus in local government in the English-speaking world, the UK, USA and New Zealand; cf. Wegener 1997 a/b for Braintree and Phoenix). Yet the trend towards managerialistic predominance in the reform process is also to be found in the Scandinavian and continental-European cities. One important difference, though, is that in Europe issues surrounding the compatibility of such trends with democracy are far more likely to be the subject of political debate. This is particularly true of Switzerland (see, for instance, Knöpfel 1995), while analogous controversies are also found in the Scandinavian

countries (for Finland and Sweden see Naschold 1995) and more recently also in Germany (see, for example, Bovenschulte/Buß 1996).

## 2.     Neobureaucratism

One of the central thrusts of administrative reform, both in the theory of New Public Management and in the concrete practice of the cities in the sample, is the transition of the administrative process from "input steering" to "output steering". The aim of this steering by results is to improve the target-orientation of the managerial process, involving the greater participation and empowerment of the workforce in the process of service provision.

Yet what is decisive for the effectiveness of such systems is the way in which they are designed in practice. Two main forms of the implementation of such results steering systems can be distinguished (on the theory of steering by results see Locke/Lathan 1990; on the practice see Naschold 1995 and 1997 and Wegener 1997 a/b). In the "interactive" form of results steering relatively broadly based targets, underpinned with goal-attainment indicators, are set with the help of an interactive working and discussion process as target definitions for the administrative process. The scope for decision-making permits a high degree of goal attainment, as the targets have a double legitimisation: that of hierarchical target and that of employee participation. Controlling systems are designed in the form of feedback mechanisms for cooperative learning strategies. A very different form of "output steering" occurs when highly detailed targets are set, and where these are based on "output" rather than "impact" indicators and are set for the individual employee and not at the level of a work group. The targeting process is then extremely hierarchical and "expertocratic". Such a targeting system allows staff very little scope for decision-making. Accordingly the controlling system consists of traditional monitoring of goal attainment on the basis of a deviation analysis and the imposition of sanctions.

Results steering of this second type tends to lead to centralistic detailed intervention by means of the precise formulation of product definitions, job descriptions and target catalogues, and thus to a form of "neobureaucratism", that is actually much more rigid than the traditional system of bureaucratic input steering. This trend is particularly pronounced in Great Britain and in the German-speaking countries of continental Europe, although the threat of neobureaucratism is present in local government in Holland, the USA, New Zealand and Scandinavia.

### 3.      The Production of Customer Satisfaction

Perhaps the central target variable for administrative modernisation is to be found in a greater degree of customer and citizen orientation on the part of the administration, as reflected in higher levels of satisfaction among clients and citizens. Traditional methods and instruments used both to determine and to produce client and citizen satisfaction are to be found in the mechanisms of representative local democracy, reinforced to varying extents by participatory elements and referenda.

In this context the recent administrative reform movement has introduced an important new range of instruments: market research in the form of customer and population surveys, conducted in systematic and professional manner and applied both in individual policy areas and for city developments as a whole. Customer surveys at a highly developed level are to be found especially in cities in the English-speaking countries (Phoenix, Christchurch and Braintree); Delft and Hämeenlinna suffer from a conflict between rather centralised and decentralised methods, while signs of a move towards customer surveys are evident in Germany and Switzerland.

Professionally designed, implemented and evaluated surveys of customers as a marketing instrument, in particular following the involvement of so-called focus groups, make an important, indeed vital contribution to a client orientation of service provision by local government; this, at least, is the experience of Phoenix and Christchurch.

One striking fact, however, is the consistently high satisfaction ratings reported from the client surveys conducted in all cities. This finding is in stark contrast to the generally far lower, and much less stable customer satisfaction figures in the private sectors (see, for instance, Gale 1994). To a certain degree this consistent difference can be put down to the monopolistic position prevailing in many areas of the public sector. Yet to a greater extent the difference is due to the methodological approach underlying survey techniques in local government compared with the best practices in the private sector.

*Figure 13: Deficits in local government survey techniques to determine customer satisfaction*

1. Missing focus groups to precede the surveys
2. Positive instead of neutral formulations of the items
3. Very vague and general formulations of the items
4. Little scope for voicing alternative opinions
5. Rare comparison of services or performance with actual or potential competitors
6. Sample bias due to the exclusion of large parts of the population (children, elder people, commutors, tourists etc.)

Frieder Naschold, Science Center Berlin, 1997/6

This list of typical inadequacies in the market research undertaken by local government applies, to varying degrees, to almost all the cities in the sample: it is unusual for the work of focus groups to precede the surveys, so that questions tend to be formulated from the perspective of the administration; questions are often formulated with a positive bias and are generally vague, with little scope for voicing alternative opinions; only rarely is a comparison of services or performance with actual or potential competitors, a prerequisite of sophisticated market research, undertaken; last but not least, the surveys tend to suffer from sample bias. Even in such highly experienced local government administrations as those in Christchurch, Delft, Tilburg and Phoenix, market research suffers from many or all of these deficiencies. The "production" of high customer satisfaction ratings by such survey-technical inadequacies may well systematically lead local politicians and administrators astray with regard to the level and stability of client satisfaction with local authority services and as regards preferences for possible alternatives to the prevailing system of local service provision.

### 4. Decoupling of the Labour Process and Personnel Management from Management Reform: the Danger of Neo-Taylorism

At the current stage of reform, administrative restructuring is largely a question of the modernisation of managerial processes and structures. Quite rightly, the comparatively underdeveloped capacity of the management function in the public sector is seen as one of the central deficiencies of traditional administration.

Yet the thrust towards improved managerial processes has not been linked to a restructuring of work organisation and personnel management within the administration. Indeed, a decoupling of the management and the labour process is almost a defining characteristic of local government modernisation. This has been shown by all of the comparative studies of local government reform:

- issues of work organisation and personnel development have played a subordinate strategic role in the reform process;

- any restructuring of work organisation tends to be along conventional or even neobureaucratic lines, rather than modern forms of labour process organisation (for empirical confirmation of this and a theoretical orientation see Naschold, Oppen, Wegener 1997);

- personnel development remains largely restricted to payment by performance and external non-process-linked training, instead of being oriented closely towards the labour process and new career paths, compared with the traditional promotion within narrow hierarchies.

The conclusion reached by an in-depth evaluation of this issue in Finland, namely that "the management by results process has not reached the shop floor" (Arnkil 1995, p. 167) still applies to practically all the cities in the sample, although developmental differences are increasingly opening up. Whereas in a number of cities strenuous efforts are being made to achieve progress in linking management reform with a restructuring of the labour process, increasingly leading to the introduction of new forms of work organisation and personnel development, in the overwhelming majority of cities the danger of an even more pronounced (vertical) new Taylorism between managerial strategy and operative execution is still present.

### 5.      Local Government Modernisation and Distributive Justice

The proponents of administrative modernisation along the lines of New Public Management have repeatedly stressed the distributive neutrality of the restructuring programme (Naschold 1995): administrative modernisation places performance criteria rather than seniority in the foreground. Thus at most, any segmentation between the winners and losers of modernisation will be along the lines of this new performance-related legitimisation basis and, if so desired, can be compensated for out of the productivity growth achieved.

The reality of the restructuring process in the leading-edge cities points to counter-trends, however (Naschold, Oppen, Wegener 1997):

- The modernisation process tends to be accompanied, either causally or in historical terms, with cost-cutting measures. Yet redundancies tend to be concentrated in blue-collar and unqualified white-collar areas and are far less common in the higher managerial functions.

- Particularly affected by the restructuring process are those areas organised on a competitive basis, either with other public sector organisations or, more usually, with the private sector. The competitive process leads to far-reaching changes in the labour process and working conditions, i.e. in the central dimensions of working life. This applies even if - indeed especially where - competitive strategies are successful.

In most cases the restructuring process also leads to a reduction in the number of hierarchical levels and to restructuring of the labour process, both of which serve to destroy promotion channels. Experience and empirical findings have consistently shown that his development hits the blue-collar and unqualified white-collar areas hardest, whereas in the higher managerial circles a number of new and attractive positions and thus opportunities for promotion are created.

The micropolitics of the process by which administrative modernisation is implemented thus lead to relatively clearly defined winners and losers of modernisation and consequently to increasingly pronounced lines of segmentation within government. Administrative modernisation is not distribution-neutral after all. In-depth interviews have shown that increasingly incisive questions of distributive justice are being raised, particularly in those areas affected most profoundly by organisational change, issues that threaten to undermine the "moral basis" of the modernisation process.

To summarise, far-reaching breakthrough innovations are inevitably accompanied by important negative developments and cases of underdevelopment. It is this simultaneity of modernisation and de-modernisation, innovation and undesirable developments, of modernisation winners and losers that constitute the "dialectic of modernisation". This dialectic is in stark contrast to the simple world views of linear institutional evolution and the scepticism of symbolic constructivism. It is these complex contradictions within the modernisation process that constitute the structural challenges in the transition to the 21st century.

## 6.    Central Challenges in the Transition to the 21st Century

The trends towards administrative restructuring currently under way, the breakthrough innovations and the numerous negative developments point to two central key problems which represent the two central challenges for local government in the run-up to the 21st century.

*Figure 14: Agenda 21: Future Challenges*

Major challenges for the beginning of the 21st century:

- From sectoral optimisation strategy to strategic management of overall administration
- From internal modernisation to redefinition of boundary between local administration and its political, economic and social environment

Frieder Naschold, Science Center Berlin, 1997/6

All the reform cities have at least one thing in common: the at least partial replacement of traditional bureaucratic centralism with the creation of decentral, quasi-autonomous results centres. Yet it is precisely this development that leads to a major knock-on problem: the reintegration of these results centres, with their departmental egoism and their distinctive sub-optimality strategies, without at the same time blocking their internal dynamism, which is well justified and desirable. In other words the first central challenge consists in developing a "coordinating" strategic management for the various administrative areas.

In all the reform cities we find, albeit in different degrees of intensity, a development away from a "producing" form of government to an "guarantor" form of government. The latter sets targets and standards, and watches over and monitors production, but is flexible in terms of the ways in which services are actually provided: in-house production, contracting out or the various forms of public-private partnership. Yet a guarantor government of this type leads to very different forms of exchange regarding the relationship between local government and its environment and thus changes the established "rules of the game". Thus the second central challenge lies in a redefinition of the interfaces between government on the one hand and politics, the economy and society on the other.

Strategic management as a "missing link" in internal modernisation, and the redesign of the interface between local government and its political, economic and social environment are thus the two central challenges facing local government in the run-up to the 21$^{st}$ century.

# V  Agenda 21: Strategic Management - the "Missing Link" in Internal Modernisation

Before we turn to the trends in and problems of strategic management in local government, it may be fruitful to begin by taking a brief look at the experiences of the private sector.

## 1.  Strategic Management in Private-Sector Industry

The private sector is years ahead of the public sector in terms of experience with strategic management. Although the state of development varies in private-sector industry and the strategic management practices applied differ considerably, it is possible to learn fruitful lessons for strategic management in local government from private sector managerial experiences, particularly in well-run multi-product firms and concerns.

### 1.1  The Evolution of Strategic Management in Private Industry

Five stages of development to strategic management can be distinguished in private-sector industry.

*Figure 15: Evolution of Strategic Management in Private-sector industry*

1. Budgeting (1930 ff.)
2. Long-term planning (1950 ff.)
3. Strategic business units (1970 ff.)
4. Corporate strategic planning (1980 ff.)
5. Strategic Management (1985 ff.)

Frieder Naschold, Science Center Berlin, 1997/6 after Hax/Majluf (1988)

The schematic sketch shows the long development process required to bring about strategic management over a period of more than 30 years, starting from the strategic planning of the 1950s. Also of interest for the public sector is the fact that even today, private sector companies are distributed across all these stages of development and only relatively few firms have so far developed a fully fledged workable strategic management. Such a strategic management is oriented towards three functions:

– balancing the operational portfolio of the concern as a whole;

– joint resource use in the value-creation chain (synergy);

– establishing linkages between strategic and operative instruments/systems.

According to information made available to the author by two renowned consultancy firms, scarcely more than 10% of firms are currently in this, at present the most highly developed stage.

### 1.2 *The Conflict between Operating Unit and Strategic Management*

The central controversy in practically all well-run firms throughout the world in the 1990s is focused on the relationship between the operating unit and the strategic management of the firm/concern as a whole. Of undeniable value, and implemented in practically all the firms of this scale, is the differentiation into quasi-autonomous operating or "business units", as a rule defined in terms of market segments/products. Yet equally undisputed is the experience that these business units have the tendency to increasingly make themselves independent extremely and to do so quickly and forcefully. Thus there is also a consensus - at least at the abstract level - on the need for a balancing and for a concern-wide optimisation by means of a top-level strategic management. What is highly controversial is the extent to which and the way in which business units and concern management are to be linked.

*Figure 16: Two Concepts of the Cooperation: SBU or Core Competence*

| | SBU | CORE COMPETENCE | OUR COMMENTARY |
|---|---|---|---|
| Basis for competition | Competitiveness of today's products | Interfirm competition to build competencies | The SBU is the depository of the core competencies of the firm. |
| Corporate structure | Portfolio of businesses related in product-market terms | Portfolio of competencies, core products, and businesses | Horizontal strategies – developing and sharing core competencies across distinct but related SBUs is a corporate task even more central than portfolio management. |
| Status of the business unit | Autonomy is sacrosanct; the SBU „owns" all resources | SBU is a potential reservoir of core competencies | The SBU should not be an autonomous entity. Corporate and functional strategies integrate the business units within the corporate umbrella. |
| Resource allocation | Discrete business are the unit of analysis; capital is allocated business by business | Business and competencies are the unit of analysis; top management allocates capital and talent | Resource development and resource allocation should be done from a corporate and business perspective. |
| Value added of top management | Optimizing corporate returns through capital allocation trade-offs among businesses | Enunciating strategic architecture and building competencies to secure the future | Strategic management addresses the proper integration of strategy, structure, processes, performance, and culture. |

SOURCE: Hax, C. and Majluf, N. (1996). The first three columns of this figure are reprinted by permission of Harvard Business Review. An exhibit from "The Core Competence of the Corporation" by C. K. Prahalad and Gary Hamel, May–June 1990. Copyright©1990 by the President and Fellows of Harvard College; all rights reserved. The last column provides their own commentary.

