A HANDBOOK OF ALTERNATIVE SERVICE DELIVERY FOR LOCAL GOVERNMENT

EXECUTIVE SUMMARY VERSION

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CHAPTER 1. INTRODUCTION

Kurt Thurmaier

Purpose

This handbook serves as a primer, a prelude to your local government developing and implementing an alternative approach to delivering public services in your community. It is not designed to be the bible of alternative service delivery (ASD) options. A major goal of this handbook is to synthesize academic and practitioner knowledge about ASDs so local governments can build innovative capacity for providing public services more effectively and efficiently. This project developed from multiple conversations with local government practitioners who were frustrated that there were no real handbooks that provided information on how to think about alternative service delivery methods for public services, and in what circumstances were different alternatives more successful or less successful. This handbook is written for both elected officials and appointed managers who want this information.

Why does your local government want to develop an alternative service delivery modality for a public service? Because contracting out is in vogue? Because public-private partnership sounds good and wins votes? As you will learn in this book, developing and implementing an alternative service delivery modality needs to be driven by a desire to improve service effectiveness.

The goal of the study is to address four basic aspects of ASD:

- the impetus for the alternative delivery
- economic considerations
- political considerations
- lessons learned from other communities considering ASD options
- a *Readiness Checklist* to guide ASD decision making.

This project is distinct from other research about ASD. We have purposefully engaged both managers *and* elected officials in the discussion with public management scholars. Most research separates managers and elected officials: research usually either talks to managers or talks to elected officials. But we know that policy is developed, adopted, and implemented in collaboration between managers and elected officials.

Definitions of terms

There are many ways to define alternative service delivery methods. Many officials casually interchange terms like *contracting out* and *managed competition*. In some communities, any contact between the private and public sectors is a *public-private partnership*. We are a bit more careful in our terms, even though we recognize overlaps among the categories. In this handbook, alternative service delivery options include *contracting for services, managed competition, interlocal agreements, service consolidation (e.g., joint E911 system), and public-private-partnerships (3P)*.

Although privatization is an option for local officials, it is rarely taken as a decision for political reasons and is excluded from this handbook. For our purposes, *privatization is defined as the government getting out of the service or product completely. Privatization involves a decision to change a government-owned and government-operated commercial activity or enterprise to private sector control and ownership*. The government neither produces nor finances the activity after it is privatized. If it is to be available to citizens, they will be customers of a private firm that is charging them for a service or good. Similarly, wholesale city-county consolidations (or city-city consolidations) are very rare, and are excluded from our analysis.

Figure 1 illustrates several ideas that are at the heart of this project. First, one notes that the boundary of core service delivery by the local government is obscured by the ASD options extending from the core service area. Each venture with an ASD blurs the boundary of the local government's service delivery.
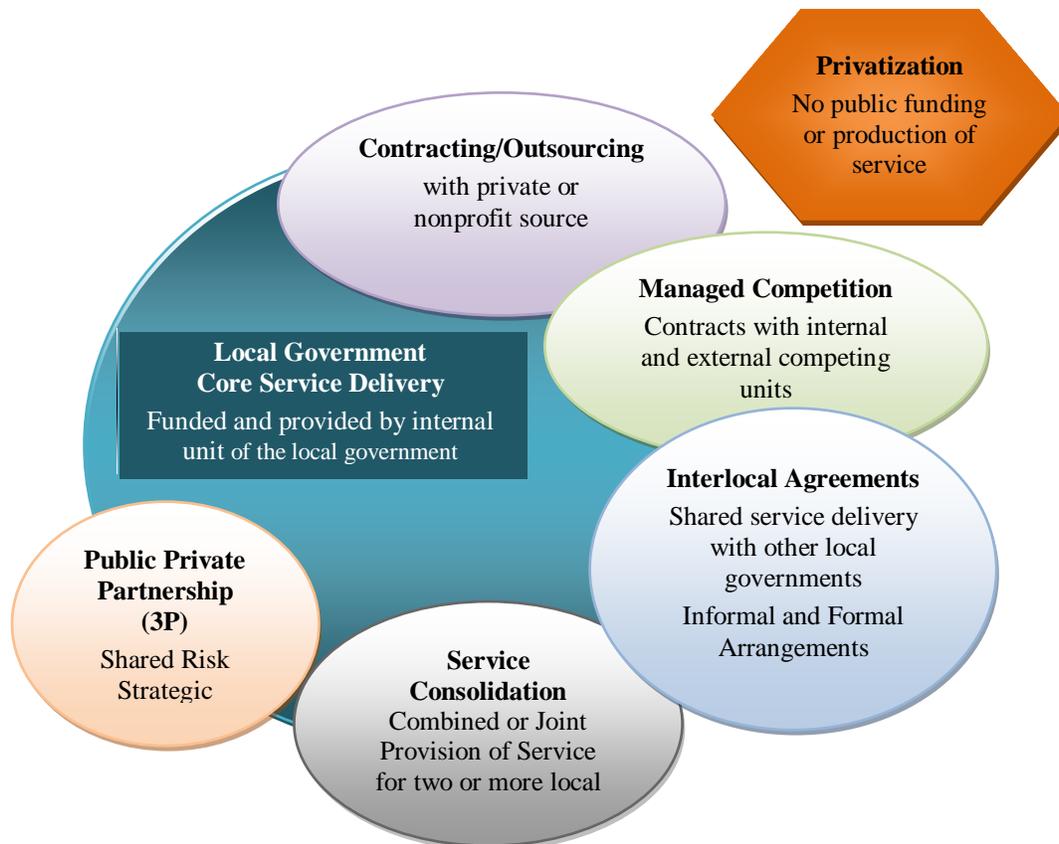
Figure 1. Blurring the Boundaries of Local Public Service Delivery

