

Part III

Leadership and Collaboration

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Leadership for the Common Good

Creating Regimes of Mutual Gain

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Perhaps the most daunting challenge for leaders around the world today is how to bring people together from different backgrounds and different sectors—government, business, nonprofits, philanthropy, and media—to tackle complex public problems. Specifically, the challenge is for leaders to bring together diverse groups to create public value and achieve the common good through self-sustaining *regimes of mutual gain*. As we see it, a regime of mutual gain is a policy regime (or policy system), defined as *a set of implicit and explicit principles, norms, rules, and decision-making procedures around which people's expectations converge in a given policy area; regimes of mutual gain achieve widespread lasting benefit at reasonable cost and tap and serve people's deepest interests in, and desires for, a better world* (Crosby and Bryson 2005a).

A regime of mutual gain can also be described as a shared-power arrangement that generates network power (Booher and Innes 2002) and mobilizes bias (Schattschneider 1975) in favor of long-term public value. Logically, these regimes are more likely to occur when public leaders find ways to draw on the distinctive strengths of the different sectors and guard against failures to which each sector is prone.

Our aim is to help leaders in the various sectors better understand how each sector can contribute to a cross-sector regime of mutual gain, in issue areas as diverse as transportation, early childhood education, and vital aging. A few illustrations may be helpful. The U.S. income tax collection system represents a regime of mutual gain, although clearly a flawed one. The system generally produces beneficial results: relatively reliable revenue streams to fund public services, relatively low evasion rates, some redistribution of resources to low-income families, funding for Social Security, massive subsidies for home mortgages, promotion of charitable giving, and promotion of business development. Businesses, nonprofits, and government agencies help administer the system and also provide assistance (often for a fee) to citizens and organizations seeking to file tax returns or challenge Internal Revenue Service (IRS) findings. Individual taxpayers also help administer the

system. Journalists track policy making in Congress and report on impacts and abuses of the system. The system also has many inefficiencies and harmful side effects: Average citizens are often baffled by the system's complicated regulations and forms; mortgage subsidies have contributed to urban sprawl and its attendant pressures on public services; and many would argue that the system in recent years has redistributed too much money in the wrong direction. Nonetheless, most people would agree that the system works reasonably well and that reform efforts should focus on adjusting the system, not changing it fundamentally.

Other U.S. examples of regimes of mutual gain include the policy frameworks and cross-sector partnerships around welfare reform, Social Security, and the promotion of home ownership. Indeed, Paul Light's (2002) discussion of the fifty greatest achievements of the federal government in the last half-century indicates that virtually all involved the creation of a cross-sector regime of mutual gain. The achievements included rebuilding Europe after World War II, expanding the right to vote, promoting equal access to public accommodations, reducing disease, reducing workplace discrimination, ensuring safe food and drinking water, and strengthening the nation's highway system.

Well-functioning communities also are regimes of mutual gain in which all sectors are strong, decent jobs are plentiful, transportation is adequate, recreation opportunities abound, the environment is protected, crime is low, news media are alert watchdogs, people's spirits are lifted, and the public interest is served.

In the remainder of this chapter, we draw on other scholars' conceptions of public value, the public interest, the common good, and commonwealth to construct a framework for thinking about how to take advantage of each sector's strengths while avoiding the weaknesses. We apply the framework to a current example of leadership for the common good—the vital aging movement in Minnesota.

The Different Sectors as Building Blocks for Creating Public Value

We use “creating public value”—Moore's (1995, 2000) evocative phrase—to mean the design of policies, programs, and practices that benefit a community as a whole. Another approach, taken by Stone (2001), is to identify overarching public values that frame contests over developing and allocating goods, services, and privileges to citizens. In the United States, the dominant public values, she argues, are equity, efficiency, security, and liberty.

In this section, we explore how different sectors can contribute to, or undermine, public value. Specifically, we consider the potential contributions and failings of markets, nonprofit organizations, democratic governments, the media, and communities.

Markets

When the conditions underlying perfect markets are met, they can be counted on to provide optimum amounts of goods and services in the most efficient way. Many

goods and services are offered in competitive or nearly competitive markets, and U.S. citizens have grown used to the choice, productivity, innovativeness, service, and quality that markets can provide. Public value can be created by businesses operating in competitive markets in several ways, including through managing a large fraction of the economy, providing employment, paying taxes, and in general creating wealth. Businesses also can act as good corporate citizens and are often relied upon to provide leadership and funding around public issues and causes. Weimer and Vining (2005) outline the many ways in which markets can fail:

- Public goods (for example, defense, open space) are likely to be undersupplied, underinvested in, or overused.
- Goods involving positive externalities (for example, basic education) will be undersupplied, while those involving negative externalities (such as pollution) will be oversupplied.
- Natural monopolies will be undersupplied or inefficiently supplied.
- Asymmetries in information are likely to lead to over- or underconsumption.
- Thin markets (for example, cartelization) lead to undersupply.
- Problems with determining or aggregating preferences lead to over- or underconsumption or distributional inefficiency.
- Uncertainty problems (often resulting from incomplete or inaccurate information) lead to moral hazard, adverse selection, incomplete insurance, or misperception of risk.
- Intertemporal problems lead to problematic pricing and incomplete capital markets.
- Adjustment costs lead to sticky prices.

Nonprofit Organizations, Including Foundations, Churches, Educational and Service Agencies, Grassroots Organizations, and Advocacy Groups

Nonprofit organizations in the United States can create public value, provided they pass some basic requirements about their purpose, asset distribution, and nonpartisanship. The array of types of nonprofit organizations and their specific purposes is extraordinary (Bryce 2000, 684–95). Section 501(c)(3) of the Internal Revenue Code identifies the most common tax-exempt organizations. They are granted tax concessions because they create public value when they:

- express the First Amendment right of assembly;
- promote public welfare directly rather than through the market, as an environmental advocacy group might, or promote the welfare of a subgroup, as an association might;
- promote public welfare in a manner that goes beyond what government does,

as a religion might, or in a way that substitutes for government action, as an organization that provides housing or health care might;

- serve public purposes at a cost less than government would incur and therefore produce a savings in terms of taxes foregone; and
- serve public purposes in a charitable way, so that public or community welfare rather than individual welfare is served (Bryce 2000, 32, 40).

Nonprofit organizations can fail in a variety of ways, so public value can also be created by working to avoid such failures. Salamon (1995) identifies four categories of voluntary failure:

- *Philanthropic Insufficiency*: The sector's "inability to generate resources on a scale that is both adequate enough and reliable enough to cope with the human service problems of an advanced industrial society" (45).
- *Philanthropic Particularism*: "The tendency of voluntary organizations and their benefactors to focus on particular subgroups of the population. . . . As a result, serious gaps can occur in the coverage of subgroups by the existing voluntary organizations" (45–6).
- *Philanthropic Paternalism*: The "nature of the sector comes to be shaped by the preferences not of the community as a whole, but of its wealthy members" (47).
- *Philanthropic Amateurism*: Care that requires professional training and expertise is "entrusted to well-meaning amateurs" (48).

Governments

Democratic governments play a different role, including providing much of the framework necessary for markets and nonprofit organizations to operate effectively, correcting or coping with market and philanthropic failures, and even guarding against their own possible failures through checks and balances and the rule of law. Democratic governments can create public value through a number of overlapping activities, some of which are more appropriate to one level or type of government than another (Moore 1995; Weimer and Vining 2005; Bozeman 2002), and some of which might be thought of as activities for the polity as a whole:

- Providing a constitutional framework of laws and supporting the rule of law—not least by the government itself.
- Creating open, transparent government.
- Fostering and relying on the democratic process, including making sure that mechanisms for articulating and aggregating values function democratically.
- Protecting human rights, human dignity, and the core of subsistence.
- Ensuring that policy makers take a long-term, holistic view and act as stewards of public resources; inspiring and mobilizing the government itself and

other key entities and actors to undertake individual and collective action in pursuit of the common good (Crosby and Bryson 2005a and 2005b), which includes promoting both within-group social connections (or what Putnam calls “bonding social capital”) and across-group social connections (what he calls “bridging social capital”) (Putnam 2000; Nelson, Kaboolian, and Carver 2004); and catalyzing *active* citizenship, in which diverse groups of citizens create programs, projects, products, or services of lasting public value (Boyte and Kari 1996; Luke 1998).