Hax/Majluf (1996)

The figure summarises the central aspects of this conflict between business unit and strategic management, a conflict that is becoming increasingly acute in the wake of corporate internationalisation (Dörrenbächer et al. 1997; Naschold 1997).

## 1.3    The Conflict Between Different Leadership Models

The tensions between business units and strategic management are naturally reflected in controversy concerning leadership models, especially in holding structures within conglomerates.

*Figure 17: Management Models for Holdings of Conglomerates*

| Finance Holding (portfolio management) | Synergy Management | Operative Management (independent business units) |
|---|---|---|
| ITT | BASF | ABB |
| Preussag | Daimler-Benz | Alcatel Alsthorn |
| Tenneco | Deutsche Babcock | General Electric |
| Veba | Mannesmann | Linde |
| Viag | Siemens | Rhône-Poulenc |
| | Thyssen | |

\* Basis: 50 world-wide leading companies

**Operative Management Pays off**
Return on sales by different management models*

| Return on sales | | Return on equities | |
|---|---|---|---|
| 7,4% | Synergy mgt. | 5,7% | |
| 11,4% | Portfolio mgt. | 7,6% | |
| 13,5% | Operative mgt. | 9,5% | |
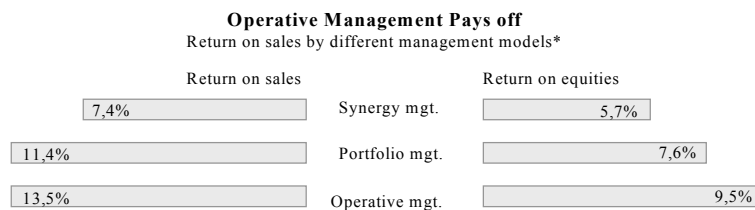
\* Average returns 1985 - 1995

Manager Magazin 10/1996, p. 56

A study of the 50 leading global firms (published in the German *Manager Magazin 1996*) generated two findings that are of interest in the present context:

– Besides the traditional integrated-functional corporate structure, the three main leadership models are employed in order to deal with the tension between business strategy and concern headquarters:

  – a pure financial holding in the sense of an active or passive portfolio management;

  – synergy management by a management board alongside the autonomous business units in order to generate synergy effects;

  – operative management by headquarters with close linkages between strategic steering and operative task execution by the business units.

– contrary to expectations based on theoretical considerations, a ten-year performance comparison suggested that the leadership structure of operative management by headquarters fared best in terms of operating results, while synergy management performed worst (for an evaluation see Fransman 1994).

**2.    Avenues for Strategic Management in Local Government**

For a number of reasons the state of development of strategic management is less highly differentiated in the public sector than in private industry. If the sample cities are classified according to the evolutionary schema of strategic management derived from the private sector, it is evident that currently the main problem of local government modernisation lies in providing decentral operating units with appropriate responsibilities, that is with the third evolutionary phase. this constellation is also reflected in the state of development and the distribution of strategic management in the sample cities.

*Figure 18: Development and Distribution of Strategic Management (WZB Sample)*
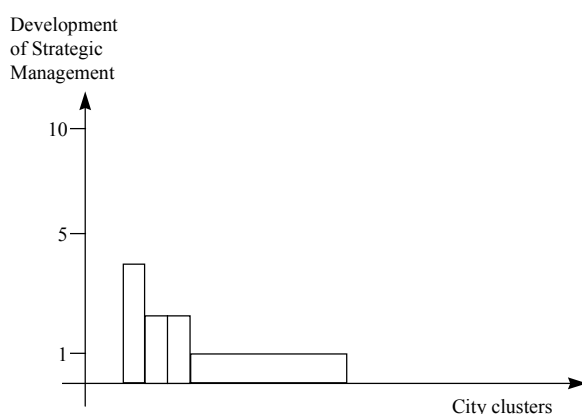


Frieder Naschold, Science Center Berlin, 1997/6

For the overwhelming majority of cities the first questions that need to be addressed concern a rational strategy of decentralisation and segmentation of their traditional forms of organisation. Only in those cities in which decentral operating units have successfully been estab-

lished and have proved sustainable, and the potentially dysfunctional centrifugal impact of such a restructuring have become evident have the issues of strategic management arisen. Preliminary organisational and instrumental moves towards strategic management are particularly evident in cities such as Christchurch, Phoenix and Tilburg. This is because it is in these cities in which decentralisation of autonomous operating areas is not highly developed that the dilemmas already evident in the private sector are becoming apparent: the need to balance out the centrifugal operating units by establishing a centre with an important value-added function, without at the same time doing away with he "healthy egoism" and the decentral creativity and energy of the operating units.

Christchurch can be used as an example with which to illustrate the first steps local government may take towards strategic management at the central level.

*Figure 19: Elements of Strategic Management in Christchurch*



```
1. Top management's responsibility for ──────── department
                                       ────────
                                              entire organisation

2. 20% of time spent on responsibility for entire organisation

3. From line organisation via line/project organisation to project-based
   management

4. Collective-open strategy seminars by TMT and politicians

5. Long-term, strategic target and resource planning based empirically on
   market developments

6. Programme for the "cultural revolution" of the entire organisation
```

Frieder Naschold, Science Center Berlin, 1997/6

So far developments towards strategic management in Christchurch have exhibited four major "thrusts":

− the mobilisation of steering capacities at the level of general management for strategic management of the city as a whole, which ranges from the top management team via the city manager down to the decentral operating units. In Christchurch a top management team consisting of six people has been formed, reinforced by the fact that in addition the directors of each of the decentral operating areas devote one fifth of their time to the team.

− The identification and realisation of core processes that create value added and are developed for and in conjunction with the operating units; in Christchurch the issues of resource steering and cultural change are those currently under discussion;

–   the development of core competences in the sense of instrumental, methodological, organisational and cultural capacities as an extension to the profile of requirements made of the General Manager; recently work in this area in Christchurch has focused on capabilities related to complex resource steering and cultural change;

–   the creation of an organisational framework in order to realise such core processes; in this regard Christchurch has resolutely moved away from line organisation or line/staff/project organisation towards a clear "project-based management".

## 3.    Core Processes of Strategic Management in Local Government: the Value Added by the Centre

In the classical functional-hierarchical form of organisational the position of the centre or headquarters of the organisation as a focus for the formation of opinions and strategies was undisputed. In organisations with strong decentral operating units, on the other hand, the functional relationship is reversed. It is the client-oriented operating units that create the value added: the value added by headquarters or at the centre lies in the services it renders to the decentral operating units. As strategic management develops, a renewed balancing act is required in terms of the functional relationship between centre and operating units. What is vital is to identify and realise those core processes that cannot and will not be performed by the operating units, but which are seen as vital in terms of on-going organisational development processes. In would like to refer briefly to four such core processes, which are emerging in the sample cities and have been considered as generic processes in both the theory and practice of strategic management in the private sector (see Hax/Majluf 1996).

### 3.1    *The Management of Coordination Mechanisms*

One of the central characteristics of modern local government administration is the decoupling of the role of guaranteeing service provision and service delivery: the public commitment to task performance and the operative provision of services are two separate processes. Each phase in the value-added chain can be organised in different ways; what is decisive is the interaction between the various coordination mechanisms. Using the example of resource steering (see section III) in Christchurch it was shown that, compared with traditional budgetary processes, modern resource steering is performed by means of a whole series of different coordination mechanisms: results-oriented "output" budgeting is linked to a bottom-up quality strategy, a competitive process between private and public suppliers and a top-down process of cultural change.

*Figure 20: Strategic Management of Coordination Mechanisms*
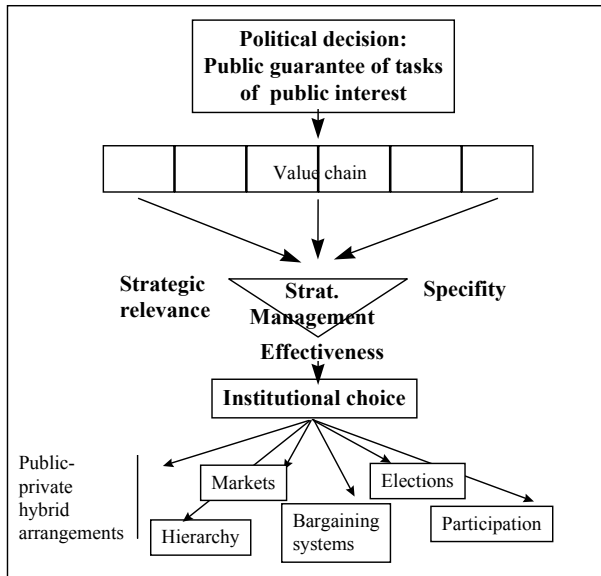


Frieder Naschold, Science Center Berlin, 1997/6

The establishment and maintenance of this complex process of service production and provision within the framework of a public guarantee is one of the most central, and at the same time one of the most difficult core processes of a strategic management of modern local government. The range of methodological instruments with which to analyse market and competition mechanisms (strategic relevance, specificity, efficiency), value-added chains and customer utility, and in particular the mode of impact of various institutional arrangements between hierarchy, market mechanisms, bargaining systems, election systems and forms of participation is just part of the managerial skills required in this context.

### 3.2 The Strategic Management of Cultural Change

Yet in the final analysis the strategic management of coordination mechanisms is only as effective as the extent to which the new institutional arrangements are accepted by the "stakeholders" affected, in this case local government employees. Such an acceptance relates not only to manifest behaviour, but also, and centrally, to the level of attitudes and values, indeed, to that of "belief systems".

*Figure 21: Strategic Management: Cultural Change Programs*

Definition/concept: culture and behaviours



BEHAVIOURS

Observable

ATTITUDES & VALUES

Reportable

BELIEFS

Unconscious

A. Williams, P. Dobson, M. Walters (1993), S. 14
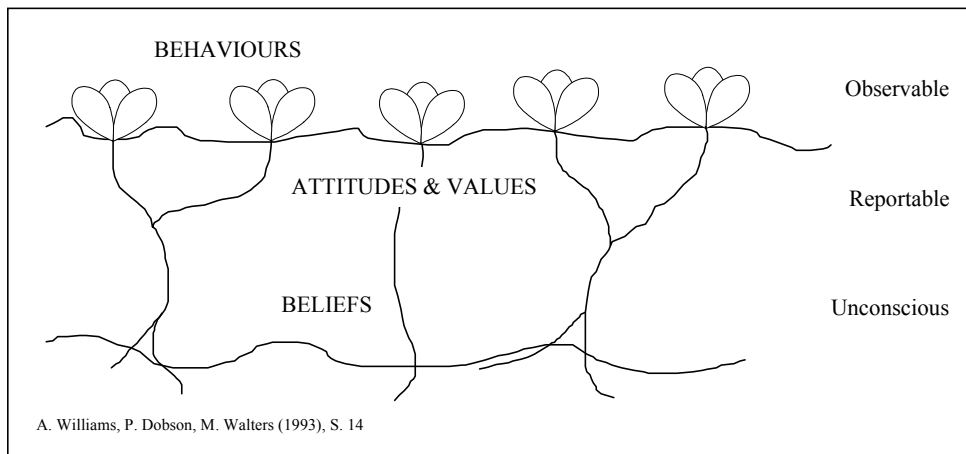
A. Williams, P. Dobson, M. Walters (1993), p. 14

Practically the entire gamut of empirical research and consultancy practice comes to an unambiguous conclusion in this regard.

*Figure 22: Resistance and Side Effects to Organisational Change*



If people feel the
pressure from a
new initiative is

WEAKER

BALANCED

STRONGER

THEN
YOU
GET

Increasingly active resistance

Active struggle and conflict

Resistance goes undercover

than the existing
(conflicting)
unwritten rules
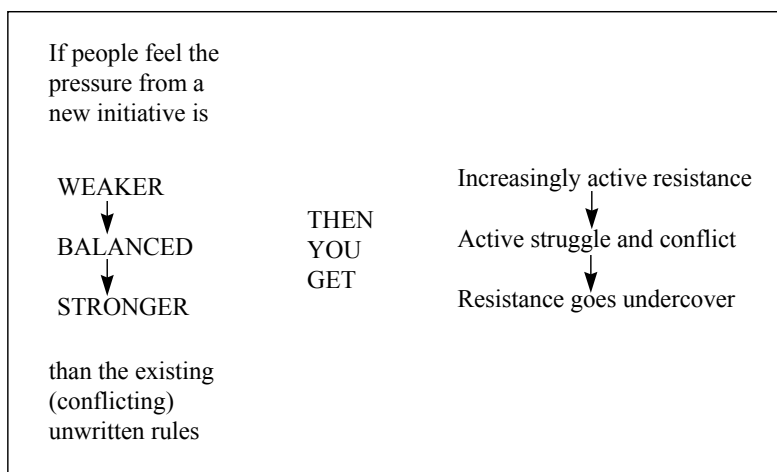
P. S. Morgan (1994), The Unwritten Rules of the Game, p. 41

A change programme implemented under pressure that runs counter to the norms of the employees leads to tacit or explicit resistance in all its myriad forms, a constellation characteristic of the impotence of so many formal programmes of systemic change. Thus local government modernisation requires not least a strategic management of "cultural change".

Cultural change was the slogan that dominated the management literature in the second half of the 1980s, and gave rise to a multitude of not infrequently confused and confusing activities. It is only recently that the conceptual and methodological prerequisites and the practical demands of such a management of cultural change have been clearly determined.

*Figure 23: Critical Issues in Cultural Change Programs*

| | | | |
|---|---|---|---|
| 1. Base line | 1. The power of the unwritten rules of the game (Scott Morgan) | | |
| 2. Basic approach | 2. Group-dynamics-led cultural change focused OD strategy-led cultural change | | |
| 3. Methodology | | 3. Sequencing systems versus cultural change approach: systems ⟶ cultural change simultaneous change but not cultural change before systems change | |
| 4. Instruments | | | 4. Single versus multi-method approach<br>1. personal selection, re-deployment, redundancy,<br>2. role modelling, group participation, role playing,<br>3. management education, skill training,<br>4. discursive communication policy from one-to-one councelling, to broad collective communication;<br>5. realignment of reward and control system of the organisation |

Frieder Naschold, Science Center Berlin, 1997/6

Figure 23 draw together from the literature on this subject a number of particularly critical issues in cultural change programmes:

– Programmes of cultural change have proved to be both effective and lasting only when they are linked to an operating strategy and not just, as is frequently the case in English-speaking countries, based on group dynamics or on organisation development processes;

– cultural change programmes tend to be unsuccessful if they are embedded in an organisational context characterised by structurally opposing incentive structures;

– at the very least, for this reason cultural and systemic change should be implemented simultaneously;

– a wide range of methods are on offer on the market for cultural change programmes: given the high risks still associated with such programmes it would appear politic not to rely on one single method, without, on the other hand, falling into an exaggerated eclecticism.