Second, four of the ASD methods have overlapping relationships, and the boundary between two overlapping methods is blurred. For example, one could be talking about an E911 service collaboration as a service consolidation or an interlocal agreement—or both. One could be discussing contracting for police or fire services in terms of a managed competition or as an interlocal agreement—or both; for example, the internal fire unit may be competing against the potential interlocal agreement with a neighboring local government to provide fire protection. Similarly, managed competition and outsourcing share much in common (paying another provider to deliver the public service instead of the internal unit), but managed competition assumes there is competition among providers (even if only 2), while outsourcing often does not involve competition at all (which raises important questions about its efficacy, as discussed in chapter 2).

The notable exception to the overlapping model is public-private-partnerships (3P). The 3P options are distinctive ventures that have little in common with the other methods of ASD. While there is normally a formal agreement between the local government and the private provider, the character of the projects and the agreements for 3P ventures are quite distinct from the delivery of other public services. As discussed in chapter 5, these ventures require strategic thinking and action with long-term risk shared by both the local government and the private sector partner.

So here are our definitions, and the way we distinguish between the topics in this handbook. The reader will note overlaps throughout the chapters, and we will discuss them more fully in the concluding chapter. The transition between outsourcing and managed competition is a particularly fluid one, and the Village of Glenview offers an example of a local government that is evolving from an outsourcing to a managed competition model in its approach to alternative service delivery.

Outsourcing-Contracting Out (Chapter 2: Alicia Schatteman)

Outsourcing is the concept of taking internal organizational functions and paying an outside firm to handle them. Outsourcing is done to save money, improve quality, obtain specialized services and expertise, or free organizational resources for other activities. Outsourcing was first done in the data-processing industry and has spread to nearly all areas of the service, manufacturing and public sectors.

Managed Competition (Chapter 3: Kimberly Nelson)

Under managed competition, a public-sector agency competes with private-sector firms to provide public-sector functions or services under a controlled or managed process. This process clearly defines the steps to be taken by government employees in preparing their own approach to performing an activity. The agency's proposal for providing the service, which includes a bid proposal for cost-estimation purposes, is useful in competing directly with private-sector bids.

Interlocal Agreements (Chapter 4: Heidi Koenig)

An interlocal agreement (ILA) is a contract between governmental entities that enables them to work with each other in the interest of cooperatively sharing resources for their mutual benefit. An ILA can take many forms, ranging from an informal handshake agreement to elaborate contracts structured according to statutory requirements and filed with a state agency and local county or city recorder. ILAs exist between cities, counties, a city and a county, between cities and school districts, between school districts and in many other combinations. ILAs often increase the effectiveness and efficiency of providing local government services.

Service Consolidation (Chapter 5: Katherine Piker and Craig Maher)

Service consolidation focuses on agreements between governments to merge existing departments into one unit which is overseen by representatives from both governments. That definition excludes arrangements in which one government contracts with another in order to receive a specific service (e.g., regional dispatch). Under service consolidation, there is one department administrator who oversees the department and answers to both communities equally. Typically an oversight board comprised of representatives from both governments is established to oversee the consolidated department.

Public-Private Partnerships (Chapter 5: Gerald Gabris)

A 3P venture is a long-term, strategic contractual agreement between a local government and a private sector entity, where the skills and assets of each sector are shared in delivering a service or facility for the use of the general public, and where each party shares in the risks and rewards in the delivery of the service and/or facility.

Methodology

Our goal from the outset has been to study alternative service delivery methods from both a theory and practice perspective. The analysis of each type of ASD includes a review of extant research findings, and analysis of the decisions made by local government officials who have implemented (or are currently implementing) an ASD option.

Literature Review

Each author gathered literature on extant academic studies. These included theoretical papers and descriptive studies from non-academic sources such as ICMA, GFOA, and various think tanks. The literature reviews in each chapter summarize what is known about an ASD to date; the review provides systematic data about what works under what types of conditions. The review also informed the data collection questions for the focus groups of local government officials.

Focus Groups

We convened focus groups of local government officials using each ASD option on two different occasions. Participants were invited to the first session in November 2012 based on their experience of implementing a

particular ASD. We invited 4-5 communities in each focus group. There were two focus groups for interlocal agreements; officials from communities under 25,000 and another from communities over 25,000 population. All groups convened for a day-long seminar on November 9, 2012 at the NIU-Naperville campus.