- Maintaining an economy with reasonable levels of growth, employment, unemployment, inflation, debt, savings, investment, and balance of payments figures.
- Relying on markets when they can be expected to work, including correcting market imperfections and freeing, facilitating, and stimulating markets, and not relying on markets when they cannot be expected to work. Serving this purpose might include:
 - Providing needed public goods that private markets will not provide on their own or else will provide poorly (for example, defense, large infrastructure projects, common spaces, free parks) and ensuring that the benefits of publicly provided goods and services are not inappropriately captured by some subset of the population for whom they are intended (for example, unnecessarily restricting public access to public lands).
 - Subsidizing activities that have positive spillover effects for the general public (for example, K–12 and higher education, basic research, certain economic development activities, block clubs).
 - Taxing or regulating activities with actual or potential negative spillover effects for the general public (for example, food and drug production and distribution, building construction, automobile operation).
 - Addressing problems created by asymmetries in information availability, distribution, or use (for example, licensing or certification programs, product labeling requirements).
 - Addressing problems of loss and uncertainty (for example, government-organized or -subsidized insurance schemes, the national Strategic Petroleum Reserve).
 - Making sure that resources (such as oil and fossil fuels) are conserved rather than assuming substitutable resources will be found or invented.
 - Protecting a common heritage when it might otherwise be lost (for example, historic and architectural preservation programs, protection of areas of outstanding natural beauty, establishment of memorials to outstanding public service).
- Providing cost-effective public goods and services (for example, transportation infrastructure and systems, health and social services, police and criminal justice services).

- Using information and cost-benefit and cost-effectiveness analyses that are as objective as possible to inform public decisions.
- Making use of civic-minded public servants and their professional expertise (Frederickson 1997).

Like markets, government operating agencies—as opposed to government direction-setting, oversight, support (or overhead), and regulatory units—are prone to characteristic failures (Osborne and Plastrik 1997; Brandl 1998; Weimer and Vining 2005). Brandl (1998, 64) argues that government operating agencies can fail when:

- they lack an external orientation to accomplish public purposes (as a result of monopoly practices, lack of an appropriate pricing mechanism, or distracted monitoring);
- because they are not organized internally to achieve public purposes (resulting in or from bounded rationality or imperfect information); or
- because they are systematically indifferent to the fairness of the distributions of income or wealth.

Note that these failures parallel the failures of markets. Government direction setting, oversight, support, and regulatory agencies also can fail to do their job—for example, when they require many layers of authorization or become too allied with regulated industries. When direction setting fails, government's responsibility to steer policy systems has been reduced (Osborne and Plastrik 1997; Osborne and Hutchinson 2004). When oversight bodies fail, accountability has been compromised (Romzek 1996). When support agencies fail, the government itself does not get the service it deserves (Barzelay 1992). And when regulatory agencies fail, the public is not adequately served or protected (Weimer and Vining 2005).

The Media

The news media provide public value by performing a watchdog role—holding public servants to high standards of ethical practice, legality, and transparent, fair decision making. They inform the citizenry about public issues, and they gather and articulate public opinion. Of course, a particular media enterprise can usually be placed in one of the sectors described previously, but we have separated media as a separate—albeit hybrid—sector because of its infusion with the professional ethos of journalists and because of the critical importance of an independent media in sustaining democracy. Even when a newspaper or broadcast station is a business, the journalistic ethos and constitutional guarantees add a different dimension to the business.

The news media fails in its watchdog and educator roles for several reasons: Journalists may become too close to political elites and even become elites them-

selves; journalists may allow personal bias to strongly affect their reporting; they may wear professional blinders that keep them from seeing non-sensational, less-visible events as newsworthy. Additionally, the financial interests of news media owners can influence what is covered and how it is treated. For example, the loss of revenue from offended advertisers sometimes causes stories to be pulled from newspapers or the airways, or owners' desire to save money may lead to underfunded news departments. Alternative media, meanwhile, may simply be unable to raise enough funds to pay highly skilled staff and investigate complicated stories

Communities, or the Public in General

Communities can create public value by promoting a sense of individual and collective identity, belonging, recognition, and security; providing people a place to live, work, learn, enjoy, express themselves, and build families; building and maintaining physical, human, intellectual, social, and cultural capital of various sorts; and fostering a civically engaged, egalitarian, trusting, and tolerant democratic society (Boyte and Kari 1996; Chrislip 2002). Social capital in particular has been shown to have a broad range of positive effects on health, education, welfare, safety, and civic activism (Putnam 2000). Communities are necessary for our existence as human beings, and serving communities provides a justification for our existence as humans (see Friedmann 1982; Becker 1997; Grayling 2003). Communities provide rich local knowledge and relationships that are crucial to sustainable public policy improvements (Scott 1998). Communities fail when they exclude or isolate some groups, accept the domination of traditional elites, neglect collective identity, become parochial, ignore harm to individuals and the environment, and offer few opportunities for civic engagement.

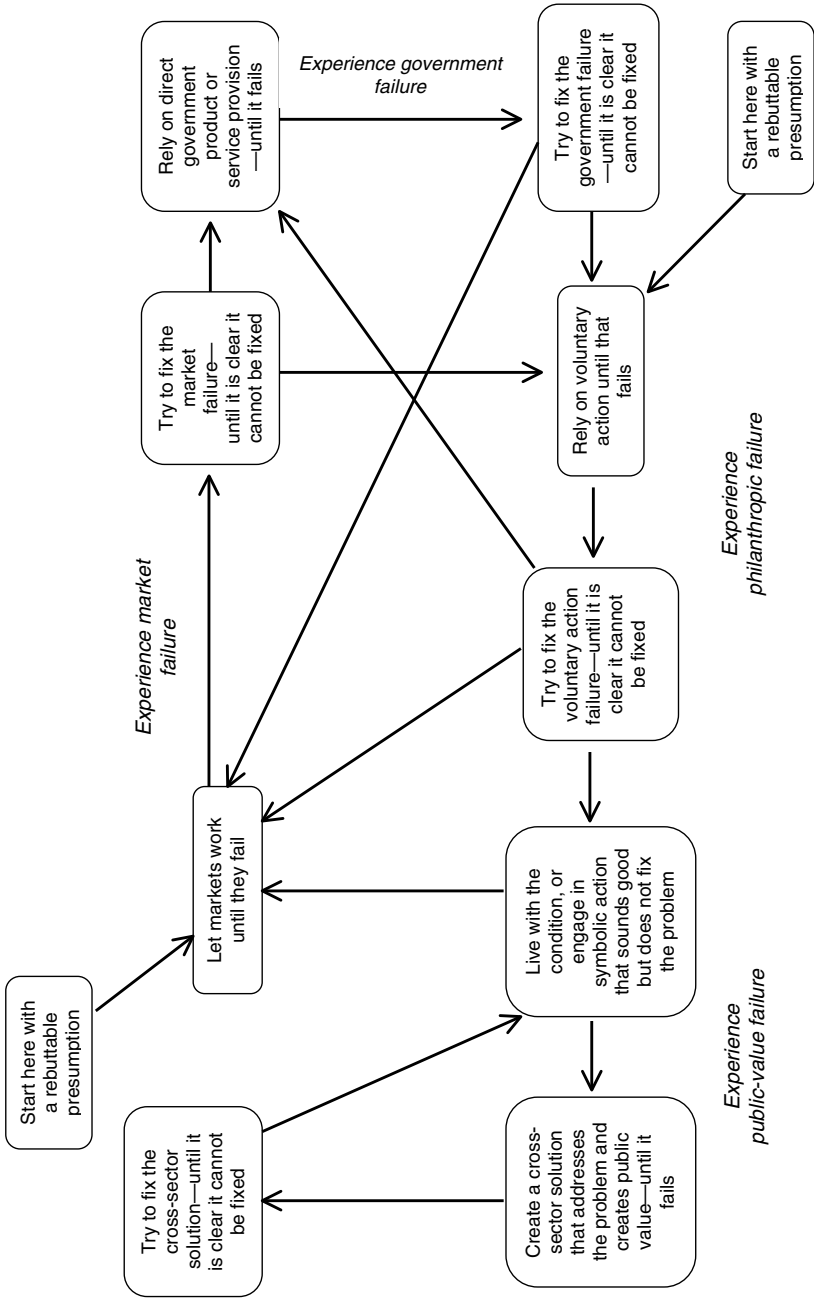
Policy Intervention in Light of Sector Strengths and Weaknesses

The *implicit* prevailing theory of policy intervention in the United States builds on the notion of sectors with differential strengths and weaknesses. The theory is summarized in Figure 10.1.