Private sector companies, not to mention public sector organisations, are still in the initial experimental stages with cultural change programmes. Of the cities in our sample, Phoenix recognised the importance of the cultural dimension at a very early stage. In the early days, Christchurch took on the role of pioneer, being the first city to implement a broad-based cultural change programme with a substantial investment in terms of personnel resources and considerable procedural rigour.

*Figure 24: Strategic Management: Cultural Change Program of Christchurch: Leadership-Development-Program*

> 1. Strategy-driven program (giving value - being valued)
> 2. Climate surveys
> 3. Top-down-approach => cascade-processes
>     8 TMT => 35 Unit Managers => 1.000 Staff 1995/96
> 4. Program-characteristics:
>     – 6-days'-program
>     – Group based
>     – Internal/external co-coaching
>     – Ownership
> 5. Three Focal points
>     1. image impact project => individual/collective self-awareness
>     2. behavioural profiles => multi-cultural team building
>     3. conflict resolution => enabling team management and distributed leadership
>
> <div align="right">(Center for Enabling Leaderhip 1997)</div>

Center for Enabling Leadership (1997)

The following elements can be considered characteristic of the cultural change programme in Christchurch:

– Christchurch has sought to link its cultural change programme closely with its central operating processes;

– the orientation of the programme is rigorously top-down and now, after around 18 months, is quite successfully reaching "shopfloor" level;

– the programme focuses in particular on raising the potential of group processes.

### 3.3 Strategic management of the change process

Naturally the change process in itself is of special importance within local government modernisation developments. The specific mode, the time structure, the degree of inclusiveness of the change processes, all these factors are variables that are decisive for success and often play a greater role in determining the effectiveness and sustainability of local government modernisation than substantive-programmatic factors.

Is there one best way to achieve successful local government modernisation? The recent history of the world's leading-edge cities provides a simple and unequivocal answer: no.

*Figure 25: Plurality of Change Processes*

| Phoenix/USA | Christchurch/NZL Tilburg/NL | Linköping/Sweden |
|---|---|---|
| Administration-driven, continuous, incremental reform | Re-engineering conducted on the joint initiative of politicians and administration | Politically driven "revolution" of administrative structures |
| 1978 → | 1989 → | 1992 → |
| (Evolution) | (Invention) | (Revolution) |

Frieder Naschold, Science Center Berlin, 1997/6

Phoenix represents the classical case of long-term and incremental restructuring, largely endogenously driven by the administration itself. Linköping is the reverse case: it was more or less a revolution from above, by politicians, that within a very short space of time has transformed a traditional administration into what is probably the most radical principal-agent model currently in existence, one in which politics is clearly predominant. Christchurch occupies the middle ground in this respect: the very rapid and radical restructuring process across the entire city administration is driven by a joint initiative of politicians and administrators.

If administrative reform in Phoenix can be termed evolution and that in Linköping revolution, the time-compressed re-engineering in Christchurch can be seen as planned invention.

The very different experiences from among the sample cities provide confirmation of the importance of the way in which process control is achieved in the change process. Thus the specific orientation of process control constitutes one of the core processes of the strategic management of local government modernisation.

*Figure 26: Variants of Process Steering*

| Traditional steering strategies | Cyclical improvement strategy (MbR) | Continuous improvement strategy (TQM, TbM) | Radical restructuring strategy (BP-Re-engineering) |
|---|---|---|---|
| Concept steering | Short-term results steering | Process steering | Strategic role-model steering |
| Top-down approach | Top-down approach within management cycle | Bottom-up approach | Simultaneous approach |
| Experts and representatives | Project organisation | Broad-based mobilisation | Dialectic of top management and broad-based mobilisation |
| One-off innovations | Continuous short-cycle improvement | Continuous improvement | Rapid development in "quantum leaps" |

Frieder Naschold, Science Center Berlin, 1997/6

Figure 26 draws together - in ideal-typical form - the most important forms of planned change (as opposed to purely "muddling through" strategies; cf. Wilson 1992):

- in traditional process control the overall concept of planned change is formulated in advance by the leading representatives of the organisation together with external experts and is then implemented as a single one-off innovation from the top down;

- concept-driven change strategies can be distinguished from process-oriented procedures. Change strategies in the tradition of Total Quality Management emphasises continuous improvement together with a broad-based mobilisation of employees; result-oriented process-based approaches, on the other hand, tend to involve short-cycle improvement programmes with a greater degree of top management guidance;

- in business process reengineering strategies the aim is to implement a radical restructuring strategy by linking together a number of different elements: "visioning" by experts, strong steering by top management, broad-based mobilisation in the implementation process, these and other components are supposed to bring about rapid, time-compressed "leaps forward" in organisational development (see Buchanan 1996).

Recently the debate in the private sector on the strategic management of the change process has increasingly focused on a single question: to what extent can radical process innovations, thought to be necessary in the face of market trends, be rendered compatible with approaches based on a broad-based, bottom-up mobilisation in the tradition of TQM, as required by the internal situation within administrations, the resource-oriented approach taken by organisations and from the perspective of cultural change. Thus the design of an appropriate change strategy, with all the risks that it involves, is one of the central tasks of strategic management at headquarters level, and one that cannot be prejudiced by individual operating units.

### 3.4 Strategic management of continuous self-observation: modernisation of evaluation

The "traditional" practice of administration is based on the stetting of rules and the supervision of adherence to them. "Modern" administration, on the other hand, is characterised by target setting and evaluation. Thus on-going (parallel) observation and evaluation of results attainment plays a central role in the modernisation process.

The conceptual centrality of evaluations both as a parallel monitoring and ex post examination of target agreements is, however, in marked contrast to the actual practice of evaluation. An international comparison of experiences in this context has generated very sobering findings (Leeuw/Rist/Sonnichsen 1994): politicians prefer to set targets than to have goal attainment figures presented to them for the purpose of evaluation. Compared with the importance of evaluation as the most important source of feedback for organisational learning, far

too few social resources are invested in such activities. Around 95% of the evaluations exam-
ined - according to a report by the Swedish "National Audit Bureau" - served to support one
position within a relatively limited frame of reference, and thus only permitted instrumental
(single-loop), but not strategic-paradigmatic (double-loop) learning (Furabro 1994). It is strik-
ing that virtually all the countries with experience of local government modernisation have
failed to complement the innovation process as such with the establishment of an
institutionalised means of parallel self-reflection within the system as a whole. Yet systems
development is not merely an activity planned by technocrats, but rather must be based on
observation and self-organisation processes as a central medium of collective learning. This
requires not merely the deepening and broadening of existing stocks of knowledge, but the
creation of new knowledge capacities as a means of processing experience Luhmann 1981, p.
375). Moreover, these self-reflecting processes must not be confined to the top levels of the
organisation, but must be distributed in heterarchical fashion throughout the entire system.

The critical experiences with inadequate evaluation can be summarised in the form of four
conclusions; elements that cannot be dealt with by the various operating units, but, in the final
analysis, only as a form of value added by strategic management.

*Figure 27: Strategic Management and Evaluation*

(1) The potential provided by evaluation must be deployed as an instrument of "double-loop
    learning" by making available knowledge "about the fundamental assumptions underlying
    varous activities" (National Audit Bureau, quoted in Furabo 1994).
(2) The ex post analysis of organisational processes, and especially of innovative action, is a form of
    learning complementary to the ex ante analysis of objectives (Weick 1985).
(3) Organisations cannot monitor themselves in a way that is both uniform and unidirectional.
    Because the processes are contradictory and take various course self-monitoring requires the
    creation of changing processing points distributed heterarchically throughout the entire system
    (Kasper 1991).
(4) Evaluations should be differentiated in accordance with their function, the underlying decision-
    making process, and the various actors involved (Hjern 1991; Furabo 1994). It would be useful
    that the strategic business units and to some degree the parliamentary committees perform the
    classic exposed investigations; program evaluations are related to sectoral political processes
    and should be dealt with by sectoral experts from politics and administration; strategic policy
    evaluation considering the direction of the overall process imply fundamental decisions and can,
    at last, only be handled by strategic management units.

Frieder Naschold, Science Center Berlin, 1997/6

## 4.     Strategic management or the management of uncertainty?

The modernisation discourse, both theoretical and practical, is dominated by a conception of
strategic management that has been termed the "rationalist concept" of the strategic manage-
ment of change (Wilson 1992). Such a conception of management is particularly predominant
in the sample cities in the English-speaking countries and the Netherlands. At the same time
there are cities such as Farum and Linköping which do not apply the strategic management

approach described above in this form, but nevertheless claim to pursue a strategically oriented form of management.

Yet these seemingly rather different cases are indicative of more recent development trends in theory and practice that constitute alternatives in the demand profile of strategic management and may be termed the "management of uncertainty" (Stacey 1992).

*Figure 28: Strategic Management: Management of Uncertainty*

| *Strategic Management* | *Management of Uncertainty* |
| --- | --- |
| – mission statement<br>– formulate vision<br>– long term plans<br><br>– key result areas and indicators<br><br>– strategic milestones<br>– monitoring achivement<br><br>– culture building<br>– incentive and control systems | – no prior organization-wide intention<br>– designing use of power and interest as a pluralistic political system<br>– establishing self-organizing teams with power and group dynamics<br>– developing multiple cultures<br>– discovering challenges, generating new perspectives, taking risks<br>– creating resource slacks<br>– building heterarchic sensor systems, create and support |

Frieder Naschold, Science Center Berlin, 1997/6 on the basis of Stacy (1992)

In contrast to the "rationalistic" conception of strategic management, the "management of uncertainty" is seen as a political process of administration under the conditions of uncertainty. Local government is, in the final analysis, a pluralistic political system that must be managed according to the rules of political pluralism and not so much according to a rational decision-making and planning logic: instead of developing mission statements, target systems, results planning and incentive and control systems, the task is primarily to organise the politico-administrative arena in the form of a competitive process between interest and power groups. Establishing "rules of the game", activating self-organising teams, ensuring a workable administrative competition, all these activities constitute, according to this conception, the real core of a strategic management within political systems and under conditions of uncertainty (on this see also Pfeffer 1992).

Faced with this controversy it is important that these two approaches to strategic management are not played off against one another, neither in theoretical nor practical terms. There is considerable support for the view that the two concepts are complementary rather than substitutive in nature (see Schreyögg 1994 and Schreyögg/Noss 1994). If this is in fact the case, the proponents of the two concepts have a lot to learn from one another.

I began this section by pointing out the relatively underdeveloped nature of strategic management in the public sector, and here in local government. It may be possible for local government to derive a "second-mover advantage" from this fact. It is not obliged to repeat every

mistake committed in the development of strategic management in the private sector, it must not follow every passing trend. Against the background of the experiences made in the private sector, it is possible to address the core problems of strategic management as the missing link in internal modernisation in local government administration in a clearer and more focused way. The following elements must be considered central:

– the rapid development of strategic management practices before the centrifugence of the divisional structure of modern administration has had chance to gain to much momentum;

– a close linkage between strategic management and the operative core processes is required instead of the lofty "strategic planning" and "strategic intentions" of the old school;

– the broadening of strategic management from the administrative leadership to a top management team, and project-based management encompassing the organisation as a whole instead of monolithic structural formations and the traditional line, staff and project organisation models;

– a conception based on a strategic and highly political process, as opposed to a narrow technocratic concept.

Understood in this way, strategic management not only constitutes the missing link in internal modernisation, but can also, if applied correctly, represent the value added by the central headquarters in a modernised local government administration.

## VI Agenda 21: A New Interface Management of the Relationship of Local Government to Politics, the Economy and Society

Just as the divisionalisation of traditional local government requires a redetermination of the function of the centre in terms of strategic management, the paradigmatic change from a producing to a guarantor form of government raises the critical question of how the relationship between local government and the various segments of its environment is to be redetermined. On the local government agenda for the 21$^{st}$ century, in other words, is a rearrangement of the interfaces between local government and politics, the economy and society.

*Figure 29: A New 'Interface Management' of Administration and Environment*

1. Democratic-political leadership: the redefinition of the relationship between administration and politics

2. The "smart-buyer-problem": the redefinition of the relationship between administration and economy

3. Devolution: The redefinition of the interface between politics and the civil society

Frieder Naschold, Science Center Berlin, 1997/6

I would like to discuss a number of topics in this, the second focal point of the Agenda 21, referring to some of the critical trends and problems. As will become apparent, an innovative "interface management" of this type proves to be something of a terra incognita, characterised by many unanswered questions, but still very few problem-solving approaches.

## 1.      Political Governance and Public Management

In this sub-section I would like to mention some selected policy problems as revealed by the WZB study in its preliminary evaluation of international local government modernisation.

### *1.1      Central Structural Problems of Political Steering*

Due to the close interaction between politics and administration, problems of political steering have a direct and specific impact on the administrative process.

*Figure 30: Central Structural Problems of Political Steering*

1. Underdevelopment of political steering in relation to the differentiation of management systems (managerial dominance)

2. Contradictory objective systems in the local administration modernisation:
   *Managerialism*                    versus              *Representative-democratic leadership*
   - Separation politics/administration              Hegemony of the democratic
   - Dominance of management perspectives        Representation mechanism

3. Inconsistency of the separation model in everyday administrative practices, particularly within Strategic Management
   What                           How
   Products =politics             Processes = administration

4. The misleading "Leitbild" of private sector management for political steering

5. The differentiation of the political, economic and societal reference systems of local politics

6. Transformation processes of the local political system

Frieder Naschold, Science Center Berlin, 1997/6

- The greater the progress made in the internal modernisation of local government administration, the greater is the danger of a corresponding underdevelopment of political steering; attention has already been drawn to the trend towards managerial predominance.