Over the lunch hour, the officials were divided into two larger groups: one of elected officials and one of appointed officials. The questions for each group were driven by the political nature of the elected officials and their considerations, and the tenured nature of the appointed officials and their considerations.

The focus group methodology used loosely structured interview protocols (presented in Appendix A). Each focus group had a facilitator and a recorder. The recorder was an MPA student volunteer. Each chapter author (a faculty member) sat at the table with the focus group members with a principal orientation of listening to the answers of the participants. The chapter author was allowed to interject questions to clarify points raised in the discussion, especially since the nuances of implementation and considerations are perhaps the most valuable data to be collected in the discussions.

The participants were not guaranteed confidentiality, although they were given anonymity to the degree that individual quotes will not identify a specific person who makes a statement. Sessions were not recorded with electronic media.

Feedback Group
After the chapters were written and revised at least once (after editorial review), the results were summarized and presented at an open workshop (April 18, 2013) of managers and elected officials (including specific invitations for November 2012 participants to return). Pertinent feedback was incorporated into the final draft of the chapter.

Layout of book

The book is arranged with five core chapters that each address one ASD in a systematic way. Each chapter will analyze the following elements of an option:
- The impetus for a local government to consider an ASD.
- The considerations of an economic return on investment
- The considerations of a political return on investment
- The process of implementation, including highlights of "Do's and Don'ts"
- Readiness Check: if you want to try this at home, is your organizational culture and is your political culture aligned with the innovations for alternative service delivery?

The final chapter draws lessons from across the five substantive chapters. The emphasis of the chapter will be a discussion of organizational culture and political culture and how that influences the success of alternative service delivery innovations. Some alternative service delivery innovations are more difficult and transformational than others. For example, interlocal agreements are widespread and cover both informal and formal agreements between jurisdictions. Service consolidation requires a much more extensive and intensive agreement because it involves a high level of collaboration and political consensus to work. The discussion will point to the need for managers and political leaders to check their organizations for cultural readiness to embrace various alternative service delivery reforms.

The references list is followed by a brief bibliography of important sources to inform a community's decision on different alternative service delivery methods. The bibliography includes academic and non-academic materials, including documents from exemplary local governments.

CHAPTER 2: OUTSOURCING-CONTRACTING OUT
Alicia Schatteman

Definition: Outsourcing is the concept of taking internal organizational functions and paying an outside firm to handle them. Outsourcing is done to save money, improve quality, obtain specialized services and expertise, or free organizational resources for other activities. Outsourcing was first done in the data-processing industry and has spread to nearly all areas of the service, manufacturing and public sectors. The document that governs that transfer is often written in the form of a contract, an oral or written legally binding agreement between two or more parties.

Why consider Contracting or Outsourcing?
- It was clear from our case studies that outsourcing required both elected officials and management to consider this idea.
- It could be one or the other party that initiated the idea but consideration of outsourcing was done by both elected and appointed officials.
- The time dedicated to consideration could be a short time frame (everyone agrees to move forward quickly) or it could take long depending on the organization's culture of innovation and risk.
- The figure below demonstrates the typical pattern to move outsourcing from an idea through to being entrenched fully into an organization's structure and culture.

Figure 1:
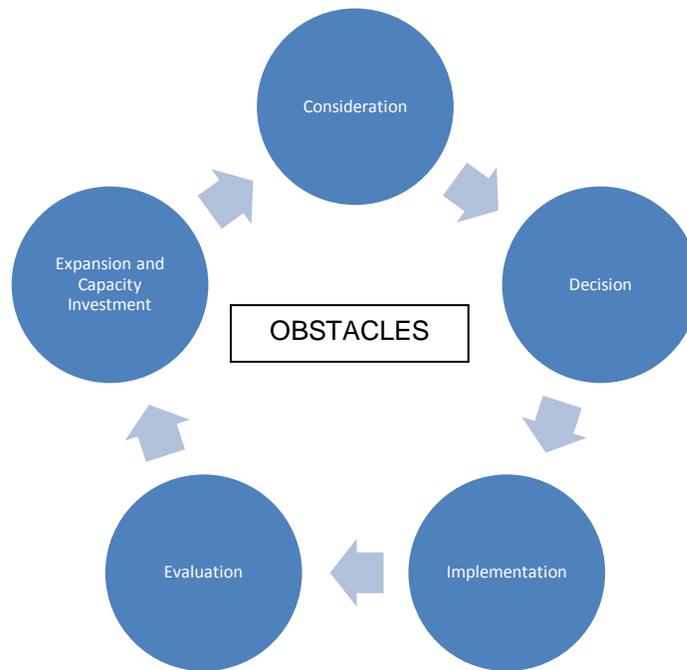
What we learned from a survey of recent research:
- Organizations typically decide to proceed with outsourcing based on the following considerations:
- Financial: condition of fiscal stress requires innovation
- Higher capacity for risk
- Innovation: manage limited resources with high quality services
- Access to external resources and knowledge
- Flexibility for staffing and hiring