In the United States, public policy intervention typically begins with what Schultze (1977, 44) calls the "rebuttable presumption." The presumption is that we will let markets work until they fail, and only if they fail will we seek an intervention. In other words, the presumption that markets will succeed must be rebutted before we move toward public policy intervention. Schultze and others argue that if markets fail, attention should first be directed toward fixing the market failures through whatever mechanism is appropriate, given the nature of the failures. Taxes, subsidies, regulations, information provision, and various other tools might adequately address the failure, given the nature of the failure and the public purposes to be served.

If the market failures cannot be fixed, then the case is compelling for direct

Figure 10.1 Markets, Government, Voluntary Action, and the Public, along with Their Failures and Interactions



government provision of products or services. For example, the rise of public schools in the United States was tied to a belief that a compelling public interest in universal, professional, non-church-based education meant markets could not be counted on to provide the education and that tax-financed public schools were the only viable alternative. The creation of the Social Security system was a response to a widely perceived failure of the private sector to provide adequate pensions for ordinary workers, their spouses, and surviving dependents.

The current school-choice movement disputes the view that public schools are working effectively. Choice advocates believe that the public schools—as government-owned and -operated monopolies—are failing and that markets or marketlike mechanisms would produce better outcomes. They advocate offering parents more choices of schools, particularly through the use of vouchers and fostering the creation of charter schools (perhaps even by allowing vouchers to be used in church-owned schools to provide yet more choice) and through allowing home schooling (Brandl 1998). Fixing the government failure may be seen in part as a move to market-based solutions but also as a move to voluntary action, since parochial schools and charter schools are nonprofit organizations. Home schooling also represents voluntary action.

Governments also make extensive use of the voluntary sector to carry out a number of government services. Indeed, approximately 37 percent of non-church nonprofit revenues come from governments (Salamon 2004, 93). For example, governments rely on nonprofit organizations to provide a wide variety of health and social services. Policy makers rely on nonprofits for a variety of reasons, but especially because they believe nonprofits are cheaper, more flexible, more innovative, and more easily terminated than government units. In other words, government often relies on nonprofits because policy makers see the sector as having strengths the government itself does not have.

But nonprofits also can fail, as noted. Attempts can be made to fix failures, through pooling and expanding resources (for example, United Way campaigns), attempting more universal solutions (for example, collaborative partnerships), overcoming paternalism (for example, developing community-based nonprofits), or increasing professionalism (for example, nonprofit educational and professional development programs or United Way vetting). When the failures cannot be fixed, three options would appear to be possible: relying on markets, if possible; relying on government service provision, if possible; or accepting that public value cannot be created.

Salamon (1995) argues that historically, the United States has relied first on voluntary action (with or without the existence of nonprofit organizations) before moving to government service provision. In other words, government service provision historically has been a product of *either* market failure *or* voluntary action failure, which means that there actually are two alternative rebuttable presumptions with which to start. For example, in the Great Depression, the federal government launched large-scale jobs programs only after business and nonprofit organizations proved incapable of providing jobs for a high proportion of the population. Congress

created the food stamp program because soup kitchens run by charities simply were not covering the nutritional needs of large numbers of poor people. (Of course, the food stamp program also provided indirect support to farmers.)

If the public problems are unsolvable by any sector, then they are more accurately called *conditions* rather than problems and will remain conditions until they are turned into problems that can be solved (Wildavsky 1979). If the condition is serious but no action is undertaken by any sector to alleviate it, we might speak of a *public-value* failure. Bozeman (2002, 150) says that a “public failure occurs when neither the market nor the public sector provides goods and services required to achieve core public values.” We would extend his argument to say that a public failure occurs when neither the market, nor government, nor the voluntary sector, nor the news media, nor the community provides whatever is needed (policies, goods, services, revenues) to achieve core public values. In such situations, broad-based leadership for the common good is necessary if public value is to be created.

To summarize, the implicit theory of policy intervention in the United States seems to be as follows: We will let markets or the voluntary sector work until it fails. If either fails, we will first try to fix the failures, without recourse to government intervention. This might mean relying on voluntary action to fix a market failure or vice versa. If the failures cannot be fixed, we will consider relying on government product or service delivery. If all three sectors fail and cannot be fixed, we have a public-value failure that we address in one of several ways. We can live with it; engage in some form of symbolic action that claims the problem is fixed when it is not or does not exist when it does (Edelman 2001); or seek to inspire and mobilize collective action to fashion a cross-sector solution that holds the promise of creating public value. Effective cross-sector solutions and regimes of mutual gain will build on each sector’s strengths while minimizing or overcoming its weaknesses.

Leadership Tasks for Creating a Cross-sector Regime of Mutual Gain

How can leaders who want to reform an existing policy regime or build a new one use the building blocks of public value to achieve the common good? In other words, how can an understanding of the contributions and failures of markets, nonprofits, governments, media, and communities inform the main tasks of leadership? These tasks are (Crosby and Bryson 2005a):

- *Leadership in Context*: Understanding social, political, economic, and technological “givens.”
- *Personal Leadership*: Understanding self and others.
- *Team Leadership*: Building effective work groups.
- *Organizational Leadership*: Nurturing humane and effective organizations.
- *Visionary Leadership*: Creating and communicating shared meaning in forums.
- *Political Leadership*: Making and implementing decisions in legislative, executive, and administrative arenas.

- *Ethical Leadership*: Adjudicating disputes in courts and sanctioning conduct.
- *Policy Entrepreneurship*: Coordinating leadership tasks over policy-change cycles.

By way of illustration, let us consider the leadership efforts of several Minnesotans to revolutionize various systems affecting older adults. In 1998, Jan Hively, a woman with a lengthy record of public service in Minnesota, became concerned about the “graying” of her state’s rural communities. Young people were migrating away from small towns, just as baby boomers were nearing retirement age. At the time, Hively was working in rural Minnesota as part of her outreach job in the University of Minnesota’s College of Education and Human Development. She soon joined a project sponsored by the Minnesota Board on Aging that was studying ways of helping older adults lead productive and satisfying lives.

With encouragement from an assistant commissioner in the Minnesota Department of Human Services, Hively joined Hal Freshley, from the Minnesota Board on Aging, and Darlene Schroeder, from the Elder Advocacy Network in rural Minnesota, in launching the Vital Aging Initiative, an effort to gather information about older adults’ activities and interest in further education. Within a couple of years, the initiative had become the Vital Aging Network (VAN), which sponsors a variety of virtual and face-to-face forums to “promote self-sufficiency, community participation and quality of life for older adults” (see www.van.umn.edu). VAN also sponsors two projects: the Advocacy Leadership Certificate Program and Vital Force. The certificate program, offered through the University of Minnesota, provides training and field experience for people who want to become effective advocates for better policies and programs affecting older adults. Vital Force trains coaches who work with older adults to organize community projects. VAN’s ultimate aim is to achieve new local to national policy regimes that make it possible for older adults to continue to contribute to their communities while receiving supports they need to stay healthy and productive.

Hively, Freshley, Schroeder, and their supporters began the change process through a combination of personal leadership and leadership in context. Personal leadership requires understanding oneself and others and using that understanding to engage in leadership work. For example, what values does the person bring to the leadership task, what does he or she care about enough to take on risky initiatives? What public problem, need, or opportunity connects with these values and cares enough to become one’s “public passion?” What other leadership assets, such as professional skills and affiliations, does the person have, and how can they be used in the leadership work? Hively, Freshley, and Schroeder certainly placed high value on equity, liberty, and security for older adults. Hively, especially, developed an intense passion for creating a world in which older adults lived vibrant lives until their last breath. The three had connections or positions in government and nonprofit organizations that they could bring to the leadership work. They had expertise with aging, community change, and public policy.