- The New Public Management movement is based on a contradictory target system: the strengthening of management by separating politics and administration is in tension with the strengthening of representative-democratic leadership (Aucoin/Bakvis 1988).

- An analogous inconsistency results from the separation between political target-setting and administrative execution. In the analysis of strategic management the essential importance of linking target steering at least with the cornerstones of operative implementation: "The belief that politics and administration and government - like formulation and implementation in corporate planning - can be separated is another old myth that should be allowed to die a quiet death" (Mintzberg 1996: 79).

- The constituting principle of the local government system is precisely the contradictory unity of politics and administration, in other words the complementarily of very different governance structures: party political competition and parliamentarianism on the one hand and administrative hierarchy on the other. If this is true then the private sector, while it may provide fruitful impulses in the areas of strategic and operative management, cannot serve as a role model for political steering and its linkages with management: "Above all, so many experts, government must become more like business. It is especially this proposition that I wish to contest. If we are to manage government properly, then we must learn to govern management" (Mintzberg 1996: 76).

- Another constitutive characteristic distinguishing the political system from the private sector economy is the multiplicity of very different reference systems in politics, society and the economy for which politics must take, in one form or another, responsibility. This is in contrast to the high degree of "environmental specialisation" characteristic of the economic system (see below, section VI., 1.5). The increasing differentiation of these different reference systems places demands on the political system that are new and qualitatively different from those made of the private sector.

- Last but not least, the architecture of politics itself is increasingly undergoing change. In particular the traditional organisation of political leadership, especially in the relationship between political and managerial leadership, and the changes in the local political infrastructure of the political parties, collective organisations and civil groups that point to the transformation processes of the local political system (for the German-speaking countries cf. Holtmann 1992 and Bovenschulte/Buß 1996 and for New Zealand Reid 1995).

Thus the central problems in the modernisation of local governance structures are to be found not only in the conceptual tension between political and administrative steering; rather, it is the increasing fluidity of the political framework and the differentiation and organisation of the external reference systems in society and the economy that are serving to restructure the overall context for administrative modernisation.

## 1.2 The Steering Capacity of Political Leadership

The greater the emphasis on results steering in the process of local government modernisation and the less the extent to which local administration is tied to rules, the more important for the overall system is the development of an effective political steering. One of the central findings of the WZB study is the clear trend towards a growing disequilibrium between an increasingly rational administration and a more structurally conservative local politics. The dangers of a vicious circle associated with this is particularly graphically described in the Japanese discussion: "The dependence on bureaucrats takes politicians further and further away from the public's expectations and this in turn makes them more dependent on organised interest groups for re-election and hence on bureaucrats to supply those interest groups. This vicious circle is made possible by the lack of public participation in politics" (Yamaguchi 1997).

Counter-trends are, however, to be observed in all the sample cities, trends towards a further development of political steering capacity, i.e. of the local council and political leadership. Trail-blazing in this context were the Free Commune experiments in Scandinavia and in the Netherlands in the late 1980s, with their particular accentuation of political architecture. Yet in the English-speaking countries, too, innovative improvements in political steering capacity were introduced in the context of the emphasis placed there on management reform. The WZB study identified the following major institutional adjustments of the political steering capacity of local councils and political leaderships.

*Figure 31: The Steering Capacity of Political Leadership*

```
1. Institutional adaptation of local parliament
     1. Formation of focussed council's committees
     2. Two-step representative mechanisms
     3. Strategy committee
     4. strategic seminars with administration
     5. professional further qualification

2. Institutional adjustment of political leadership
     1. political visioning building
     2. political controlling
     3. political evaluation complementing the management-driven program and project
        evaluation/-revision
     4. new strategic discourses on visions, objectives and resources framework
        including the key aspects of  implementation
```

Frieder Naschold, Science Center Berlin, 1997/6

– In the case of local councils, the striking development is its own internal modernisation: the reintegration of the fragmented organisation based on committees and the formation of cross-departmental and long-term-oriented strategic committees. As regards the relationship to the external environment, of particular interest is the decentralisation of council work in conjunction with strategic representation of city districts - i.e. a possible coupling of strategic target setting and individual operative dealings - and above all the intervention in the strategy formation process in the form of joint strategy seminars between management, political leadership and local council.

– Institutional adjustment by the political leadership of local authorities is to be found largely in the instrumental and methodological fields. Logically enough the approaches here are situated at the beginning and the end of the value-addition chain within the local authority: At the start of the chain we find strategy determination by means of politically steered, public and participative visioning processes together with the local population on the one hand and explicit strategic discourses with the top management team on the vision, targets, resource allocation and the cornerstones of the implementation process on the other. The emphasis as regards political improvement measures at the end of the value-addition chain is placed on political controlling and strategic political evaluation with the aim of complementing and possibly even overlapping the programme and project evaluations conducted by management.

The trends towards a modernisation of political steering capacity sketched out here remain largely in the experimental stage and have yet to be introduced on anything like a broad scale. Whether or not they will prove effective or sustainable remains unclear. Yet the findings so far suggest that they constitute points of departure for a project of a reform of political steering capacity as a necessary correlate to administrative modernisation.

## 1.3 Establishing Linkages between Political and Managerial Leadership

Given that the local governance structure is characterised above all by a hybrid combination of mechanisms of party political competition and those of administrative hierarchy, the architecture of this interface between the two governance mechanisms is clearly of strategic importance. Among the cities analysed in the WZB study a wide range of linkage types can be observed.

*Figure 32: Linkage Models between Politics and Administration*
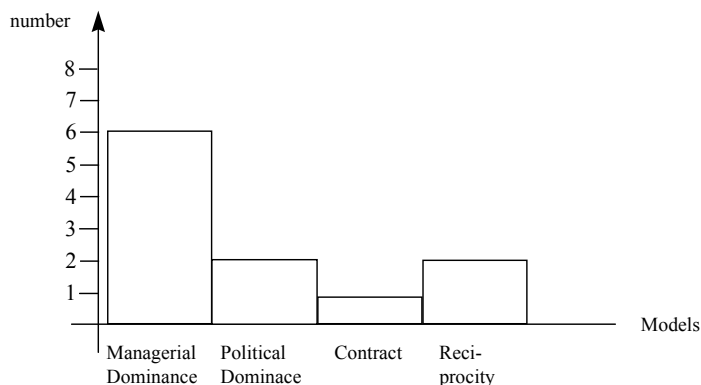


Frieder Naschold, Science Center Berlin, 1997/6

– In the overwhelming majority of the sample cities the linkage type is one of managerial predominance: Phoenix, Braintree and Tilburg are the best examples of this. A prototypical case of the reverse, namely political hegemony is Farum. Linköping is the only city in the sample in which the contractual relationship is explicit and pervasive, whereas is cities such as Christchurch and Hämeenlinna the relationship between politicians and administrators is reciprocal in nature.

– In terms of the criteria of administrative effectiveness and efficiency, it is not possible to identify a best practice model. The different linkage patterns do have specific strength and weakness profiles, however. The managerial dominance model is favourable for the operative efficiency of management action, but is likely to be less effective in terms of major strategic shifts in the social or economic environment. The model of political dominance, on the other hand, depends entirely on the prevailing constellation of the party-political balance of power in the city. Contract management cannot be said to have been tried and tested as yet, but the level of endogenous internal stability would appear to be low. The reciprocity model, finally, is costly in terms of transaction input but appears to offer particularly favourable conditions for a co-evolution of politics and administration in the modernisation process.

Just how important continuous interaction and dynamic co-evolution between politics and administration for the restructuring process can be, is revealed by the findings on the critical conditions for the success of local government modernisation.

*Figure 33: Relationships between Politics and Administration in the Modernisation Process*

|  |  | Role of city administration | |
|---|---|---|---|
|  |  | City manager | Civil servant |
| Role of politicians | active | City development is a "joint venture" between politicians and city managers in the form of a joint development network<br><br>(Innovative modernisation strategy) | De-coupling of active politics and administration following traditional civil service ethos<br><br>(Few innovation) |
|  | sub-altern | City manager is "dictator", managerial dominance over politics<br><br>(Limited innovation) | Overlapping of politics and civil service role (particularly in small authorities)<br><br>(Stagnation of the local government administration) |

Frieder Naschold, Science Center Berlin, 1997/6

The most favourable conditions for modernisation exist in those cities in which the role definitions of the city manager and politicians are clear, both are relatively powerful and the resulting potential is exploited by "strong personalities", whereby the skill profiles of politicians and managers are complementary.

## 1.4    Mechanisms and Forms of Political Responsiveness

Yet the adjustment of the political steering system of local government cannot merely occur, so to speak, on the "output side", but must also cover the "input side" of politics. The "voice" mechanism, that is the opportunity for citizens to articulate their own preferences as authentically as possible, is a necessary condition for the effectiveness of the administration, not only for normative-democratic reasons (Hirschmann) - for administrative activity is much more than merely optimising economic efficiency: it must aim for as high a degree of goal attainment with respect to the preferences of citizens as possible. The existence of such a target system is precisely what makes authentic preference articulation by the citizenry so important; this cannot be replaced by mere marketing techniques.

The most important dimensions of such a voice function lie in representative party democracy on the one hand and in the various forms of direct-democratic responsiveness mechanisms on the other.[3]

---

3 On the representative party political system from the perspective of responsiveness see, among others, Dahl 1971; on direct-democratic mechanisms see most recently Stahlberg 1996 and more generally Etzioni 1968.

*Figure 34: Critical Dimensions of Democratic Responsiveness Mechanisms*

I   *Optimisation of the representative democracy*
    1. Parliament: quantitative representation relationship
    2. Developmental status of the local political parties' system
    3. Intensity of political parties' competition
    4. Degree of socio-economic inequality

II  *Extention of the political responsiveness mechanism*
    1. Direct referendum democracy
    2. "Small democracy": small groups in small areas
    3. User democracy in welfare state institutions (education, social affairs, health)
       in the context of the civil society
    4. Industrial demokracy (centralized und decentralized)

Frieder Naschold, Science Center Berlin, 1997/6

It is not possible within the framework of this report to deal with all the various responsiveness mechanisms in the sample cities. Of particular interest for our context are, given the underdevelopment of politics in the local government modernisation process, the existing scope for the development of democratic political structures is of particular interest A very provisional positioning of the sample cities in this respect generates the following findings:

*Figure 35: Development Potential of Political Responsiveness Mechanisms*
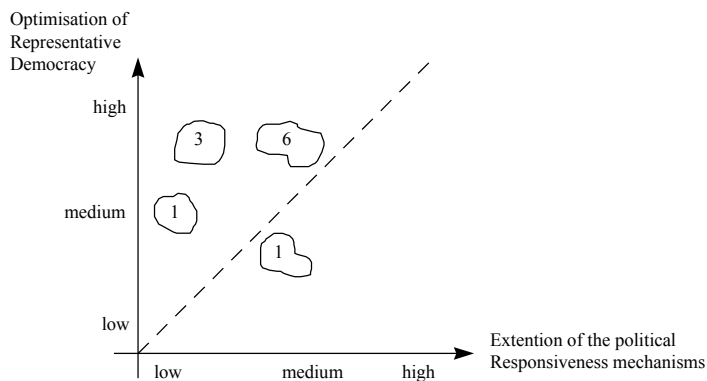


Frieder Naschold, Science Center Berlin, 1997/6

– In the majority of the sample cities the institutions of representative democracy are very highly developed. Potential for development remains in the further differentiation of the party political system with respect to the new social movements and the intensification of party-political competition and with a view to the frequently high degree of socio-cultural inequality, which constitutes a serious barrier to broad-based participation by the local population.

– On the other hand, in almost all the cities in the sample there is a very considerable development potential in an expansion of direct-democratic responsiveness mechanisms. In most of the cities a series of innovative experiments has been initiated: the various forms

of "small democracy" (especially in Hämeenlinna), the articulation of a user democracy in the citizens' advisory councils of many welfare state institutions of the social security, health and education systems (particularly in Denmark, the Netherlands and Sweden), the opportunities for participation in urban development and in the budgetary process (especially in Phoenix and Christchurch), the structural decentralisation of politics in district bodies with easy citizen access (in Braintree), and the direct referendum-based democracy in Switzerland. All these developments are still more or less in the experimental stage, however. As yet they do not constitute a stable political infrastructure of direct-democratic responsiveness.

– Frequently a theoretical and practical contradiction is seen between the existing representative democracy and an expansion of direct-democratic responsiveness mechanisms. The WZB study comes to very different conclusions, however. The overwhelming majority of the politicians questioned in the sample cities consider such an expansion to be less of a competition than a useful complement to the mechanism of political representation. This view is all the more true in those cities that have made the greatest progress so far in the local government modernisation process, i.e. those in which politicians are, as it were, seeking coalition partners within the political system in the face of the trend towards managerial domination.

Clearly the "modernisation" of the political infrastructure, and in particular of direct-democratic responsiveness mechanisms as a complement to representative-democratic representation mechanisms is one of the central challenges for the on-going development of political steering at local government level.

### 1.5 *Political Accountability versus Political Representation - a Central Problem in the Process of Local Government Modernisation*

The imbalance in the modernisation development between administration and politics has in all the sample cities drawn attention once again to the precarious relationship between local government modernisation and the citizenry. Yet on top of this there are two additional developments that are currently serving to accentuate the problem of political representation: on the one hand the differentiation of political reference systems described above, and on the other the reduction of political representation to political accountability. Both of these interlocked trends constitute a central problem in the representative political leadership of the local authority.

The extreme case of the Challenger tragedy can be taken to illustrate the problem of multiple accountability systems for public projects (on the following see Romzeck and Dubnick 1987).

The destruction of the Challenger spaceship was due, according to the unanimous finding of the official commission of enquiry, to both technical and managerial problems.

A more fundamental analysis of the causal factors lying beneath the technical and managerial failings points, however, to the problem of multiple reference systems to which the public sector - here in sharp contrast to the private sector - is accountable. According to the study referred to above, it is precisely the pressure resulting from the expectations held by the various institutional "centres of accountability" that, in the final analysis, led to the disaster.