What we learned from the focus group discussions:
The sample for our focus groups included six municipalities ranging from a large city to a very small village, and both types of form of government were included.
- Obstacles to outsourcing exist at every stage.
  - Even consideration of outsourcing may bring up fear and resistance from employees.
  - The skills and capacity must exist to manage the contracts and the necessary investment to deliver public goods and services by contract with an outside vendor.
  - Outsourcing must be married with the capacity of the organization to ensure success. In particular, staff needs to be well skilled in managing the performance of contracts.
- Contracting with the private sector is not viewed the same as with the nonprofit sector. There may be higher trust in these contractual relationships, and the contracts themselves may be unwritten.
- Economic Considerations
  - Contracting in and of itself should have a financial benefit, but this may not be the primary benefit. There could also be political reasons to consider alternative service delivery as the public pressures elected officials and managers to control costs.
  - Outsourcing also has the potential to expand or improve existing services that just would not be possible to replicate in-house at the same or lower price. This is particularly true for outsourcing of legal and technology services.
- Political Considerations
  - Many municipalities spoke about either seizing a window of opportunity with strong political will and public support combined with management's interest and abilities.
  - Other municipalities didn't wait for a window of opportunity but rather deliberately sought out supporters for the idea and expanded support over time through influential leaders internally and externally. Managers would be hired with this goal in mind to begin with or they would bring alternative service delivery ideas to the elected officials to gain their support.
  - Just like with any innovation, there are early adopters as well as more latent adopters who may pursue reform more slowly.

Readiness checklist for contracting out:
- ✓ Is there a window of opportunity to explore alternative service delivery reforms?
- ✓ Does your organization have the necessary contracting capacity: the number and skill level of staff to administer and monitor contracts with private and nonprofit firms?
- ✓ Do elected officials have the necessary political will to increase service quality by investigating alternative service delivery option?
- ✓ Can managers and staff effectively communicate with the various stakeholders throughout the outsourcing process?
- ✓ Has the municipality done a complete risk assessment of outsourcing; both in terms of time and cost of managing the contract as well as the risk of bringing that service back in-house if necessary?

CHAPTER 3: MANAGED COMPETITION
Kimberly Nelson

Definition: Managed competition, also called public-private competition, attempts to inject competition into the system in order to determine the most cost-efficient way to provide municipal services. Under managed competition, a public-sector agency competes with private-sector firms to provide public-sector functions or services under a controlled or managed process. This process clearly defines the steps to be taken by government employees in preparing their own approach to performing an activity. The agency's proposal for providing the service, which includes a bid proposal for cost-estimation purposes, is useful in competing directly with private-sector bids. An internal department bids against external contractors and the service will be provided by the entity that submits the best bid—whether internal or external.

Why consider managed competition?
- Enables a local government to determine whether services can be provided more efficiently with an external contract.
- Allows a local government to determine whether costs of service provision can be reduced.
- May provide economic development benefits to the community if the contract is won by a private contractor.

What we learned from focus group discussions:
- Economic Considerations
  - The initial implementation of managed competition can be costly. Internal departments must be trained to bid and it is often necessary to modify the organizational structure.
  - Costs must be standardized between the public and private bids. The internal department is not subject to the same taxes as the private organization, these estimates should be added to the internal bid.
  - Even when services are retained in-house, the quality and efficiency of service provision can be improved through managed competition.
- Political Considerations
  - Due to training and regulatory requirements, the timeline for a managed competition process is longer than for traditional contracting out.
  - Generous communication and transparency throughout the process are often credited for program success.
  - Managed competition does not always mean layoffs or employee/union dissension. Employees can be empowered through the process.

Readiness checklist for managed competition:
- ✓ In order to successfully implement managed competition, both elected officials and management must be supportive of the effort. Implementation of managed competition takes resources—money, time, staff training, and expert advice. Without the support of leadership, it will not be successful.
- ✓ Determine whether or not there is existing and sufficient competition in the private market for the service(s) in question. Without adequate competition, it is unlikely that sufficient cost savings will be realized.
- ✓ Develop an understanding of potential barriers to implementing managed competition. For example, if unions are likely to oppose the initiative, communicate with union leadership and employees early and often. Be willing and able to address the concerns of stakeholders.
- ✓ Determine what aspects of the process can be handled in-house and what aspects may require outside assistance. Are the costs for outside assistance justified by potential savings from the process? Can these costs be reduced in future managed competition efforts?

CHAPTER 4: INTERLOCAL AGREEMENTS
Heidi Koenig

Definition: An interlocal agreement (ILA) is a contract between governmental entities that enables them to work with each other in the interest of cooperatively sharing resources for their mutual benefit. An ILA can take many forms, ranging from an informal handshake agreement to elaborate contracts structured according to statutory requirements and filed with a state agency and local county or city recorder. ILAs exist between cities, counties, a city and a county, between cities and school districts, between school districts and in many other combinations.