Leadership in context requires understanding the social, political, economic, and technological “givens” and identifying leverage points in existing systems. We put quotations around *givens* because even political arrangements, social practices, market conditions, and technologies that seem permanent do change. An important part of the context for change efforts in the United States is the habitual reliance on market, government, nonprofit, community, and media institutions to achieve public purposes. Hively and her colleagues identified failures in all of these institutions. Some examples: Businesses were failing to develop flexible arrangements that helped older workers continue to provide expertise and service after retirement age. Government programs often made it easier for older adults to obtain expensive hospital or nursing home care than cheaper in-home assistance. Nonprofit organizations focused on serving rather than empowering older adults. Communities did not demand lifelong learning opportunities, or they permitted elderly people to become isolated in their homes. The news media depicted older adults as “greedy geezers” or frail dependents. New regimes of mutual gain would need to overcome these failures.

As they work to build new regimes, how might VAN leaders think about using the different sectors to accomplish their goals? They want to provide goods and services, obtain new laws, and open up new opportunities for work, leisure, and citizenship. To achieve these goals, they will need to take advantage of what each sector has to offer, while minimizing or overcoming its characteristic weaknesses. Table 10.1 offers examples of how business, government, nonprofit, media, and community sectors could provide public value for vital aging. If the sectors did all or most of these things, almost certainly a regime of mutual gain would be created. To make these happen, almost certainly stakeholders in each sector would have to collaborate across sector lines, thus mobilizing network power to enhance the prospects and quality of life of older adults.

We suggest that those who want to fulfill a particular need or remedy a public problem affecting their constituents (for example, older adults) should begin with a sector-by-sector stakeholder analysis. That is, within their context (a neighborhood, region, state, country, or virtual community) they should identify the specific businesses, government agencies, nonprofits, media organizations, and communities that are affected by the need or problem or that have crucial resources. Grouping the stakeholders by sectors, the advocates of change might add to standard questions about each stakeholder’s expectations, interests, and power (see Bryson 2004) the following questions that should be answered using a guide like Table 10.1:

- Which of the possible sector contributions does the stakeholder make in relation to the need or problem that concerns us?
- How significant are the contributions?
- Which of the possible sectoral failures can be associated with the stakeholder in relation to the need or problem that concerns us?
- How significant are the failures?

Table 10.1

Creating Public Value for Vital Aging

Sector	Businesses	Nonprofits	Governments	Media	Communities
Possible Contributions	Develop and market a good or service that meets a need of older adults and their families and offers a possibility of profit	Convene older adults and other stakeholders	Assure all older adults a basic level of income and health care	Cover business practices and government programs affecting older adults	Informally provide goods and services for older adults
	Provide choice among goods and services	Promote advocacy by and for older adults and their supporters	Assure tax dollars are spent wisely and benefit older adults	Attend to business and government failures to support older adults	Make intergenerational connections
	Attend to the needs of older workers, including flexible schedules, pension plans, retirement planning, and assisted work spaces	Develop and provide goods and services that are not profitable	Promote dignity and rights of older adults	Attend to vital agers, avoiding stereotypes about golf-mad retirees or dotty old folks	Convene neighbors to develop ideas and strategies for supporting older residents
	Contribute a portion of corporate profits and employee time to projects benefiting older adults—for example, helping communities become more senior friendly	Provide employment and volunteer opportunities	Promote intergenerational reciprocity and equity	Engage in citizen education about trends in aging and alerting them to needs and opportunities for beneficial change	Press businesses, government, and nonprofit organizations to support older adults

Sector	Businesses	Nonprofits	Governments	Media	Communities
Possible Failures		Provide faith-based services	Convene diverse stakeholders to address challenges of older adults	Provide a forum for citizens to express their views about aging issues	
		Provide charitable outlets	Sponsor basic research into aging and use research to inform decisions		
		Use flexible organizational forms and practices	Provide incentives or seed funds for community, business initiatives		
		Relate well to different cultures	Provide needed services or goods not otherwise provided		
	Gaps in provision of services and products for older adults	Legislative gridlock	Journalists not interested in aging issues	Isolation of older adults	
	Harmful effects of production	Uneven quality of services and products	Bureaucratic delays and mismanagement	Journalists have little time for in-depth investigation of business practices and government and nonprofit programs and simply rely on their cozy relations with elites for their information	Lack of civic engagement around aging issues

Public Value Created	Misleading advertising	Inattention to some portion of the older population	Outmoded programs	Advertiser objections squelch coverage of controversial aging issues—e.g., rights of elderly gay couples Journalists foster aging stereotypes	
	Poor-quality products or services	A faith or ideological perspective that excludes some older adults	Inadequate regulation of businesses and nonprofits		
	Discrimination against older workers	Exclusion of older adults from decision making	Violation of individual rights		
			Discrimination against particular groups of older adults		
			Lack of choice		
	Goods, services, and employment practices that enhance quality of life for older adults	Voice for diverse older adults	Social safety net for older adults	Citizens educated about vital aging and key public issues affecting older adults	Active culture of intergenerational connection and support
	Individual and collective wealth	Paid and unpaid work	Intergenerational equity		
		Supplementary goods and services that enhance quality of life for older adults and community	Democratic decision making and accountability		
		Religious tolerance and respect	Legal frameworks that foster wealth creation and older adults' rights		
		Charitable activity	Research base Innovation stimulus		

Leaders can use this analysis to build a picture of which stakeholders in which sectors are already providing some elements of a regime of mutual gain. Additionally, the analysis can highlight barriers to establishing such a regime.

Such a sector-by-sector stakeholder analysis should help leaders and their constituents develop a more comprehensive problem formulation, and it should inform their search for solutions. The sector analysis should direct attention to solutions that continue, enhance, or expand the contributions of sectoral stakeholders and that mend their failures as much as possible. If the reformers can incorporate these multisector solutions into compelling visions for change, they should be able to build and sustain cross-sector coalitions to press for new policies and oversee their implementation. The vision should show clearly how an array of solutions will serve public values and add up to a regime of mutual gain—in other words, the common good.

Conclusions

Several conclusions flow from the analysis and discussion in this chapter. First, leaders interested in creating regimes of mutual gain should begin with at least a rough framework for thinking about how to use markets, governments, the voluntary sector, the news media, communities, and the public in general in order “to create problems that can be solved and are worth solving,” as the late Aaron Wildavsky (1979) said. Useful typologies of the tools that each sector provides are available (Weimer and Vining 2005; Bryce 1999; Osborne and Plastrik 2000; Salamon 2002) and provide a valuable starting point. What is missing, however, is a fully developed theory of the substance and process of tool choice and governance for the common good. In other words, there is no fully developed theory of the “new governance,” as Salamon (2002) refers to it. Said differently, we surely do live in a shared-power world, but too many people do not understand that, and those who do often are in need of an effective macro framework for thinking about change that leads to creating regimes of mutual gain.

Second, part of the leadership challenge is helping assure that tool choice and governance actually serve the common good. Recent work on consensus building (see, for example, Innes 1996; Susskind, McKernan, and Thomas-Larmer 1999), collaboration and collaborative planning (Healey 1997, 2003; Chrislip 2002; Huxham and Vangen 2005), deliberative democracy (Barber 1984), and active citizenship (Boyte and Kari 1996; Boyte 2004) indicates that it is possible to achieve the common good, at least some of the time, by engaging diverse, interdependent, knowledgeable stakeholders from different sectors in order to address important issues where goals and solution strategies are not dictated in advance.

We have offered a way of thinking about addressing important public problems or needs in a shared-power world in which cross-sector collaboration and shared-power arrangements can provide promising solutions. Regimes of mutual gain must build on the strengths of each sector while avoiding its characteristic weaknesses and failures.

Leadership for the common good clearly involves constructing, maintaining, modifying, and terminating (when necessary) these regimes. But our final conclusion is that more research is needed to more fully understand leadership and the construction of regimes of mutual gain. We can hardly imagine more important work.