*Figure 36: Relationships within Accountability Systems*

| Type of Accountability System | Analogous Relationship (Controller/Administrator) | Basis of Relationship |
|---|---|---|
| 1. Bureaucratic | Superior/subordinate | Supervision |
| 2. Legal | Lawmaker/law executor Principal/agent | Fiduciary |
| 3. Professional | Layperson/expert | Deference to expertise |
| 4. Political | Constituent/representative | Responsiveness to constituents |

Romzek/Dubnik, in: Public Administration Review, May/June 1987, p. 230

- As is evident from the Figure, the (at least) four very different institutional reference systems - the bureaucratic, legal, professional and political - each hold very different expectations regarding action by the public sector.

- The differentiation of accountability centres is primarily to be seen - in line with both theory and numerous practical discourses - as a development process to increase the responsiveness of political-administrative action.

- The differentiation of accountability centres, however, incurs the cost of generating contradictory and not infrequently insoluble expectations on policy-makers and management. Yet given that currently no single one of the four systems is inherently more legitimate than the others, public sector action clearly faces structural dilemmas which, in the final analysis, cannot be resolved in an optimal way.

Against this background it is not difficult to see that the question of public responsibility is one of the central themes of the modernisation of public administration, particularly in the advanced countries and cities characterised by decentralised administrative structures and the contracting of many public tasks out of direct administrative control (for British trends cf. H.M.S.O. 1994: The Civil Service - Continuity and Change; H.M.S.O. 1994: The Citizen's Charter. Second Report 1994).

What has so far been largely ignored in public debate is the fact that accountability, conceived as answerability, constitutes a serious reduction of the traditional-democratic understanding of political representation (see Pitkin 1967).

*Figure 37: Three Concepts of Political Representation*

| I<br>*descriptive-symbolic* concept | II<br>*formalistic* concept (authorization / accountability) | III<br>*substantive and procedural* concept |
|---|---|---|
| representation = standing for | representation =<br>1. to be authorized to act<br>2. to have to answer to another for what has been done | representation =<br>1. substantive acting for other<br>2. within responsive institutional arrangements |

Frieder Naschold, Science Center Berlin, 1997/6 according to Pitkin (1967)

– Accountability, and conversely also "authorisation", is a formalistic reduction of representation. It refers only to the two ends of the process of political representation: the act of authorisation on the one hand and the obligation to report on the activity performed, on the other.

– In contrast to this, the classical concept of political representation encompasses both substantive and procedural-formal components: to act on behalf of others in a substantive respect and to do so within a responsive institutional arrangement.

– Within this broad, substantive-procedural conception of political representation there are of course numerous variants, depending on the view taken of the capabilities of the political leadership and of those to be politically represented, of the specificity of the agenda etc.

The reduction of political representation to formal accountability/authorisation are trends that can be observed in most (especially anglo-saxon) countries and cities. They must be interpreted against the background and of the - intended - separation of politics and administration, the divisionalisation of the administration, the contracting out of many public tasks and not least the segmentation of multiple accountability systems. If these trends are to continue, there is indeed the danger, as some fear, that administrative modernisation and political democracy will be reversed instead of promoted.

These dilemmas and dangers do not pose a problem - or only in a much more diluted form - for the managers of private companies. For those bearing responsibility in the public sector and in particular within local government, however, political-democratic governance struc-

tures and political-representative leadership, which are more than the mere optimisation of strategic management, constitute central themes in the redefinition of the relationship between politics and administration in the run-up to the 21ˢᵗ century.

## 2.    Public Management and the Economy in a Guarantor Regime

Even if, despite the reforms, a considerable proportion of public tasks are still performed by the public sector itself - the proportion varies substantially between countries and cities - the trend towards a separation of political programming and service delivery and towards out-sourcing form the core administration is very evident in all the sample cities. The outsourcing of public tasks out of the core administration can consist primarily of a straightforward priva-tisation programme, the policy favoured during the central phase of Thatcherism (Pirie 1988), but can also involve an impulse towards innovative hybrid arrangements in public-private partnerships and in public-private competition. In all these cases the trend towards a local government guarantor regime marks a far-reaching redefinition of the relationship between the core administration and the economy.

Our case-study cities provide examples of both painful and extremely successful models. Overall, though, it should be said that all the cities are only now beginning to restructure their relationship with the economy. The creation of a competitive environment in the context of the local government guarantor regime has far-reaching effects that in this form, are only now being addressed, even in the leading-edge cities (see Oster 1994):

− Given that in a competitive environment the strategic behaviour of local government must always consider the counter-strategies of fellow "players", in other words the situation is one of dynamic disequilibrium, the traditional range of strategic planning instruments is all but obsolete;

− given that the market constellations, with their respective incentive systems, market entry and exit barriers etc., differ from policy arena to policy arena, strategic management and local government policy makers must adapt to a wide range of different competitive proc-esses.

Thus on the one hand we have a large number of questions, on the other a small number of problem-solving strategies. Let us take some of these problems by way of example: I would like to consider the "smart buyer" problem, "public-private competition", the issue of "cus-tomer-value management" and the problem of customer satisfaction.

### 2.1    The "smart buyer" problem

The USA is probably the country with the longest and most pronounced history of "minimal-ist government" concepts, "contracting out" practices and actual privatisations. Indeed, devel-

opments there have gone so far that worried commentators are asking about "inherently governmental functions" and the specific capabilities of the public sector that, in a positive sense, are necessary for the functioning of the system as a whole (General Accounting Office 1991). In a testimony to the Committee on the Budget of the United States Senate, D. F. Kettl listed the most important capabilities of the public sector with respect to private industry.

*Figure 38: The 'Smart Buyer' Problem*

Smart private sector managers know that they need to build their own capacity to be strong players in the market: to define clearly the goods they want to buy (so that unscrupulous or less skilled suppliers do not do the job for them); to find reliable, high-quality suppliers (so that they are not at the mercy of whoever responds to a request for a bid); and to know how to judge the quality of what they have bought (to ensure that goods and services live up to promises). If government is to learn the lessons of the private market and to rely on it more, it needs to learn to be just as smart.

Government's record of buying smart, however, is not strong. Government regulations sometimes force decision makers to focus obsessively on obtaining the lowest price regardless of quality or performance. No smart private sector corporation would operate that way; reliable delivery of quality parts would loom large in their decisions. But government workers are often not allowed to make such judgements and, when they are, they typically are ill-equipped and under-staffed to do the job. The current movement to slash the federal workforce even further risks undermining the government's ability to do its job.

If government is to operate more like the private sector, in the private sector's world, it must begin to act more like smart private sector organizations. That, in turn, requires cutting government programs and services that are not needed but also building the capacity top operate effectively in a highly competitive marketplace. There is,, unfortunately, no evidence of any such strategic thinking. The huge fraud, waste, and abuse problems of the 1980s are only a hint of the dangers that could come from a failure to manage well a new generation of challenging programs.

The federal budgetary, procurement and personnel processes create the wrong incentives for making the smart decisions over the long haul to save money.

Testimony of D. F. Kettl to the Committee on the Budget of the United States Senate, March 7, 1995

- In a deregulated environment both central and local government should orientate their activities to the positive role model of a strong and strategically versed market partners, in short to "smart buyers" in competitive markets, not least in order to avoid waste, fraud and abuse.
- In operative terms what is required is the capability to specify clear targets, to create an intelligent network of suppliers, and to deal simultaneously with price and quality issues in a market-based competitive process, whereby these issues take on very different forms in each market segment (Vickers 1995).
- The incentive systems that still exist in the budget, procurement and personnel processes are counter-productive in terms of rational decision-making in a competitive environment.

The fact that this public sector "smart buyer" problem with respect to the competitive environment has a huge cost and quality dimension an be illustrated by way of example by comparing cost and quality in the construction of public and private hospitals.

*Figure 39: Cost and Quality Comparisons in the Construction of General Hospitals*

|               | Private | Public |
|---------------|---------|--------|
| Throughput time | 60%   | 100%   |
| Investment      | 65%   | 100%   |
| Quality         | 85%   | 70%    |

Leucorea (1996)

## 2.2    *"Make or buy" or public-private competition*

One of the most important decisions to be taken in the process of rendering public services is of course the fundamental choice between in-house production and outsourcing. The choices made by many local authorities are frequently dominated "knee-jerk reactions". In the Scandinavian countries (but not in Denmark), for example, it has long been considered self-evident that the overwhelming majority of services must be produced in an by the public sector, whereas in Thatcherite Great Britain the ideological programme of privatisation predominated, irrespective of local conditions. A similar pattern of ill-considered reflex reactions is currently to be observed in Germany, where, with a view exclusively to short-term cost cutting, a veritable "flight" into the privatisation of public assets has begun. As we have already seen in another context (V., 3.2.: the "smart buyer"), such decisions should be based on strategic, long-term calculations of portfolios and, costs, and earnings in the context of the overall development of the city.

Both Christchurch and Phoenix are good examples of new approaches to a "smart buyer" policy. For example, both cities have managed to create a public-private competitive market in the area of waste removal which not only offers the city an element of strategic control over a market of considerable political importance, but which by means of the enormous improvement in public service delivery through competition with private firms has brought about significant reductions in costs and improvements in service quality for the local populations (for details see Naschold 1995). On the other hand, the fact that even in these cities there remains a huge potential for improvement in the various operative stages of the competitive process can be seen from the relatively modest range of instruments employed by these two cities in strategic and operative procurement compared with the elaborate tools used by leading-edge private sector firms (for example see Siemens 1996).

## 2.3    Customer-Value Management

There is a growing consensus in the advanced discussion in the service sectors of both the private and public sector that the "final aim" of services is not merely the delivery of service products, but lies in raising customer utility. Yet even where this paradigmatic change from a producer to a consumer perspective has been implemented, a large number of conceptual and methodological inconsistencies remain. One expression of this can be seen in the so-called "paradox of customer satisfaction": despite rising customer satisfaction the market shares of a product can decline (Gale 1994, chapter 2). In this sub-section I would therefore like to consider some aspects of "customer-value management" that may be of increasing importance for local government in a competitive environment. Given the considerable experience gained in this area in well-run private sector firms, I would like to concentrate on the relevant analyses from this sector (see in particular Heskett et al. 1997 and Gale 1994).

If customer loyalty on the basis of customer satisfaction is the most important explanatory factor for a firm's growth and profitability, the management of customer utility is clearly *the* central operative process that must permeate the entire organisation. Let us consider the most important steps in developing such a "customer-value management":

*Figure 40: The Path to Competitiveness*
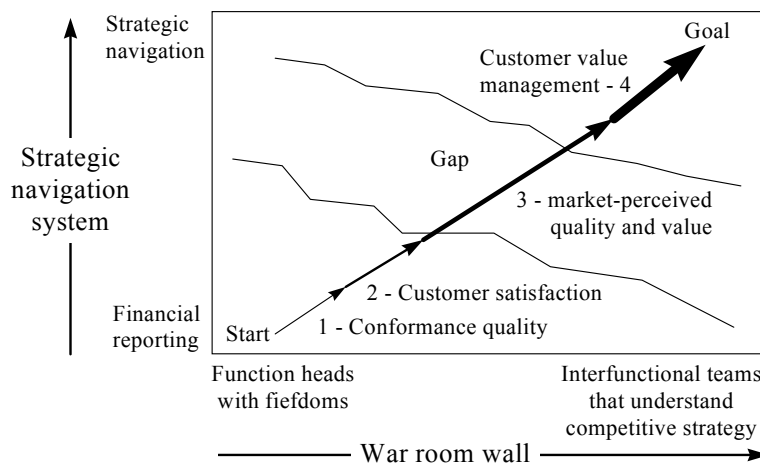


Frieder Naschold, Science Center Berlin, 1997/6

− Four phases can be distinguished in the development of "customer-value management". In the 1970s the concept of "conformance quality, a producer-oriented perspective" spread through leading firms; with the "customer satisfaction concept", originating in Japan, a more customer-oriented perspective established itself in the 1980s, and this remains the predominant concept in the private sector. The weaknesses of this position - the reduced appreciation, in conceptual and methodological terms, of customer satisfaction, exemplified by the "paradox of customer satisfaction - have been overcome in the concept of

"market-perceived quality and value" which was increasingly adopted from the mid-1980s. In the most recent phase, since the start of the 1990s, selected leading-edge firms have begun to tie in "customer-value management" to their strategic management.

– Of relevance to our discussion is above all phase 3. The concept of "market-perceived quality and value" marks five conceptual and methodological improvements on the previous phase: the microeconomic underpinning of "value management" by a model of consumer behaviour in which the decision to purchase is independent of the views taken by the producer; the extension of the concept of the consumer to cover the entire market, i.e. including non-consumers and potential consumers; comparative product evaluation between competitors relevant on the market and not merely the evaluation of the firm's own product on the basis of its own customers; the evaluation of all the relevant product dimensions in accordance with the "stages in attribute life cycle of products" (see Gale 1994: 214); last but not least, the traditional separation of the assessment of price and of quality has given way to an integrated utility evaluation.

– As far as the statistical distribution is concerned, the existing evidence suggests that phase 2 has been fully adopted in the private sector, progressive firms have reached phase 3 and a small number of leading-edge firms have managed , at least in part, to link up "customer-value management" with their strategic management. In contrast the public sector is largely still concerned with introducing "conformance quality", i.e. phase 1, as exemplified by the ISO 9000 movement, while the leading-edge cities in the sample have just reached phase 2, the customer satisfaction concept, although only in some areas and not yet systematically. Christchurch has just begun to address the issue of "value planning", whereby the accent is very much on the internal organisational questions of human resource development and less in the external orientation towards analysing, evaluating and managing customer utility.

*2.4    Customer Value and the Organisational Form of Local Government*

The redefinition of he relationship between a "guarantor" local government and the economy generates, by way of the focusing on customer utility rather than the traditional producer orientation, a substantial pressure to adjust on the core administration, an adjustment pressure that goes far beyond the goals of internal modernisation pursued so far. By way of example I would like to describe two local government restructuring programmes from the "smart buyer" perspective.

At the start of the 1990s the city of Linköping undertook a far-reaching programme of organisational restructuring as part of a radical implementation of the "smart buyer" and customer-utility perspective.