Why consider interlocal agreements?
- ILAs often increase the effectiveness and efficiency of providing local government services.
- There is a need to provide a specific service to residents but the organization does not have the knowledge or resources
- The organization faces constraints imposed by federal and/or state government
- The organization wants to build relationships strategically to enhance capacity to accomplish goals.

What we learned from a survey of recent research:
- Characteristics of the parties to the ILA, and individual actors, affect the final agreement.
- ILAs follow a vertical (federal, state, local) or a horizontal (local to local) path; while the structure (top-down or across) is different, resulting ILAs do not show a great deal of difference.
- ILAs are begun from a wide variety of contacts (hand shake, legal, voluntary) and while those different starting points can result in an ILA, levels of trust may be seen in ways in which the relationship began.
- ILAs may be started out of networks or two-party relationships; they can grow to a network from the partnership or may retreat from a network to a partnership. These changes are often fluid and the significance of the changing number of actors may not be realized until after changes in the ILA structure have taken place.

What we learned from the focus group discussions:
- Communities in northern Illinois behave in the ways that scholars and other practitioners expect:
  - The number of participants in an ILA varies from two to eight
  - The basis of the ILA contact is created through multiple means:
    - Elected officials' instigation
    - Administrative efforts to improve service delivery, achieve efficiencies and enhance political and economic return on investment, and
    - State-created opportunities that lead to local changes.
- Organizational culture is important for creating and sustaining ILAs.
  - Organizations have to be ready to adapt to an ILA-rich environment,
  - It is unclear whether the culture of accepting ILAs as a management tool has to exist before they are started, or if the use of ILAs leads to organizational culture that supports them.

Readiness checklist for interlocal agreements:
- ✓ Identify commonality of interest with another community. ILAs are not necessarily partnerships; ILAs are functional relationships that allow for economic, political, and network returns on investment.
- ✓ Carefully assess what benefits derive from ILAs and whether those benefits could be provided through a different ASD or another management tool.
- ✓ Review the meaning of the ILA with affected departments and personnel. Look at the organizational/department culture. Is there opposition to change? To sharing resources?

CHAPTER 5: SERVICE CONSOLIDATION
Katherine Piker and Craig Maher

Definition: Service consolidation focuses on agreements between governments to merge existing departments into one unit which is overseen by representatives from both governments. That definition excludes arrangements in which one government contracts with another in order to receive a specific service (e.g., regional dispatch). Under service consolidation, there is one department administrator who oversees the department and answers to both communities equally. Typically an oversight board comprised of representatives from both governments is established to oversee the consolidated department.

Why consider service consolidation?
To some degree, the latest recession can be seen as a crisis event that spurred consolidation discussions; however, the economy was not a sufficient condition for these discussions. Were it not for an existing history of cooperation and mutual trust, these communities would not have attempted service consolidation.

What we learned from a survey of recent research:
- Service-level consolidation has been a popular approach to cost savings among elected officials and administrators for labor-intensive services such as public safety.
- The expectation is that by combining services with another government, reductions in service duplication and personnel costs will generate cost savings without affecting service quality. Surprisingly, there is limited research demonstrating this relationship and several studies have challenged the cost-saving argument.
- While management, employment options, and service standards dominate the personnel side of the consolidation debate, the political arena remains one of the biggest obstacles to consolidation efforts.
- Regardless of the economic benefit or service improvements, local politicians may still act to prevent consolidation for fear of losing local control or because of mistrust of other government officials.

What we learned from the focus group discussions:
- One important lesson from the Hinsdale and Clarendon Hills fire protection agreement was the ability to integrate the fire fighters through shared training programs. The shared training fostered a level of comfort and respect among the fire fighters that alleviated any service quality concerns associated with a service consolidation.
- Transparency throughout the service consolidation process is essential. The perceived lack of transparency by police personnel in Hinsdale and Clarendon Hills was an impediment to success.
- A unique element of the Clarendon Hills and Hinsdale police consolidation case was that it required state legislative approval. Illinois statutes do not permit a police department consolidation that extends into two counties, as with this case. In order for police officers from the other community to enforce multiple counties' laws, state legislation is required. The ability of the police lobby to block state legislation led to the demise of this consolidation effort.
- The public has been generally supportive of service consolidation efforts for police and fire.
- The Peoria city and county arrangements are only possible because of the culture of cooperation between the managers and elected officials. Also, a citizen advisory board of 36 citizens, mainly from the business community, was tasked with evaluating and recommending city and county services for potential consolidation, and overseeing the process. Their role may have prevented public opposition.

Readiness checklist for service consolidation:
- ✓ Identify and Include Relevant Stakeholders
- ✓ Review Similar Consolidation Agreements and Consult Other Municipalities
- ✓ Conduct an Internal Evaluation of the Department
- ✓ Cost-Effectiveness Analysis
- ✓ Establish Realistic Goals for Success
- ✓ Communicate Plan Transparently with Employees and Residents
- ✓ Establish and Maintain Ongoing Performance Evaluation Measures
- ✓

CHAPTER 6: PUBLIC-PRIVATE PARTNERSHIPS
Gerald Gabris

Definition: Public private partnerships (P3s) in local government are the most complex and unique forms of alternative service delivery. A 3P venture is a long-term, strategic contractual agreement between a local government and a private sector entity, where the skills and assets of each sector are shared in delivering a service or facility for the use of the general public, and where each party shares in the risks and rewards.