Note

Portions of this chapter are drawn from the authors' paper "Leadership and Collaborative Governance for Poverty Reduction in the Northwest Area" in the report of the Rural Poverty Project sponsored by the Northwest Area Foundation and published by the Humphrey Institute of Public Affairs, University of Minnesota, August 2005.

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11

Creating Public Value Using Managed Networks

EDWARD DESEVE

The Nature of Public Value

If it is to build public value in the emerging digital world, the BBC must combine bold new strategies with enduring values. It must keep faith with existing audiences and their expectations yet discover a new spirit of reform and re-invention. In many ways, the new era calls for a new BBC (BBC 2004, 7).

The quest for public value is not new. The founders of modern liberal democratic thought, Adam Smith, Thomas Hobbes, John Locke,¹ as well as the sources in antiquity, Socrates, Plato, Cicero,² all understood that the public's acceptance of the value of government was central to its legitimacy. Despite its antiquity, recent use of the concept has cast it in the broad tradition of public administration and as a successor or companion to the New Public Management.

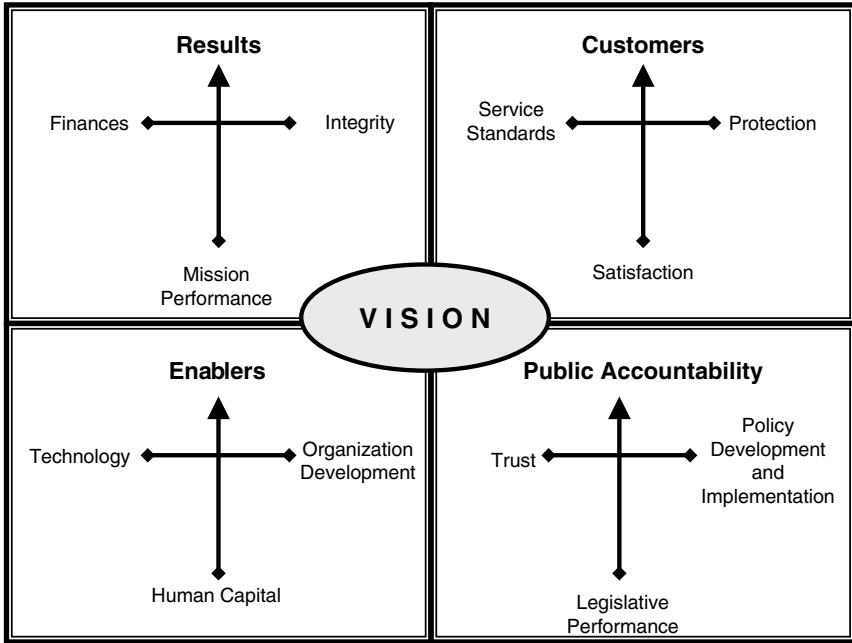
The BBC quote at the beginning of this chapter is an interesting recognition that reform and reinvention require a careful monitoring of the support of current "audiences" while trying to chart a course of transformation. Measuring public value is a multivariate process somewhat analogous to the measurement of shareholder value in a public company.

The shareholder cares most about the price of a share of stock and the likely trend of that share price into the future. While share price is one measure, many other measures, both objective and subjective, influence share price: the trend of earnings, market share, the composition of the balance sheet, and the opinions and expectations of analysts (Graham and Dodd 2004). In the public sector, a balanced scorecard approach might be used to highlight the creation of public value. Figure 11.1 presents categories of metrics that allow managers to demonstrate to themselves and to the public that value is being created (DeSeve 1999).

Balanced Scorecard for Government

In each of the four quadrants, the metrics represented allow managers and the public to know how the jurisdiction is doing:

Figure 11.1 **Balanced Scorecard for Government**



- Is government performing its mission in a cost-effective manner and without waste, fraud, and abuse?
- Are service standards being met and producing satisfied customers while protecting sometimes unwilling customers?
- Are the workforce and technological tools being used within the context of a modern learning organization that can adapt to challenges?
- Is the government able to develop and implement coherent policies and get needed legislation passed in a timely fashion? Does the public trust the government to do the right things and do them well?

While having data on all of these questions may be a demonstration of public value, the public's reaction and their assessment of the value of government is more difficult to measure. Still, this is why politicians spend enormous amounts of time assessing opinion polls.³

The Role of Leaders in Creating Public Value

With all the caveats regarding measurement, most political, legislative, and executive leaders would agree that creating public value is at the core of what they try

to do. Further, they would agree that, in a democracy, creating public value is essential to getting elected and reelected. For example, individuals running for public office frequently go through a calculus weighing what polls tell them the public wants against the public's willingness to commit resources to achieve these ends. In crafting a campaign platform as well as in developing a legislative or executive program after election, the politician must continuously demonstrate positive public value. If the electorate does not agree that value has been produced or if the cost is too high, then the politician's continuation in office is in doubt. Newt Gingrich found this out after several government shutdowns resulted from his *Contract with America*. The public valued continuity of public services more highly than a set of abstract principles of smaller government. Finding the right balance is the essence of effective political leadership.

However, there are many different kinds of leaders, and we should describe what kind of leaders we are discussing. The answer is all kinds. The search for public value encompasses those who are "transactional" and those who are "transformational" (Burns 2004). Transactional leaders meet the needs of followers for tangible and intangible "products." They exchange public support for lower taxes or better roads or a feeling of safety. Transformational leaders have a desire to change the fundamental nature of the organization, process, service, or discussion that they are dealing with. The depth and scope of the change will transform an institution or a society. An example of a transformational leader is Mohandas Gandhi who transformed India from a backward British colony to the world's largest democracy.

For both types of leaders, the focus on public value is essential. In the case of the transactional leader, the nostrum that good government is good politics applies. In terms of good policies, good services, and good constituent service, the transactional public leader seeks to supply what the public values. We can remember the obsessive way in which former New York mayor Ed Koch would buttonhole his fellow New Yorkers and ask, "How 'm I doing?" He was seeking reassurance that he was creating public value.

A more subtle form of transactional exchange comes in the conduct of foreign affairs. George H. W. Bush dispatched Secretary of State James Baker on a tour of foreign capitals in 1991 to seek diplomatic and financial support for the Gulf War. Baker's success led, in part, to the tremendous public support that the Gulf War received. Arguably, George W. Bush's failure to "close the deal" with major European allies, such as Germany and France, helped lead to the public's ambivalence in supporting the current war in Iraq.

The role of public value in transformational efforts is less obvious. Often, transformational leaders are revolutionaries. Burns describes their efforts this way (2004, 198):

Lacking the power of Caesar, insurgent leadership motivates followers with "symbolic and intangible inducements," addressing their grievances, appealing to transformational values, and offering prospects of deep change. The most potent

appeal to their wants and motivations is moral. Mohandas Gandhi, Martin Luther King, Jr., Nelson Mandela, Andrei Sakharov, and Vaclav Havel were all moral leaders, transforming their societies with the mobilizing powers of values.

This introduces an interesting tautology. Transformational leaders seek to change values. The reflection of their success in creating public value is the nature of the change they create and the long-term success of the government or society that has been changed.

Certainly, Mao Zedong was a transformational leader. He led the overthrow of the nationalist regime and helped create the communist state in China. Without detouring into the debate about good versus evil leaders, Chairman Mao was successful for a time, but the system he established lacked the coherence to meet public needs in a global world. His successors have focused on transactional approaches that create a stronger economy and more general prosperity.

By contrast, Nelson Mandela's South Africa continues along the transformational path that he championed. While there are difficulties in the government and the society, the nature of democracy for all is still the guidepost. The value the public places on democratic inclusion is much harder to measure. At some point, the public takes democratic principles such as universal fair elections as a given and values them only when they are taken away.

While values are clearly at the center of transformational leadership, Ronald Heifetz makes the case that all leadership is value-centric. "There is no neutral ground from which to construct notions and theories of leadership because leadership terms, loaded with emotional content, carry with them implicit norms and values" (Heifetz 1994, 14). So we make the case that leadership shapes public values even as it seeks to produce things that the public values.