*Figure 41: Linköping Orderer/Producer  Model*
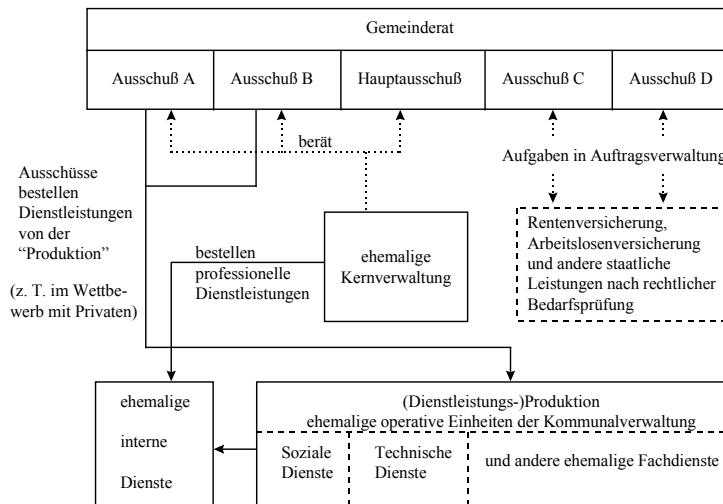


Frieder Naschold, Science Center Berlin, 1997/6

Two characteristics, in particular, define the "organisational revolution" in Linköping:

– the transition to a consistent client-contractor or orderer-producer model, this with a radicality that is almost certainly without precedent inn the history of local government. It is politicians themselves, the elected representatives in the various local council committees, that procure the services required;

– the procurement model is combined with competition between private and public providers, i.e. a mixed-economy model, albeit one that has yet to achieve the sophisticated state of development reached in cities such as phoenix and Christchurch.

A second example of innovative development within the framework of the "smart buyer" perspective is to be found in the so-called "partnering contracts" introduced in the city of Phoenix. In the extremely tough competition between cities to attract large investors, those cities whose planning and approval procedures are in accordance with the quality standards of the potential investors clearly have an advantage. In the inter-city competition on the west coast of the USA to attract firms such as Motorola and Sumitomo with their high quality standards, not least of process management, the city of Phoenix has fundamentally restructured its planning and approval procedures and, by means of its "partnering contracts" has established joint principles between the city administration and firms in order both to take greater account of customer demands and also more effectively to realise the city's own acquisition targets.

## 2.5    A New Product Strategy for the Public Sector?

Until the early 1990s in the USA and until at least the mid-1990s in Europe, cost-cutting strategies were the predominant trend in the private sector, the aim being to realise the model of the lean, highly focused firm with flat hierarchies. More recently, however, a change in the strategic orientation has occurred, particularly in the USA.

*Figure 42: The Limits of Cost Cutting Strategies within the Private Sector*

Of 131 conducting intense cost-cutting drives between 1985 and 1995
 – 37% consideres as shrunk versions of their former selves
 – 26% growing, but unprofitable
 – 10% still cutting costs
 – only 27% emerged as profitable
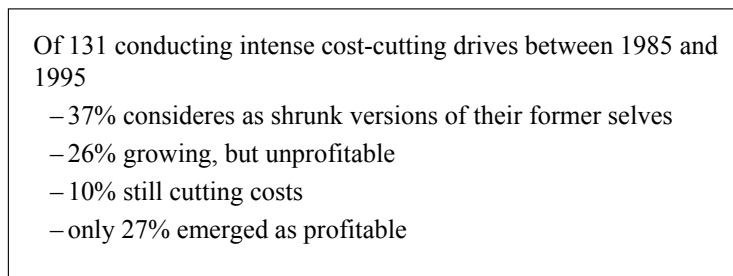
Mercer Management Consulting (1996)

The disappointing outcomes of pure cost-cutting strategies have forced firms to rethink their strategies in favour of new products and innovation-driven growth strategies. In the wake of the private sector, and intensified by the fiscal crisis facing most cities and countries, a far-reaching cost-cutting strategy has predominated in local government since the start of the 1990s, particularly in Europe. Yet these strategies have served to exacerbate the already disastrous situation on European labour markets, the effects of which are felt particularly strongly in the cities. Yet here too, and again analogously to developments in the private sector, the idea of a strategic reorientation in terms of developing new products is gaining ground, implying a new growth strategy on the part of the public sector.

The traditional path of local government product and employment policy starts with the local parliament, as the central body responsible for "product development", and the proceeds via the monopolistic public sector administrations, as the employment and production location. In the context of the redefinition of the relationship between local government and the economy, however, in this area, too, new paths are being opened up for a combined local growth and employment policy. Examples include innovative product developments for urban space adapted to local needs:

– by means of the internal modernisation of local government product development areas in conjunction with a highly differentiated structure of representative and direct-democratic political institutions;

- by means of various organisation forms involving public-private partnerships or public-private competition;
- on the basis of an innovative "financial engineering" that attempts to mobilise to a greater extent than hitherto both local and private resources for the provision of public goods.

Of course such trends are to some extent blocked by legal constraints (e.g. competition law). In Germany, for example, restrictions of this type have been imposed on a number of prominent local initiatives. The experiences of other countries, e.g. New Zealand and Finland, have shown, however, that such initiatives towards a combined local employment and growth strategy based on both product and financial engineering innovations, do indeed have good chances of success. Moreover, these initiatives offer the public sector, in our case local government, the opportunity of setting a positive role model for its task structures in place of the prevailing negative, minimalist conception of the role of the public sector with respect the economy.

The "smart buyer" problem as an expression of the redefinition of the relationship between the enabling administration and the economy clearly raises a number of fundamental questions regarding governance structures in modernised cities. However, in contrast to the questions relating to political steering, in the case of the "smart buyer" problem, local government has recourse to the considerable experience of the private sector, i.e. of best-practice firms. There is considerable evidence for the view that many of these experiences can be rendered fruitful for local government, with far less adjustment being necessary than is frequently feared or assumed.

## 3.    Local Government Modernisation and the Devolution of Public Tasks to Civil Society

The trends towards removing responsibility for certain tasks from the public sector, and in particular from local government, can be observed in almost all the sample cities and their respective countries. Such real-world tendencies and above all the debate on "lean government" have been seen in the light of the supposed or real problems of the excessive burden on the public administration, the crisis of public finance, the aim of empowering citizens in place of the "nanny state", and similar factors. However heterogeneous these various discussions might be, what is clear is that the trend towards enabling or, the term I prefer, "guarantor" government amounts at heart to a redefinition of the interface between the public sector and society. I would like in this section to discuss a number of empirical and conceptual trends and problems associated with this development.

### 3.1 Different Ways of Devolving Public Tasks out of the Public Sector

In order to shed some light on this extremely complex and value-laden debate, it may be useful to begin by distinguishing between a number of fundamental ways by which tasks can be removed from the public sector (see on this Rothstein 1994).

*Figure 43: Devolution of Public Tasks and Decision-makings*
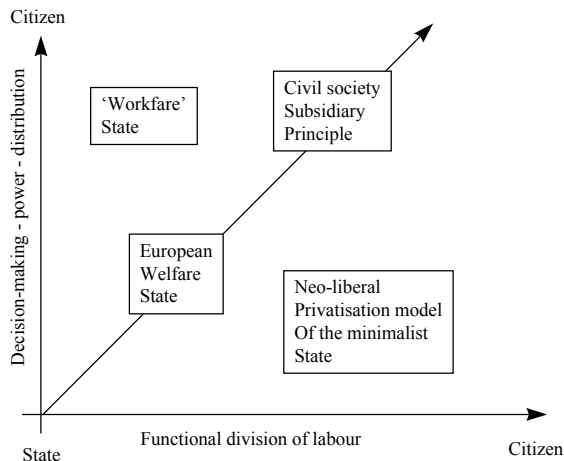


Frieder Naschold, Science Center Berlin, 1997/6

Taking the European welfare state as a point of departure and beginning with a distinction between a horizontal-functional task orientation and a sectoral distribution on the one hand and a vertical decision-making and power distribution on the other, it is possible to point to at least three very different development paths:

− the neo-liberal "social project", involving far-reaching material and formal privatisation and a minimalist state reduced to its central sovereign functions;

− the development model of communitariansim (see most recently Budäus/Grüning 1997), the vision of far-reaching direct democracy on the basis of the principle of subsidiarity;

− various forms of a "workfare state", a combination of reduced functional task performance by government together with an increase in its coercive nature, particularly in the field of labour market and social policy.

The neo-liberal project pushes the interface between government and society towards the market, the workfare state from service provision to sovereign administration, while the diverse projects inspired by communitariansim aim to "return government to society", i.e. to devolve public tasks to civil society. Trends towards devolution are to be found in all the sample cities and their respective countries in a wide variety of forms and with varying intensity. Let me discuss a number of selected themes in this field.

### 3.2 International differences in the breadth of the local government task profile and personnel density

In Chapter II, 3 we looked at the significant differences in the breadth of the task profile between the sample cities. If this breadth is set in relation to relative staffing levels (personnel density), the following approximate findings emerge[4]:

*Figure 44: Breadth of the Local Government Task Profile and Personnel Density[5]*

Personnel Density/Employees/Inhabitants

| Scope of Local Task/ Expenditure | Low | Medium | High |
|---|---|---|---|
| Low | Netherlands New Zealand USA | | "German Democratic Republic" |
| Medium | | Germany | |
| High | Japan | | Hämeenlinna Linköping |

Frieder Naschold and Alexander Wegener, Science Center Berlin, 1997/5

– For the overwhelming majority of the cities studied here, the correlation is markedly linear: the narrower (broader) the task profile at local government level, the lower (higher) the personnel density. Cities in the US and New Zealand have a far narrower task profile than typical Scandinavian municipalities, whereby personnel density in the latter is around twice as high as in the former. German local authorities occupy the middle ground in these respects. It is not possible at the current state of research to distinguish between task and efficiency effects in determining personnel density.

– The two major exceptions are the cities of the former GDR and, above all, Japan. In the case of the cities of the former GDR, the evidence seems to suggest that they are characterised by a "perverse" combination of a narrow actual task profile - because many "local" public tasks were performed either by firms or by central government - and the internalisa-

---

4  The following discussion is based on preliminary quantitative structural comparisons of the sample cities. Given the great difficulties in establishing genuine comparability I will restrict myself at the current state of WZB research to quantitative statements. In this context I would particularly like to thank the cities of Mitaka and Hämeenlinna for their professional, consistent and helpful cooperation.

5  Personnel density was measured in various ways as public sector employment as a share of overall employment or as a share of the population at both the aggregate and local government level. Given the variation in the distribution of public tasks among the various tiers of government in different countries, it is often misleading to consider one level in isolation. An additional problem that is difficult to resolve is, of course, that of converting staffing levels to full-time equivalents. At the current state of research only a certain amount of progress has been made in dealing with this problem.

tion of employment risks. Thus the really interesting exceptional case is that of Japanese cities, which are dealt with in greater detail in the next sub-section.

### 3.3    The Japanese "devolution puzzle": The case of Mitaka[6]

As a country, Japan has by far the lowest proportion of public sector workers, both per thousand inhabitants and as a share of the labour force.

*Figure 45: Public Sector Employment*

| Country | Public sector employees per 1000 inhabitants | Public sector employees as a % of total employment |
|---|---|---|
| Japan | 3,54 | 6,68 |
| U.S.A. | 7,34 | 14,76 |
| The Netherlands | 5,31 | 15,20 |
| Germany | 8,01 | 16,18 |
| New Zealand | 7,87 | 16,88 |
| United Kingdom | 7,55 | 17,39 |
| France | 9,55 | 21,62 |
| Denmark | 12,55 | 24,65 |
| Sweden | 15,69 | 32,71 |

Alexander Wegener, Science Center Berlin, 1996, according to OECD data FN

This finding is all the more surprising given the fact that, according to the WZB study, Japanese local authorities have at the same time the broadest task profile and a correspondingly large budget volume. Similar quantitative relationships emerge at the level of individual cities from the WZB sample. The city of Mitaka has by far the broadest task spectrum of all the local authorities studied and accordingly also has the relatively largest budget volume. At the same time Mitaka has, again by far, the lowest personnel density compared even to Phoenix (factor of around 1.3), and of course to German (factor of around 2) , not to mention Scandinavian cities (factor of around 3)[7].

The Japanese "puzzle" becomes even more complicated given that the extremely low personnel density can hardly be explained in terms of enormous efficiency superiority over other cities. Even in Japan itself, the administration of Japanese cities - and of central government as a whole - is considered to be rather traditional, although it is characterised by highly flexible labour deployment (Naschold 1995). Local government modernisation on the lines of

---

6 In am extremely grateful to the mayor of Mitaka, Mr. Yasuda and his staff, Mr. Takeuchi (planning chief), Mr. Sato and Mrs. Suzuki for their competent support and their extremely kind hospitality.

leading-edge western cities has been periodically discussed in Japan, but has not been initiated to date.

Drawing together a range of different analyses of Japanese local government and the WZB research in Mitaka itself, the Japanese "puzzle" - extremely low personnel density and a broad task spectrum together with rather traditional administrative structures - can be resolved with reference to a large number of factors emerging at both central and local government level, as follows (Naschold 1996):

- shortly after the Second World War Japanese cities and central government embarked on a relatively continuous, but at the same time pragmatic policy of contracting out;
- administrative reform in Japan has largely concentrated on and been limited to requirements for quantitative reduction in staffing levels, under the premise that reducing labour input would induce appropriate structural reforms;
- the Japanese government has never intended to install a welfare state on the European model; accordingly, the term used in the political discussion tends to be "welfare society";
- Japan's specific social structure, with its relatively high degree of social control over deviant behaviour has meant that so far a whole series of problems - in particular the situation facing young people, on the labour market and crime - have not appeared in anything like the extent experienced in comparable western countries; accordingly the public departments dealing with youth work and social policy at local level are not nearly as well developed as in, for example, European cities;
- the extent to which "public" tasks are performed by private individuals, volunteers, neighbourhood groups, social groups and associations appears to be far higher than in comparable western countries. Central areas of local government activity in Japan rely heavily on the involvement and cooperation of "society", this largely involving the work of non-employed middle-class women, pensioners and the self-employed, particularly in the area of distribution.