Why consider Public-Private Partnerships?
Entering into this type of P3 arrangement by a local government should not be taken lightly. A common problem is that some local governments end up assuming almost all of the risk associated with the partnership, and when they go south, end up absorbing all of the losses.

What we learned from a survey of recent research:
- P3s are unique in that the planning for and rewards of such contracts are normally long term, often taking several years to unfold and mature.
- The local government needs to engender a realistic, flexible attitude toward a P3, and realize that it will involve a long term commitment that will unlikely produce immediate, short term results.

What we learned from the focus group discussions:
- Developing a sense of readiness to engage in a P3 is associated with transformational leadership by a local executive. Transformational leaders tend to be visionaries who believe it is possible to accomplish complex goals if an organization generates to will to so. This type of strong commitment to a larger vision is useful in convincing the broader local organization that a partnership is plausible.
- A unified governing board that generally shares in this vision is an important ingredient of readiness. So is a stable, strong in-house expertise in economic development. There are so many possible paths a P3 might take; the local government needs in-house expertise to separate the forest from the trees.
- Importantly, both the administrative staff and elected officials need skill and competence in explaining how a public partnership advances a specific public good.
- Success depends heavily on the stability and low turnover of the staff and elected officials who initially designed the P3 agreement. They possess ownership of the partnership and have a stake in seeing that it is successful.
- The partnership needs to remain part of the long term vision of the community, and continue to be grounded in a collaborative relationship between the partners that is flexible and evolving. The flexibility is needed to address environmental changes and conditions that neither partner initially anticipated, but nonetheless, is now crucial.
- The governing board needs to have developed sufficient skill in managing any within board conflicts regarding the partnership, and understand the risks and rewards of the long term relationship.
- Successful P3's are based on positive results. Fundamentally, the public good utilized for justifying the P3 initially must be sufficiently achieved to claim success. Success builds success.

Readiness checklist for P3:
- ✓ What style of leadership is exercised by the chief executive?
- ✓ Is the governing board unified in a shared vision with the chief executive that a P3 is an important ingredient for community economic development?
- ✓ Is there a stable, strong in-house expertise in economic development?
- ✓ Has the governing board developed sufficient skill in managing any within board conflicts regarding the partnership, and understand the long term risks and rewards of the relationship?

CHAPTER 7. ORGANIZATIONAL READINESS
FOR ALTERNATIVE SERVICE DELIVERY
Kurt Thurmaier

It should be apparent to the reader that some alternative service delivery innovations are more difficult and transformational than others. For example, interlocal agreements are widespread and cover both informal and formal agreements between jurisdictions. Service consolidation requires a much more extensive and intensive agreement because it involves a high level of collaboration and political consensus to work. The variation in ASD options is addressed by two themes that resonate throughout the chapter discussions. *First, organizational culture matters.* The ability for a local government to successfully develop and implement an alternative modality to deliver public services in the community depends on an organizational culture that embraces the prerequisites of that modality.

Second, the complexity of implementing an alternative service delivery rises with the length of the time horizon and the strategic orientation of the local government. Contracting for another organization (public/private/nonprofit) to deliver many public services is a relatively straightforward, short-term, and tactical decision. This contrasts with a public-private-partnership (3P) that requires a long-term horizon, a strategic orientation, and the ability to manage a host of complex, inter-related decisions.

Flexibility has become a core value of cities that have shed stability and incremental growth as goals; instead they are focusing on performance for citizens as the leading value. At root is a reorientation of municipal management *from a focus on managing who* provides local services (i.e., municipal employees in various departments) *to a focus on managing how* a service is delivered (whether by contract, service consolidation, managed competition, or P3).

The POSDCORB[1] framework for managing a municipality is not a relic of the past, but it needs serious updating. Communities that successfully adopt an ASD orientation are characterized by adherence to a POBNCAM framework for local government management. Updated management principles include Networking, Contracting, Accountability, and Measuring.
- **P**lanning is working out in broad outline the things that need to be done and the methods for doing them to accomplish the purpose set for the enterprise;
- **O**rganizing is the establishment of the formal structure of authority through which work subdivisions are arranged, defined, and coordinated for the defined objective;
- **B**udgeting is planning, accounting and controlling resource development and allocation.
- **N**etworking is creating, developing, and maintaining cooperative and collaborative relationships with neighboring organizations;
- **C**ontracting is purchasing services from other organizations (public, private, and nonprofit) that can be delivered at a lower price, a higher level of quality, or both.
- **A**ccountability is insuring that someone is answerable for financial performance and democratic processes for planning, implementing, and evaluating service delivery
- **M**easuring is developing, using, and reporting efficiency and effectiveness data to organizational stakeholders, including citizens, elected officials, and organizational managers and employees.