Organizing to Create Public Value

Sun Tzu states, "Generally, management of many is the same as management of few. It is a matter of organization" (Sun Tzu 1988, 91). This was true in China more than 2,500 years ago, and it is true today. The question before each generation is, "What form of organization will be most successful given our circumstances and the challenges we face?"

Historic advances in both governance and management of government have come in response to challenges from the external social, economic, and political environment. From the American Revolution through the Articles of Confederation to the Constitution, the existence of external stimuli and internal struggles led the founding fathers to fight a revolution and form and reform a government, all in the space of a generation. At the turn of the century, American governments responded to increased immigration, urbanization, and corruption with an era of "Progressive" reforms featuring new regulations,⁴ new tax structures,⁵ and new forms of organization.⁶

In a famous quote uttered at the beginning of the New Deal, Franklin Roosevelt said, “The country needs and, unless I mistake its temper, the country demands bold, persistent experimentation. It is common sense to take a method and try it. If it fails, admit it frankly and try another” (Burns 2004, 22). The economic and social problems were clear. The need for new forms of organization from the Securities and Exchange Commission to the Social Security Administration to the Works Progress Administration was equally clear. It might be said that large bureaucracies established to carry out the programs of the New Deal, together with the military-industrial complex that grew up in response to World War II, were the defining features of government from 1932 until today.

Certainly, Thatcherism in Great Britain, privatization around the globe, the Reagan “Revolution,” and the rise of the New Public Management (NPM) have all, in different ways, presented challenges to the large hierarchical public bureau as a model for government organization. However, when faced with a new challenge after 9/11, the response of Congress and ultimately of President Bush was to create a large hierarchical bureaucracy from twenty-two separate agencies. The Department of Homeland Security has become the second-largest agency in the federal government in terms of employees.

The hierarchical bureaucracy is so pervasive that to directly challenge it is probably counterproductive. Generations of public servants have grown up moving from one rung on the bureaucratic ladder to another in a continuing upward mobility toward more authority, more interesting work, and a greater ability to do the public’s work.

But if the challenges facing the country during the American Revolution or the New Deal required new forms of organization, so do the challenges the nation and the world face today. The editors stated the issue well in the prospectus for this volume:

The public sector is rapidly transforming as a result of events following September 11th and emerging trends in globalization, information technology, accountability, privatization, civil service re-engineering, politics, and governance. Our traditional notions about and effective practice of public leadership may no longer apply in an age of emergency or crisis, networked settings, or extreme politicization, conflict and polarization (Morse, Kinghorn, and Buss 2005).

These observations are buttressed by the work of the 9/11 Commission. As the Commission states, “We have been forced to think about the way our government is organized. The massive departments and agencies that prevailed in the great struggles of the twentieth century must work together in new ways, so that instruments of national power can be combined” (National Commission on Terrorist Attacks 2004, xvi). Managing the SARS outbreak around the globe and the response to Hurricane Katrina both demonstrate the need for new forms of organization to deal with the “wicked problems” we face.

There is a common thread to the response to these challenges: Leaders need to search for alternative forms of organization to meet them. The old bureaucratic

structure is too rigid and slow to meet the spread of disease on a global basis or to coordinate a massive response to a natural disaster across organizational and jurisdictional boundaries. The old structure is too “stove piped” to respond to global terrorists moving across international boundaries. Hierarchical bureaucracies are organized in a way that minimizes the benefit of various technological breakthroughs. In short, “[t]he traditional, hierarchical model of government does not meet the demands of this complex and fast-changing age. Rigid bureaucratic systems, with their command and control procedures, narrow work restrictions, and siloed cultures and operational models, are particularly ill-suited to responding to problems that increasingly know no organizational boundaries” (Eggers and Goldsmith 2004, 5).

Still, there are paradoxes in adopting new forms. A recent conversation with a young upwardly mobile analyst at one of the hierarchical intelligence organizations brought home one of these paradoxes. When asked whether he would consider moving to the newly created National Counter Terrorism Center (NCTC) in the new Office of the Director of National Intelligence, he expressed concern that such a move would be a career black hole. He would lose standing in his home organization with no assurance that there would be a better job for him in the future at NCTC. Additional difficulty comes with trying to design budgetary systems for organizations that are not hierarchical. Who controls the resources and who decides how to apply them?

Despite these paradoxes, new tools for organization are being developed and deployed. It would be a mistake to think of these tools as a replacement for the hierarchical structure. Rather, they are “tools of government” that can be used by multiple hierarchies simultaneously to address the challenges that leaders face (Salamon 2002). Just as the founding fathers, the “Progressives,” and the “New Dealers” invented new tools to make organizations more effective, so too must the leaders of today develop and deploy such tools.

As Heifetz suggests, the primary function of leadership is to recognize those adaptive situations that can produce true solutions to problems that are not just technical in nature, but which represent a real shift in how a nation or a culture approaches the challenge. “Over the course of history, we have successfully faced an array of adaptive challenges by developing new knowledge and organizations with new norms. Now that we have them, many of our problems have become routine” (Heifetz 1994, 72). For leaders to provide public value in meeting today’s challenges, they need to find the appropriate “knowledge and organization” that will be the tools for the beginning of this century.

The Managed Public Value Network (PVN)

Governing by network represents a fundamental transformation in how governments fulfill policy goals and deliver services. While certain aspects of this phenomenon have been previously discussed, a roadmap for actually governing the networked state has yet to be crafted (Eggers and Goldsmith 2004, 9).

What would a “roadmap” look like and who would draw it? The hypothesis presented is that it would be possible to create a Managed Network to produce public value. The PVN is a tool that multiple organizations can use simultaneously to fulfill their missions, set standards, exchange information, or enhance the skills of the participants. The following sections describe work in progress to assess both the Types of PVNs that may exist and the Elements that are important to each Type. This is accomplished by developing case studies around a research tool. Work is at an early stage, and we welcome additional participants in the effort as well as constructive emendation.

Assembling the rudiments of the roadmap and suggesting a method for drawing it are presented in the following ways:

- The term *Managed Network* is defined and its relation to the creation of public value is discussed.
- A specific Type of Managed Network, the Public Value Network (PVN), is created as the central focus of this chapter.
- A Typology of PVNs is created as an analytic framework for the roadmap.
- A hypothesis is developed regarding the Elements that are critical to creating and sustaining a PVN.
- The role of leadership is described as the critical element that must orchestrate all of the other Elements.
- Three case studies are presented along with a preliminary research methodology and a tool used to validate the Typology and establish the importance of the Elements.

Defining Public Value

In our view, public value refers to the level of social and economic outcome achieved by government departments and agencies in return for monies received from the wider public in the form of taxes and charges (Accenture 2004, 3).

Public Value can be defined as the demonstrated preference of the public for a product, service, process or outcome that fills a perceived need (DeSeve 2005, 1).

These two definitions present complementary perspectives on the nature of public value. The first looks at the production of public value and the cost of production. The second looks at the public demand for a particular good or service and the acceptance of the activities taken to meet the perceived need.

In fact, there is a “third way” to think about public value by combining the two perspectives. A common definition might be:

Public Value constitutes the demonstrated level of social and economic outcome achieved by government that clearly fulfills the public’s demonstrated preference for a good or service efficiently and economically.

This definition allows us to pose a series of questions that must be answered to determine if public value is being provided:

- How has the public demonstrated a preference for a particular activity?
- How has the agency defined successful accomplishment of this activity?
- How are costs measured in relationship to achievement?
- How do we know that the public agrees that the outcome has been achieved and meets their expectation?

Each of these questions leads to a measurement scheme that must be undertaken continuously with the best available information to guide program choices and the expenditure of funds. In all cases, there will be:

- uncertainty about the preferences and acceptance of the public,
- problems with allocation techniques, and
- structural issues relating to process fairness, measurement, and integrity.

Despite these uncertainties and problems, the quest for public value should be the central organizing principle of government. An old adage suggests that “perfect is the enemy of the good,” and this applies in the search to create public value. Continuous improvement in measurement, cost accounting, public opinion research, and processes of budgeting and program evaluation can all contribute to the creation of public value. Critical among these is the role of leadership from the executive and legislative arms of government.