All these factors were identified both at central government level and in the Mitaka local authority. Thus it is structural factors of Japanese society, the high degree of integration, the macropolicies of central government, and firms, the decision not to adopt a welfare state on the western model, a specific employment policy in both the private and public sectors, and in particular the very considerable degree to which "public" tasks are devolved to civil society that serve to explain the Japanese puzzle. In formal terms, the interface, the division of labour

---

7  The core administration of Christchurch/NZL has an even lower personnel density than Mitaka. At the current state of research this appears to be due to the substantially narrower task spectrum, the particularly widespread use of outsourcing and the as yet unresolved problem of converting employee numbers into full-time equivalents.

between the public sector and civil society lies far deeper within civil society itself than is the case in comparable western countries and cities. The devolution of public tasks to society is one important factor in this, but only one among many[8].

### 3.4 Local Government Devolution Trends in Western Countries

As the example of Mitaka in Japan clearly shows, the devolution of public tasks to civil society is not - as it were "upstream" in the local government value-addition process - a matter of the decision-making phase in the service process chain (that constellation involves questions of representative and direct-participative democratic politics), but rather - as it were "downstream" - a matter of the displacement of service process during their implementation phase. Developments of this type are to be found, as was described at the start of this chapter, in all the countries from which our sample cities were taken, whereby the underlying reasons and the degrees of diffusion and intensity very considerably.

Against this background, recent developments in a number of local authorities in Germany - a country known for its rather authoritarian state tradition - appear to me especially remarkable and in this context largely unrecognised. Such cities have been awarded first prize in two very different competitions, whereby their claim to fame rests largely in the pronounced trend towards the devolution of public services. The city of Eppelbom in the state of Saarland was awarded first prize within the framework of a Carl Bertelsmann Competition, largely by virtue of the various measures of "creative saving" implemented by the city as part of a budgetary consolidation programme. In contrast to traditional linear budget cuts, "creative saving" involved the devolution of public tasks to civil society, particularly in the area of tending parks and gardens and in the cultural sphere (see Horstmann 1997).

In the same year the city of Arnsberg was chosen as the winner of the Administrative Management Award 1996, a city that has oriented its entire vision and the corresponding range of instruments to active-direct democracy and social devolution. Arnsberg describes itself as the Citizens' City, its prime concern being to "Incorporate citizens into the processes of opinion forming and administrative service delivery". Thus the reform philosophy of the city goes beyond popular participation in opinion-forming and aims to incorporate service delivery itself. "Customer-oriented administration" means providing administrative services in a way that reflects the needs of customers. The aim here is not only to provide high-quality products, provide legal security when required, not only on defining and monitoring standards. What is required - in the case of Arnsberg in the face of enormous fiscal pressure - is a "redelgation to the sovereign [i.e. the citizen] (...) By applying appropriate instruments the customer changes

---

8  For a more detailed discussion of these issues see the main study report (Naschold, Oppen and Wegener 1997).

customer changes from being a consumer to producer, indeed he/she becomes a 'prosumer' (...) Comprehensive citizen activation from an early stage, above and beyond the participation required by law, avoids substantial administrative expense and costs. The activation of private individuals, small "life-circles", such as families, neighbourhoods or districts enables services to be provided in ways that completely satisfy the customer. (..) The self-regulatory power of citizens and of small circles comes first. The administration functions as an impulse-provider, initiator and supporter." ("Initiative Arnsberg 1996: *Stadverwaltung Arnsberg auf Reformkurs*"*,* brochure Arnsberg Council). Let me give some examples of practical citizen activation and the new forms of participation introduced in Arnsberg:

– in the area of youth and social work: transfer of responsibility for playgrounds to neighbourhoods and playground guardians, parent child-care initiatives, a large number of day-care centres for children run by private initiatives, care for adults, recruitment and training of voluntary care workers, association for child-minders, a "women's house" run on a voluntary basis), advisory centre for women (voluntary);

– in the field of education and sport: the transfer of sports grounds to sports clubs, voluntary financial participation of clubs in equipment in gyms (also for schoolchildren), club assumed responsibility for running an open-air baths, leisure sport programme organised and run by sports club and private groups, user participation in restructuring planning for sports facilities; repair work, designing and equipping classrooms, school-buildings and yards;

– in the field of the environment and transport: collection of waste paper by associations (cost saving: 50%); "adoptions" of streams by school-classes, fishing clubs, individuals), and of trees (by citizens), support for an initiation of a stream re-naturing programme by citizenry.

A comparison of Mitaka/Japan and Arnsberg/Germany reveals both similarities and differences in the devolution concept pursued. The trend towards a devolution of public tasks occurred in Germany against the background of a high level of welfare state protection and security, whereas in Mikata the average level of primary income is higher. The personnel density in Arnsberg is also twice as high as that in the city administration of Mitaka. Consequently, the degree of involvement by citizens in the process of service provision is far less pronounced in Arnsberg than in Mitaka.

### 3.5    *Devolution: An Historical Dead-End, Corrective or Perspective for the Future?*
It is extremely difficult to make a even provisional evaluation of devolution trends so far. This is because devolution measures usually involve fundamental questions of welfare state

versus privatisation or the role of the state as a regulatory apparatus, as a service company or guarantor. In this context, too, the debate in Japan exhibits the broadest spectrum of social projects involving devolution and can therefore perform an orientation function for the debate in the West (see Yamaguchi and "Annals of the Institute of Social Science - Special 1990 and Foljanty-Jost and Thränhardt 1995).

– Many observers consider the devolution regime in Japan to be an historical dead-end. It is based, they argue, on the relative scarcities characteristics of Japanese society until well after the Second World War, and is thus doomed to lose both its basis and its economic legitimisation in the face of economic and social structural change and rising income levels.

– Japan's mainstream considers the forms of evolution prevalent in Japan as a necessary corrective via à vis a still highly bureaucratised administrative apparatus. According to this view social devolution raises the flexibility of the administrative service provision process by increasing the options for service production beyond those of contracting out and material privatisation. In sum, processes of devolution constitute limited, but important and flexible correction mechanisms within the framework of administrative modernisation in Japan.

– Yet there are important voices in both the political and academic discussion who consider the historical legacy of a far-reaching assumption of public tasks by civil society as a perspective for the future. A "welfare society" can and should afford to take as great a proportion as possible of the local value-addition process, both upstream and downstream, into its own hands.

There are no grounds for seeking to "harmonise" these contradictory views of the process of social devolution, neither in the Japanese nor the western discussion. What is important is to determine the potential and the dangers of such changes in the interface in service provision between administration and civil society. To this end what is required is an experimental politics at local level and a broad-based social debate, one which academic experts can, at best, support, but one they should not attempt to lead.

# VII The Conditions for the Success of the Implementation Process: From the Initiation to the Institutionalisation of Local Government Modernisation

## 1. Eight Conditions of Successful Reform Initiation

At the end of the day, concepts for local government reform are only as effective as the implementation strategies associated with them. I would like to close this preliminary evaluation of international experiences by looking briefly at a number of conditions for the successful implementation of local government reforms, as illustrated by the reform cities in he WZB sample.

*Figure 46: Conditions of Successful Reform Initiation*

I Framework
    1. Political initiative, not economic crisis
    2. Plurality of modernisation paths
II Macro factors
    1. Enabling and evaluating cetral state versus 'attentism' and restrictive state control
    2. Increasing regime competition between cities due to globalisation and increasing interdependency of politics
III Internal factors
    1. co-evolution of politics and administration
    2. Participative reengineering strategies
    3. From "island solutions" to integral and time-compressed total solutions
    4. Metaorganisation and scientific-logistical network formation

Frieder Naschold, Science Center Berlin, 1997/6

– It is political initiative and not the automatism of economic crisis that is the driving force behind reform;

– there is no one single road to administrative reform, but rather a plurality of modernisation paths (all the same, the time for incrementalism has passed);

– all the experience shows that an attitude of wait-and-see by politicians with regard to reform and restrictive central state interference, while they cannot prevent local government restructuring efforts altogether, can make them incomparably more difficult and limited; conversely, an enabling and evaluating central state serves to stimulate local reform strategies,

– the increasing "regime competition" between cities due to globalisation and the increasing interdependence of politics can exert considerable pressure on local authorities to innovate and cut costs; however, under restrictive external conditions and a stagnant internal poli-

tics, such a competitive environment tends to lead to superficial product differentiation and to a "reconventionalisation" of local government;

– without the full commitment of top level politicians, local government reform will never achieve a breakthrough;

– administrative restructuring can only succeed given a co-evolution of politics and the administration in which government modernisation is implemented by both sides as a joint venture;

– networking with metaorganisations and their embedding in scientific-logistical network formations, rather than stand-alone strategies, are necessary for successful implementation;

– "island solutions" are inadequate, what is required are integrated and time-compressed solutions with intensive participation by both public sector employees and citizens.

## 2. The Special Responsibility of Politicians and Strategic Management

Of these eight conditions for the success of local government modernisation I would like to draw special attention to two constellations of conditions, as they run counter to the tenor of the debate currently prevailing in most countries.

### 2.1 Political Responsibility or Economic Crisis

It is a widely held belief, particularly in Germany, that the economic-fiscal crisis is the initiator and motor of government reform. Yet it is equally widely held to be "common sense" that in times of crisis organisations tend to react with structurally conservative behaviour, i.e. the very opposite of reform.

Let us, rather, take a look at the empirical evidence from successful reform processes.

*Figure 47: Initial Conditions of Successfully Implemented Reform Processes*

| City | Modernisation of local government administration was initiated by a | | | |
|---|---|---|---|---|
| | political crisis | economic crisis | | other developments |
| | | local government fiscal crisis | crisis in the local economy/labour market | |
| Phoenix U.S.A. | x (1977) | - | - | - |
| Delft Netherlands | x (1984) | - | - | - |
| Hämeenlinna Finland | x (1989) | - | - | - |
| Farum Denmark | x (1990) | - | - | - |
| Linköping Sweden | x (1992) | - | - | - |
| Neuchâtel Switzerland | - | x (1992) | - | - |
| Duisburg Germany | - | x (1980ies) | x | - |
| Braintree Great Britain | - | - | x (1984) | - |
| Angers France | - | - | - | decentralisation (since 1983) |
| Christchurch New Zealand | - | - | - | territorial reform in 1989 |

Alexander Wegener, Science Center Berlin, 1996

The figure indicates the initial conditions in ten cities in which reform processes were successfully implemented.

The result is unequivocal. In seven of the ten cities considered here it was clearly not the signs of economic crisis but rather endogenous political conflicts and causal constellations at local government level together with central government impulses that constituted the initial conditions. There is no room for excuses: politicians and administrators cannot fudge their responsibility for governmental reform and cannot point to external, supposedly automatic factors leading to reform.

### 2.2    *Political Leadership, Opinion-Leadership Coalitions and Political Mobilisation*

In both the private and public sector similar controversies have been fought out over the effectiveness of various change strategies. One of the few areas of consensus is in the critical view taken of a "grand design strategy" (on the following see for the public sector Downs and Larkey (1986: 239 ff.) and of course Brunsson and Olson (1994), for the private sector Beer et al. (1990)). Reforms announced with great political fanfares frequently fall prey to the "fallacy of programmatic change" (Beer et al. 1990: 60 ff.), as they fail to work their way into the operative procedures and incentive systems of the public administration.

In contrast to this romantic view of a "grand design strategy", some commentators have argued for a "low profile strategy", a "modest and technical reform approach" (Downs/Larkey

1986: 42), one that seeks to bring about a change in administrative processes below the level of "big" politics.

The experiences gained in the restructuring processes implemented in the WZB sample cities, on the other hand, paints a picture that can be seen as lying between these two dichotomies and which, among the above-mentioned conditions of successful implementation, draws particular attention to the importance of politicians and strategic management in the change process:

– In all the reform cities it was small number of highly competent and often "charismatic" leadership personalities from strategic management and in some cases from the political sphere that played a decisive role. In each case an effective leadership made "more policy decisions and put more social and economic institutions into motion" (Osborne/Gablert 1993). Thus it is of vital importance for all change processes that an "effective civic leadership" stands at the start of the process: "Leadership is the activity that most clearly articulates the "government's" function in action and yet it is surprising how little attention the leadership role has received following the reorganizaton of local government. To some degree it is one of those areas which appear to be taken for granted." (Reid 1994). Politically administrative leadership in this sense of the "government's function in action" is thus one of the central critical conditions for the success of local government modernisation.

– Yet the emphasis on the importance of political-administrative leadership must not be allowed to degenerate into an "heroic" overestimation of these personalities in the change process. From both the theory and practice of the reform cities we know of the importance of the formation of advocacy coalitions (Sabatieri 1992) in which cross-departmental clusters consisting of leadership personalities from the administration, politics, the economy and the media come together to form reform coalitions for a limited period of time.

On the other hand, it is seldom that economically or socially motivated mobilisation pressure from "below" drives ahead change processes within the administration (for a discussion of the fundamentals of this issue see Cameron 1976). Political-administrative leadership and advocacy coalitions are, however, only successful if the change processes is supported by an endogenous political mobilisation of both strategically positioned segments of the workforce and important segments of the population. The experiences of recent years show that it is precisely this seemingly impossible combination of string political-administrative leadership, advocacy coalitions and broad-based mobilisation from below, i.e. a decidedly rare hybrid constellation that is effective in driving local government modernisation forward (see Buchanan 1996).

## 2.3    *The Institutionalisation of the Modernisation Process*

In the previous sub-section I have listed, on the basis of the experiences in the sample cities, the most important sets of conditions necessary to initiate restructuring processes. They are by now relatively well known. The critical question in the current phase of the restructuring process thus goes beyond initiation and relates to the perpetuation, to the sustainability of the such reform developments.

History is full of examples of large-scale reform projects that stagnate or even fail completely after a short period of initial success. In our context, the international reform phase in the public sector during the 1970s with its efforts to introduce far-reaching new budgeting and planning procedures - from Management by Objectives (MbO) to (Planning, Programming, Budgeting Systems (PPBS) - is an example of this, as are the numerous cases of stagnation and erosion suffered by local government reform projects in the 1990s I mentioned earlier.