Organizational Culture Matters
Organizational culture matters. The discussions in various focus groups, across the various alternative service delivery modalities, were very consistent on this point. The ability for a local government to successfully develop and implement an alternative modality to deliver public services in the community depends on an organizational culture that embraces the prerequisites of that modality. In its most developed form, an *ASD orientation* embraces not a single alternative, but actively and continuously analyzes alternatives to how the service is presently being delivered, whatever that is. Thus, a city could be contracting for police services with

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[1] POSDCORB stands for Planning, Organizing, Staffing, Deciding, Coordinating, Reporting, and Budgeting.

a neighboring municipality and also considering service consolidation to further improve delivery outcomes.

➢ Both elected officials and appointed managers agreed that developing an ASD orientation is an opportunity to create a culture of accountability in a performance driven organization.
➢ Managers noted that "cooperation dwindles as more and more cuts occur." The challenge for managers and elected officials is to create a culture that tends to re-appropriate staff to higher priorities rather than to lay-offs when a service is delivered externally.
➢ This type of culture promotes risk taking and innovation in service delivery (internal and external) because the penalty for failure is not lost jobs; the response to a failed attempt to improve service is trying another solution.
➢ Successful managers in our focus groups repeatedly note that their organizational cultures embrace employee participation in redesigning processes and service delivery, including performance benchmarks and evaluations.
➢ Managers also report that staff members are often more willing to accept service consolidation than elected officials. Politicians are seen as much more concerned with retaining identity of the community than professional managers.

We can summarize the key aspects for each ASD option as follows:

➢ Contracting: requires organizational culture emphasizing performance measurement and accountability, with performance measures "baked in" to RFPs and contracts.
➢ Managed Competition: reshapes the internal organizational culture to competitive, innovated orientation *of employees* who can successfully compete against external providers for service delivery contracts.
➢ Interlocal Agreements: requires a culture of shared services that emphasizes networking, and thrives on inter-organizational trust, interpersonal trust, and mutual accountability
➢ Service Consolidation: requires a blending of organizational cultures with respect to the consolidated services
➢ Public-Private-Partnership (P3): is based on a culture of long-term strategic investments with both economic and political returns on investment important, yet higher level of uncertainty in long-term framework also incurs higher risks—for both public *and* private partners.

Strategic Decisions for Community Services
Changing organizational culture is not an easy task, and attempting change will need to be part of a strategic decision of the elected officials and top management. The complexity of implementing an alternative service delivery rises with the length of the time horizon and the strategic orientation of the local government. Contracting for another organization to deliver the service is a relatively straightforward, short-term, and tactical decision. This contrasts with a public-private-partnership (3P) that requires a long-term horizon, a strategic orientation, and the ability to manage a host of complex, inter-related decisions.
➢ ASD initiatives require political support.
  o In some communities, newly elected officials felt a mandate to change the organizational culture
  o In other communities, the city manager led the organizational culture shift.
  o Contracting for ad hoc services evolved into strategic plans to systematically review how services were delivered to citizens, and how resources could be freed and reallocated by choosing an alternative service delivery modality.
➢ Local governments have to think about *demand driven services.*
  o Managers and elected officials agreed data are essential to making the case for change.
  o The facts in demand at this juncture are the financial calculations of benefit-cost analysis, cost effectiveness analysis, and return on investments.
  o The skills in demand are those required to develop and manage contracts with vendors, regardless of sector.

        o   Political data accrue from engaging employees and citizens with strategic planning and process reengineering.

Organizational Readiness for ASD Options

The results of our analyses across these five types of ASD options suggests that *municipalities need to consider both the strategic nature of their service delivery options, and whether their organizational culture is ready to embrace, develop, and implement an ASD strategy.*

Figure 7.1 arrays the constellation of ASD options in two dimensions. The vertical axis represents the time frame that is required for developing and implementing an ASD option. The horizontal axis represents the degree to which the ASD option involves tactical versus strategic development and commitment. The degree of required change in organizational culture (from a stable and incremental to a flexible and strategic orientation) increases from the lower left to the upper right quadrant. Concomitantly, the degree of complexity in developing and managing an ASD option also increases from the lower left to the upper right on the diagonal.

Also presented on the diagonal is a shift in the consequence of management error, and the dynamics of risks and rewards. A short term tactical decision to purchase services of a GIS specialist from a private firm or another local government could prove inadequate to your organization's needs, or the specialist may not provide the level or quality of desired service. No problem, you simply change vendor and find someone else. The consequence of erring in your decision is short term and can be remedied rather easily.