While this leadership is often exercised through single departments, agencies, or bureaus, increasingly a network that spans intra- and intergovernmental boundaries and also reaches across sectors is necessary to meet a challenge or accomplish a mission. The recent response to Hurricane Katrina highlighted the failure of government to operate in a networked fashion. The networks described here are not natural networks or social networks. Rather they are consciously constructed entities designed to function toward a common purpose. A description of the nature of these Managed Networks follows.

What Is a Managed Network?

Technicians have no trouble defining what constitutes a managed computer network. It is the result of linking hardware and software to accomplish a particular purpose, such as communication or computation. The problem gets more difficult when we realize that some Managed Networks tend to be scale free and resist boundaries that managers impose. The Internet is a classic example of a Managed Network that is open and continually growing. Still, there are elemental rules and protocols that bring order to the seeming chaos (Barabasi 2002).

When we extend the concept of a Managed Network outside the realm of pure technology, we find ourselves looking at many different kinds of networks. For

example, Eggers and Goldsmith (2004) describe the diversity of networks in government management as coming “in many forms, from ad hoc networks that are activated only intermittently—often in response to a disaster—to channel partnerships in which governments use private firms and non-profits to serve as distribution channels for public services and transactions” (11).

For our purposes, we will define a Managed Network as follows:

An integrated system of relationships that is managed across formal and informal organizational boundaries with recognized organizational principles and a clear definition of success.

Clearly excluded are social networks or natural networks that cannot be guided toward achieving a purpose (Capra 2002).⁷ These networks may lack one or both of the factors examined here: purpose or conscious direction to that purpose. This is not to suggest that social networks cannot be used as part of a Managed Network. Conjoining a social network to a Managed Network can produce important results. Networks are not necessarily a replacement for traditional hierarchical organizations. They can be used as tools to achieve some or all of the purposes of traditional organizations, but experience indicates that most organizations require some form of hierarchy to reassure participants and stakeholders of their roles.

Defining Public Value Networks

The diversity of potential types and the purposes for which Managed Networks have been used are great. To narrow the scope of these networks, we have organized them around the purpose of providing “Public Value.” Since Managed Networks often comprise entities inside and outside government, we call them Public Value Networks (PVN). The concept of a value network is not new. In the private sector, Verna Allee defined value networks as “a web of relationships that generates economic value and other benefits through complex dynamic exchanges between two or more individuals, groups or organizations” (2002, 9). The difference between Allee’s definition and one used recently by the author lies primarily in removing the term *economic* and substituting the term *public* (DeSeve 2004).

Thus, the definition of a PVN is as follows:

An integrated system of relationships that is managed across formal and informal organizational boundaries and sectors with recognized organizational principles and a clear definition of success in terms of Public Value realized.

The definition explicitly recognizes the role that the private sector plays as both a participant and often a leader in PVNs. In the next examples, private-sector network participants, from consulting firms to defense contractors, form important nodes in the network both as “contractors” to the public sector and as independent direct providers of goods and services.

But focusing just on the private sector or on the private sector as a provider/contractor is to miss the broader and richer context of PVNs. Often they are designed to solve the most complicated problems that societies face. Prime Minister Tony Blair observed, “Even the basic policies targeted at unemployment, poor skills, low incomes, poor housing, high crime, bad health and family breakdown will not deliver their full effect unless they are properly joined up. Joined up problems need joined up solutions” (quoted in Skidmore 2004, 92). This is the essence of PVNs: the conscious search for a solution to one or more problems across multiple boundaries.

A Partial Typology of Public Value Networks

The list of PVNs contained and described in this section is only a starting point. During our continuing research, we anticipate adding to the list or combining various types of PVNs. These groupings are a tool to determine if the critical factors discussed next are common to multiple types of PVNs.⁸ Several types of PVNs have been identified previously. Eight examples follow with appropriate references:

- *Communities of Shared Mission*: “A networked collection of actors from the public, private, nonprofit, and/or civic sectors working to achieve a common purpose” (Center for Public Policy & Private Enterprise 2004).
- *Communities of Shared Practice*: Groups of individuals organized around common interests or expertise (Wenger 1999).
- *Issue Response Networks*: An example is the Laboratory Response Network of the Centers for Disease Control and Prevention whose mission is to “respond quickly to acts of chemical or biological terrorism, emerging infectious diseases, and other public health threats and emergencies.”⁹
- *Strategic Alliances*: “Strategic alliances can have a variety of mandates. They can be designed to work at the operational (program delivery) level; to conduct a major research program that requires the resources, information, and expertise of more than one group; and/or to function at the advocacy (public relations) level. Under the right circumstances and when the synergies are obvious, strategic alliances in the business world, and perhaps among consumer groups in the future, could lead to more permanent arrangements such as joint ventures or a full merger.”¹⁰
- *Joined-Up Government*: “We want to ensure that relevant citizen’s services are better coordinated (joined up). Somebody with a problem should not have to visit or telephone several government offices to find a solution. Good examples of joined-up government are one-stop benefit or housing shops that are being introduced in many high-streets.”¹¹
- *Service Integration*: “Promote coordinated responses to persons most at risk” (Agranoff 1991, 535).
- *Customer/Vendor*: An example is the United Space Alliance (USA) whose

mission is to manage and conduct “space operations work involving the operation and maintenance of multi-purpose space systems, including systems associated with NASA’s human space flight program, Space Shuttle applications beyond those of NASA, and other reusable launch and orbital systems beyond the Space Shuttle and Space Station.”¹²

- *Intraorganizational*: Involves the use of Managed Networks within an organization, but including suppliers as a Critical Element in planning and execution.¹³

It is possible, as Agranoff (2003) suggests, to create a more compact Typology including four network categories: action, developmental, informational, and outreach. There are undoubtedly many more Typologies, depending on the point of view of the research being conducted. It may be possible to shrink the number even further. This research may suggest a broader framework for several of the Types described earlier. For the purposes of beginning the research, we will limit ourselves to the eight listed here. As noted earlier, this number may expand or contract as results inform our thinking (Agranoff 2003).

Critical Elements

Again for analytic purposes, the following Critical Elements¹⁴ to the success of PVNs are proposed for examination:

- *Networked Structure*: Nodes and links that are joined together to represent the physical Elements of the PVN.
- *Commitment to a Common Purpose*: Reason for the PVN to exist; caring or commitment to achieving positive results.
- *Trust among the Participants*: Based on either professional or “social” relationships, the participants believe that they can rely on the information or effort of others in the network to achieve the common purpose.
- *Governance*:
 - *Boundary and Exclusivity*: Some definition of who is and who is not a member.
 - *Rules*: Some limits on community member behavior, with a threat of ejection for misbehavior.
 - *Self-determination*: The freedom to decide how the PVN will be operated and who will be admitted to membership.
 - *Network Management*: Resolution of disputes, allocation of resources, quality control, and organizational maintenance.
- *Access to Authority*: The availability of definitive standard-setting procedures that are broadly accepted.
- *Leadership*: Individuals or groups willing to serve as a “champion” for the PVN and guide its work toward results.

- *Distributive Accountability/Responsibility*: Sharing the governance and some decision making across members of the PVN and thus the responsibility for achieving desired results.
- *Information Sharing*: Easy access for members, privacy protection, and restricted access for non-members if appropriate.
- *Access to Resources*: Availability of financial, technical, human, and other resources needed to meet the objectives of the PVN.

The Relevance of Leadership Models to PVNs

One of the most important models in leadership studies was created and articulated by Burns. Burns (1978) distinguishes between two types of leadership as follows:

Transactional leadership: When “leaders approach followers with an eye to exchanging one thing for another. . . . Such transactions comprise the bulk of the relationships among leaders and followers” (4). *Transformational leadership*: When a leader “looks for potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower. The result . . . is a relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents” (4).

For purposes of this research, I assume that both transactional and transformational motives exist in PVNs and that the degree of these motives is informed by the type of PVN. For example, a community of shared mission may be more transformational in the nature of its leadership while a strategic alliance may be more transactional. A key question is, “What is the weight of each type of leadership in each type of PVN and what effect does the type of leadership have on the success of the PVN?”