One single central set of conditions has been responsible for such failures in the vast majority of cases: the lack of an institutional "embedding" of such innovations. North has shown the strategic importance of social institutions for the economic development of highly industrialised societies: the author, see North (1991), is one of the leading proponents of this institutionalist view. According to North, institutions constitute an "incentive structure" that, as formal or informal "constraints", restricts or promotes action by various actors. Accordingly, the process of local government modernisation can only be sustainable and successful if, in contrast to the incidences of stagnation and erosion that occurred in the 1970s and early 1990s, it proves possible to institutionalise the reform impulses by establishing a lasting incentive structure. Based on the (so far) successful processes of administrative modernisation in the sample cities, it is possible to determine, in provisional fashion, some promising approaches towards "institutional evolution" (North) as a means of stabilising the actions of the actors involved:

– the framework of conditions set by central government - as for example in the case of New Zealand - can provide such an institutional framework, one that not only initiates, but also stabilises local restructuring programmes;

– the creation of competitive markets between public and private suppliers with their new actor networks, rules and practices has become established in the most advanced cities to such a degree that the institutions formed are no longer subject to damaging and opportunistic influence by individual actors;

– the trend towards an extension of representative and participative responsiveness mechanisms in the political sphere has generated an incentive structure for a citizen-oriented politics and administration which will prove very difficult to dismantle;

– cultural change programmes, once introduced, can lead to a lasting "empowerment" (Malone 1997) of employees and their organisations, constituting a substantial resource potential within administrations, one which can no longer, in the traditional hierarchical administrative style, be ridden roughshod over.

A multi-centred institutional evolution of this type can in time become focused onto a sustained development path of local government modernisation and so overcome the historical arbitrariness of decisions by specific actors and the "passing phase" characteristics of many reform projects. In sum, the transition from the initiation phase to the institutionalisation phase is perhaps the central challenge in establishing sustainable local government modernisation. Multi-centred institutional evolution may well constitute the decisive orientation and the critical prerequisite for such sustainability.

## References[9]

Annals of the Institute of Social Science - Special (1990): Japanese Welfare State Today, University of Tokyo No. 32.

Arnkil, R./F. Naschold (1997): Modernization of the labour market organization. Scandinavian and anglo-saxon experiences in an international benchmarking perspective, in: Dolvik, J. E./A. H. Steen (Hg.): Making Solidarity Work? The Norwegian Labour Market Model in Transition. Oslo/Stockholm/Copenhagen/Oxford/Boston: Scandinavian University Press, S. 279-341.

Aucoin, P./H. Bakvis (1988): The Centralization - Decentralization Conundrum: Organization and Management in the Canadian Government. Halifax: Institute for Research on Public Policy

Baldersheim, H./M. Ögard (1996): Evaluering I Kommunal Organisasjonsutvikling, Institutt for statsvitenskap, Universitet I Oslo.

Beer, M. et al. (1990): The Critical Path to Corporate Renewal. Cambridge: Harvard Business School Press.

Bogumil, J./L. Kißler (Hg.) (1997): Verwaltungsmodernisierung und lokale Demokratie. Baden-Baden: Nomos.

Bovenschulte, A./A. Buß (1996): Plebeszitäre Bürgermeisterverfassungen. Der Umbruch im Kommunalverfassungsrecht. Baden-Baden: Nomos.

Brunsson, N./J.Olson (1994): The Reforming Organization. London: Routledge.

Buchanan, D. (1996): The Limitations and Opportunities of Business Process Reengineering in a Politicized Organizational Climate, in: Human Relations, i.V. 1997.

Budäus, D. (1994): Public Management. Konzepte und Verfahren zur Modernisierung öffentlicher Verwaltungen. Berlin: edition sigma

Budäus, D. (1996): Controlling in öffentlichen Verwaltungen. In: A.-W. Scheer (Hg.): Saarbrücker Arbeitstagung Rechnungswesen und EDV. Heidelberg: Physica Verlag.

Budäus, D. (1997): Stand und Perspektiven des Modernisierungsprozesses kommunaler Verwaltungen. In: D. Budäus (Hg.): Public Management Nr. 29. Hamburg.

Budäus, D./K. Buchholtz (1996): Controlling Local Government Cost and Performance: An International Comparison. In: Research in Governmental Nonprofit Accounting, Vol. 9, S. 33-57.

Budäus, D./G. Grüning (1997): Kommunitarismus - eine Reformperspektive. Berlin: edition sigma.

Budäus, D./P. Eichhorn (Hg.) (1997): Public Private Partnership. Neue Formen öffentlicher Aufgabenerfüllung. Baden-Baden: Nomos.

---

9 The Science Center Berlin (WZB), supported by the Hans-Böckler Foundation, has conducted an international comparative research project entitled „Neue Städte braucht das Land (Public Governance)" (Naschold, F., M. Oppen, K. Tondorf, A. Wegener 1994; WZB discussion paper FS II 94-206).
The project has studied recent developments in a number of leading cities from among the participants in the Carl Bertelsmann Prize 1993 and selected examples from Sweden. The analyses focus on the foci of innovation, the processes of modernisation and the impact of administrative restructuring.
The final report of the WZB study is to be published shortly (Naschold, F., M. Oppen, A. Wegener, Innovationen und Fehlentwicklungen. Internationale Erfahrungen kommunalen Verwaltungsumbaus. Berlin: edition sigma.
Some of the case studies are already available.

Cameron, D. (1976): Political Mobilization, in: Journal of Politics.

Dahl, R. (1971): Polyarchy. Participation and Opposition. New Haven/London.

DeMarco, T./T. Lister (Hg.) (1990): Software. A State of the Art: selected papers. New York: Dorset House Publishing.

Dörrenbächer, Chr./K. Hirschfeld/H.-R. Meißner/F. Naschold/L. Rennecke (1997): Globalisierung von Produktionsstrukturen. Eine arbeits- und industriepolitische Analyse globaler Entwicklungsverbünde. WZB paper FS II 97-204. Berlin.

Downs, D./P. Larkey (1986): The Search for Government Efficiency. Philadelphia.

European Foundation for Quality Management (1996): Selbstbewertung 1995. Brüssel.

Etzioni, A. (1968): The Active Society. New York.

Foljanty-Jost, G./A.-N. Thränhardt (Hg.) (1995): Der schlanke japanische Staat. Vorbild oder Schreckbild? Opladen.

Fransman, M. (1994): Different folks, different strokes - How IBM, AT&T and NEC segments to compete. In: Business Strategy Review, Autumn 1994.

Furabro, J. E. (1994): Learning from Evaluation: The Swedish Experience. In: F. L. Leeuw et al. (Hg.): Can Governments Learn? Comparative Perspectives on Evaluation & Organizational Learning. New Brunswick: Transaction Publishers.

Gale, T. (1994): Managing Customer Value. New York: The Free Press.

General Accounting Office (1991): Government contractors. Are service contractors performing inherently governmental functions? Washington.

Hax, A./N. Majluf (1988): Strategisches Management, Frankfurt/New York.

Hax, A./N. Majluf (1996): The Strategy Concept and Process-pragmatic Approach. New Jersey: Prentice Hall.

Heskett, J.L. et al. (1997): The Service Profit Chain. New York/London.

Hirschmann, O. (1977): Exit, voice and loyalty. Responses to decline in firms, organizations and states. Cambridge, Mass.: Harvard Univ. Press.

H.M.S.O. (1994): The Civil Service - Continuity and Change;

H.M.S.O. (1994): The Citizen's Charter. Second Report

Holtmann, E. (1992): Politisierung der Kommunalpolitik und Wandlungen im lokalen Parteiensystem. In: Aus Politik und Zeitgeschichte 22-23, 1992, S.13ff.

Horstmann, A. (1997): Projekt: „Modern und bürgernah - Saarländische Kommunen im Wettbewerb". (Ms.)

Knöpfel, C. (Hg.) (1995): Lösung von Umweltkonflikten durch Verhandlung: Beispiele aus dem In- und Ausland. Basel: Helbing und Lichtenhahn.

Leeuw, F.L./R.C. Rist/R.C. Sonnichsen (1994): Can Governments Learn? Comparative Perspectives on Evaluation and Organizational Learning. New Brunswick, NJ: Transaction Publishers.

Leucorea (1996): Neugestaltung von Struktur und Finanzierung der Hochschulmedizin in Sachsen-Anhalt. Wittenberg.

Locke, E.A./G.B. Lathan (1990): A Theory of Goal Setting and Task Performance. New Jersey: Prentice Hall.

Luhmann, N. (1983): Politische Planung. Aufsätze zur Soziologie von Politik und Verwaltung. Opladen: Westdeutscher Verlag.

Malone, Th. (1997): Is Empowerment just a Fad? Control, Decision Making and IT, in: Management Review, Winter 1997, S. 23-35.

Manager Magazin 10/96, S. 52ff. „Das neue Modell" (Beitrag von F. Linder/W. Wilhelm).

Mintzberg, H. (1996): Managing Government, Governing Management. In: Harvard Business Review, May/June 1996.

Naschold, F. (1995): Ergebnissteuerung, Wettbewerb, Qualitätspolitik. Entwicklungspfade des öffentlichen Sektors in Europa. Berlin: edition sigma. (Naschold, F. [1996]: New Frontiers in Public Sector Government. Trends and Issues in State and Local Government in Europe. Berlin/New York: de Gruyter. Transl. by A. Watt)

Naschold, F. (1996): Kurzbericht zur Kommunalverwaltung Japans. Univ. Ms.

Naschold, F. (1997): Internationalisierung und horizontale Allianzbildung in der Telekommunikationsindustrie. In: Fricke, W. (Hg.): Jahrbuch Arbeit und Technik 1997. i.D.

Naschold, F. (1997b): Die Siemens AG: Inkrementale Anpassung oder Unternehmenstransformation? - Eine Fallstudie über Kontinuität und Wandel eines Konzerns. Berlin: wzb paper FS II 97-201.

Naschold, F./M.Oppen/K.Tondorf/A.Wegener (1994): „Neue Städte braucht das Land." Eine Projektskizze. WZB discussion paper FS II 94-206. Berlin

Naschold, F./M. Oppen/A. Wegener (1997a): Die Bedeutung von Arbeitsorganisation und Personalfunktion im Modernisierungsprozeß. In: Naschold, F./M.Oppen/A.Wegener (1997a): „Neue Städte braucht das Land" (Arbeitstitel). Köln: Deutscher Gemeindeverlag

Naschold, F./M. Oppen/A. Wegener (1997b): Innovationen und Fehlentwicklungen. Internationale Erfahrungen kommunalen Verwaltungsumbaus. Berlin: edition sigma. i.V.

Naschold, F./C. Riegler (Hg.) (1997): Reformen des öffentlichen Sektors in Skandinavien. Eine Bestandsaufnahme. Baden-Baden: Nomos.

North, D. (1991): Institutions. In: The Journal of Economic Perspective. Vol. 5, Winter 1991, S. 97ff.

Osborne, D./Gablert (1993): Reinventing Government. New York.

Pfeffer, J. (1992): Managing with power: Politics and influence in organization. Boston, MA: Harvard Business School Press.

Pirie, M. (1988): Micropolitics. London.

Pirie, M. (1988): Privatization. London.

Pitkin, H. (1967): The Concept of Representation. Berkeley.

Pollitt, Chr. (1990): Managerialism and the Public Services. Oxford, Blackwell.

Reid, M. (1995): Local government - service delivery or governance? In: Public Sector, Vol. 17, No.2, S.2ff.

Romzeck, B./M. Dubnick (1987): Accountability in the public sector: Lessons from the Challenger tragedy. In: Public Administration Review, May/June 1987, S.227ff.

Rothstein, B. (1994): Was soll der Staat tun? - Zur moralischen und politischen Logik des Wohlfahrtsstaates. Stockholm (in der Übers. von C. Riegler).

Saltmann, R./C. v. Otter (1992): Planned Market and Public Competition. Buckingham.

Schedler, K. (1995): Das Modell der wirkungsorientierten Verwaltungsführung. In: Hablützel,P./T.Haldemann/K.Schedler/K.Schwaar (Hg.): Umbruch in Politik und Verwaltung. Ansichten und Erfahrungen zum New Public Management in der Schweiz. Bern/Stuttgart/Wien.

Schreyögg, G. (1994): Zum Verhältnis von Planung und Kontrolle. In: WiST Heft 7, Juli, S. 345ff.

Schreyögg, G./Ch. Noss (1994): Hat sich das Organisieren überlebt ? Grundfragen zur Unternehmenssteuerung im neuen Licht. In: Die Unternehmung 48 / 1994, Nr. 1, S.17-33.

Scott-Morgan, P. (1994): The Unwritten Rules of the Game. New York: Macrohill.

Siemens (1996): How to prepare winning bids faster. Introducing bid modules to ÖN sales forces. München.

Stacey, R. (1992): Managing Chaos. London.

Ståhlberg, K. (1996): Für mehr Bürger- und Gemeindebeteiligung. Gütersloh (Ms.).

Vickers, J. (1995): Concepts of Competition. In: Oxford Economic Papers 1995, S.23ff.

Wegener, A. (1996): Kommunale Verwaltungsmodernisierung zwischen zentralstaatlicher Regulierung und lokaler Initiative. Fallstudie Braintree District Council, UK. WZB discussion paper FS II 96-203. Berlin

Wegener, A. (1997a): Dienstleistungsunternehmen Großstadt: „Best Run City in the World"? Fallstudie Phoenix, Arizona, USA. wzb paper FS II 97-202, Berlin.

Wegener, A. (1997b): Evaluating competitively tendered contracts. A comparative perspective on local government practices. Paper presented at the 1997 Annual Conference of the European Evaluation Society (EES), Stockholm March 5-8, 1997.

Wegener, A. (1997c): Management contracts in international comparative perspective. Experiences from leading-edge local governments. In: Fortin, Y./H. van Hassel (Hg.): Contracting in the Public Sector since 1980. Brussels 1997 (forthcoming). Paper presented at the 1996 Annual Conference of the European Group of Public Administration (EGPA), Budapest 1997.

Wegener, A. (1997d): Competition between public and private service producers. Paper presented at the 1997 Annual Conference of the American Political Science Association. Philadelphia. (i.V.)

Wilson, D. (1992): A Strategy of Change. London/New York.

Yamaguchi, H. (1997): Current issues in Japanese Politics: A new approach to political reform (nach der Übersetzung von J. Lewis) (internet SSJ-Forum).