Figure 7.1.
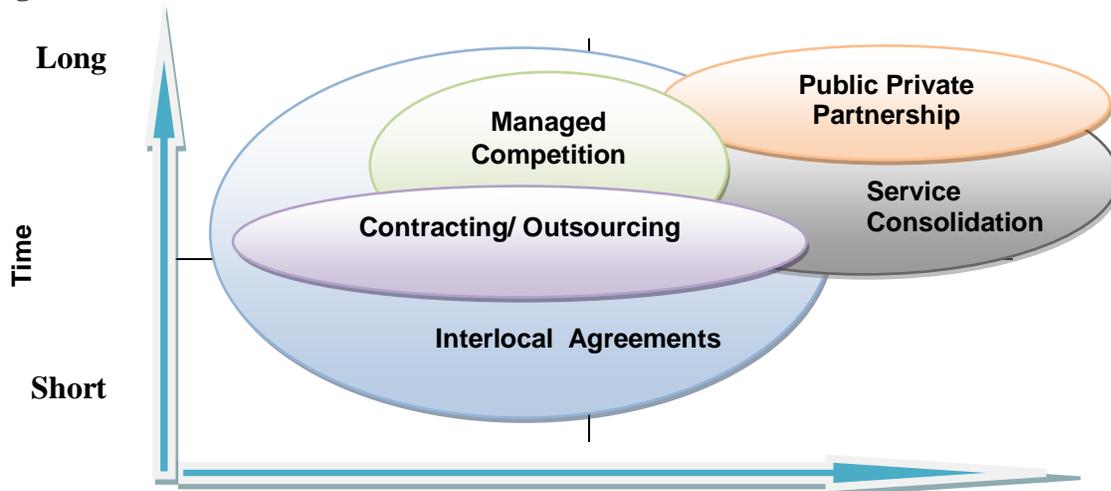
Now take the example of solid waste collection service. If you contract for the service to a private firm, do you give up your trucks? How do get them back if the private firm fails to deliver satisfactory performance (whatever the benchmark)? If you use a managed competition approach, you could have ½ internal and ½ external provisions, and you can retain ability to plow snow, pick up garbage, etc.

- ➢ The process to get there requires a strategic decision to dramatically change the service modality, substantial employee training and radical organizational culture change.
- ➢ If one errs in a long term managed competition framework, there are remedies, but the investment is deeper in terms of organizational change and the time frame longer (3-4 years) in order to get viable vendors to bid.
- ➢ Consequently, fixing any problems in this framework requires skilled municipal employees who can manage the vendor relationship flexibly within the contractual framework, and the contract itself must have options to deal with problems that arise. The consequences of a management error are thus significantly higher than a simple purchase of services contract.

Even more consequential is a public-private-partnership investment. This option requires a long-term investment and shared risk for both the municipality and the private firm. The consequences of error demand a careful, strategic approach to estimate the risks and rewards—economic and political.

The consequences of error in service consolidations is only slightly less than in 3P, only because there is less likely to be substantial fixed assets infrastructure investments involved in the service consolidation. Yet to be successful, to give the consolidation an opportunity to prove its added value to the communities involved, the contract needs to be for multiple years (our focus groups suggested 3-5 year first round framework).

Is your municipality ready to pursue alternative service delivery options? Why do you want to do this? Because it is in vogue? If so, think again.
- ➢ If you come to this arena only looking for a partner who will save you money, you will be disappointed. The focus group discussions provided multiple examples of how a focus on cutting costs lowers employee morale, creates a more rigid instead of more flexible organizational culture, and may reduce service quality if the decisions are based solely or mostly on cost cutting.
- ➢ This arena is for those looking for a long-term relationship, looking for a long-term solution to improving delivery of the public services citizens value.
- ➢ Your municipality is ready to pursue alternative service delivery options if your organizational culture is focused on improving service effectiveness, because organizational culture and strategic politics have priority over saving money in successful ASD strategies.

Summing Up: Are You Ready?
This handbook serves as a primer, a prelude to your local government developing and implementing an ASD approach to delivering public services in your community. It is not designed to be the bible of alternative service delivery options. Figure 7 illustrates that each of these options requires several calculations, including:
- ➢ a tactical or strategic approach
- ➢ a shorter or longer time frame
- ➢ an estimate of the economic and political returns on investing in the organizational changes required to successfully adopt and implement one of the options.

An ASD approach requires investment in changing your organizational culture to embrace flexibility and innovation:
- ➢ a focus on how to deliver a service efficiently and effectively, and
- ➢ a relentless focus on performance and accountability.

The POBNCAM framework shifts organizational focus and resources
- ➢ from reporting to measuring
- ➢ from coordinating internally to networking externally.
- ➢ The degree to which your local government can reorient itself to a POBNCAM framework will constrain—or free—the organization to rethink community service delivery.

If your organization is firmly rooted in the POSDCORB framework, a focus on the contracting and ILA chapters is a good starting point for relatively easy experiments in ASD options. Both present opportunities to begin changing organizational culture to develop a POBNCAM management framework. If your organization is already started on this path, the chapters on managed competition, service consolidation, and public-private partnership provide a checklist for embracing these more strategic shifts in service delivery.
The devil is not in the details of alternative service delivery options. Details can be mastered with a flexible and innovate approach to solving problems and issues with your partnering agency. Each of the ASD options uses a partnership in some form or another. *The successful 21st century local government will thrive in a myriad of partnerships to deliver public services to community residents in an effective and efficient manner.* If you are ready to begin, the first steps are thinking strategically and working on that organizational culture.