Case Studies

One of the best ways to study the importance of the Typologies and Critical Elements described earlier is to look at case studies where networks have been successfully applied. Three case studies were developed from interviews with participants in the various efforts. There are two primary purposes for the case studies. First, they demonstrate that Managed Networks can be invoked in many different circumstances. Second, they provide a framework for managers to evaluate how they might use Managed Networks in their own work. Figure 11.2 summarizes the results of structured interviews using a research tool¹⁵ developed by the author and his colleagues at the University of Maryland.

1. Savannah Youth Futures Authority

In the mid- to late 1980s, a grim picture on the condition of Savannah’s youth was presented to city leadership: Twenty percent of all middle and high school stu-

Figure 11.2 **Summary of Case Studies: Public Value Network Summary Table**

	Savannah Youth Futures Authority	Year 2000 Computer Crisis	D.C. CASH Campaign
Type of PVN	COSM	Issue Response/COSM	COSM
Tightness	Medium	Low	High
Clear purpose	Yes	Yes	Yes
Boundary and exclusivity	High	Low	High
Self-determination	Low—now high	High	Low
Network management	Yes—YFA	Shared with sectors	Yes—CSO
Authority	Medium	Low	Low
Leadership	Effective	President	Effective
Distributed accountability/responsibility	Yes	Yes	Yes
Summary	Successful	Successful	Successful

Source: Developed by William Lucyshyn, Research Director, Center for Public Policy and Private Enterprise, University of Maryland, School of Public Policy. Used with permission.

dents failed each year; unemployment among white and black youth aged sixteen to nineteen was 15 percent and 26 percent, respectively; and teenage pregnancy was at 85 percent for black women aged ten to nineteen and 55 percent for white women of the same age.

To remedy this problem, Savannah applied for and won a grant from the Annie E. Casey Foundation. Casey's support catalyzed the new collaborative approach called the Youth Futures Authority (YFA), a networked collection of actors from the public, private, nonprofit, and civic sectors. YFA helps communities craft their own solutions to improving the effectiveness of and harmonization among entities working with communities, families, and youth.

YFA is a network of local "movers and shakers" and includes the "usual suspects," such as local businesses and public and private social service agencies. Businesses are concerned about labor shortages due to a lack of employable youth and crime and its effect on tourism revenues. Ever since the first YFA meeting, twenty-five to forty of the approximately fifty collaborative members have continued to meet every second Tuesday of the month.

2. The Year 2000 Computer Crisis (Y2K)

Leading up to the millennium, engineers and computer users realized that both hardware and software were based on a date convention that did not necessarily contemplate the existence of the year 2000. Everything from bank ATMs to air traffic control systems were at risk of failure.

President William Clinton was acutely aware of the problem, and on Febru-

ary 4, 1998, issued an Executive Order creating a Council on the Year 2000 to coordinate efforts to solve the problem. While the initial focus of the council was to ensure that federal agencies would be ready, it quickly became apparent that the problem was much broader in the private sector, domestically and internationally.

John Koskinen, special assistant to the president, headed the council. He structured the council to feature a very small staff component, never more than ten individuals, relying on a network of sector councils headed by individuals with great knowledge of their industries or functions. Thus, those with a critical stake in solving the problem for the financial services industry or the aviation industry or the electric power industry were in charge of developing plans for solving the problem. At the federal level, Koskinen relied on the White House Office of Management and Budget (OMB) to coordinate the plans of federal agencies and to allocate the funds necessary for the plans.

3. D.C. CASH Campaign

The D.C. CASH Campaign was established to provide low- and moderate-income residents free tax preparation assistance, taxpayer education, and access to programs and services that increase income and savings. The program was founded in 2002 by a group of nonprofit agencies in the District of Columbia's Ward 7,¹⁶ along with a grant from the Annie E. Casey Foundation. In 2004, the D.C. CASH Campaign expanded its program to both Ward 5 and Ward 8. The D.C. CASH Campaign received continued support from the Casey Foundation, along with additional support from the CityBridge Foundation, Fannie Mae Foundation, and Kimsey Foundation.

The D.C. CASH Campaign works year-round to increase income, savings, and asset-building opportunities for low- and moderate-income workers, but their work is most visible during the tax season. In 2004, the D.C. CASH Campaign assisted 936 taxpayers with the preparation of their tax returns.

Differences among the organizations studied are much greater than their similarities. The D.C. CASH Campaign is a small neighborhood-based effort, the Youth Futures Authority (YFA) in Savannah covers a broader set of neighborhoods within a community, and Y2K is international in scope. For each, the "mission" was clearly understood and was the organizing factor for the organization. Y2K was designed to be a loose confederation of sectors reflecting the distributed nature of the challenge as well as the legal barriers to common action. By contrast, the D.C. CASH Campaign was a very tight organizational unit built around a single nonprofit.

In none of the organizations was there direct inherent authority. In the case of Y2K, the director had to leverage an Executive Order of the president to federal agencies into a platform that could create an international network. While there was appropriations legislation in support of Y2K for federal agencies, the distribution of these funds was controlled by the regular budget mechanism, not the Y2K Council.

In the case of Savannah's Youth Futures Authority, various state agencies brought their own authority to the table, but it was not vested in YFA. Effective leadership and distributed accountability were present in all of the organizations.

While three case studies do not create a base for inference, they are illustrative in viewing the use of Managed Networks to create public value. The author is happy to make available detailed results on these case studies and copies of the research tool in the hopes that the development of more case studies will yield valuable results.

Summary and Conclusions

Complicated public problems require solutions that go beyond organizational and sectoral boundaries. The conscious creation of Managed Networks designed to create public value give managers—public or private—a new set of tools in executing their responsibilities.

Managed Networks are not designed to replace hierarchies. Rather they are to assist hierarchies in linking resources with other entities in solving a problem, delivering a service, communicating information, or setting standards. However, it is important to recognize that the creation of Managed Networks can be an integral part of a manager's job, not just something that is done as a peripheral assignment.

To be able to invoke Managed Networks, it is helpful to define the Types of these networks and to describe the Elements that go into creating them. Further research is needed to determine if the Typology presented here is both comprehensive and valuable and if the Critical Elements described are essential to each type of network. For example, is the availability of authority critical in something like "joined-up" government?

The author and his colleagues at the University of Maryland recognize that this is an evolving field. We encourage researchers to develop alternative views of how networks are created and sustained. Particularly useful would be the joining of work in social networks with the ideas presented here on Managed Networks. How do we use social networks as a means of furthering government purpose? Examples such as neighborhood watch programs are clear cases in which community groups evolved a social network into an organizational structure to assist public safety officials. How can this be extended into the areas of health care, recreation, and so on in a consciously managed way? That is a key question for further research.

Networks will become more important as the speed and availability of communication increase. They will also become more important as the scope and complexity of problems increase. The Centers for Disease Control have already created a Global Public Health Information Network to track the spread of diseases such as SARS and avian flu. This model and others like it should be studied to give managers clear principles that demonstrate how networks can help them. This chapter helps provide a basis for that study.

Notes

1. John Locke's definition of political power provides a classic framing of the constitutional nature of public value: "Political Power is that power which every man having in the state of nature, has given up into the hands of society, and therein to the governors whom the society hath set over itself, with this express or tacit trust that it shall be employed for their good and the preservation of their property" (John Locke, *Of Civil Government Second Treatise*, 1689).

2. The ancient Greeks had a very direct way of expressing their view on the public value provided by those in power: "The procedure, to give a general account of it, was as follows. Each voter took an ostrakon or piece of earthenware, wrote on it the name of the citizen he wished to be banished and carried it to a part of the market-place which was fenced off with a circular paling. Then the archons first counted the total number of votes cast, for if there were less than six thousand, the ostracism was void. After this they sorted the votes and the man who had the most recorded after his name was proclaimed to be exiled for ten years, with the right, however, to receive the income from his estate" (from Plutarch's *The Rise and Fall of Athens*, commenting on the ostracizing of Aristides the Just, the chief financial officer of Athens).

3. An interesting collection of opinions on what matters to the public about government is available from Public Agenda, a New York-based nonprofit opinion research and civic engagement organization. See www.publicagenda.org. (Accessed 28 August 2006.)

4. The Sherman Antitrust Act, the Federal Trade Commission, and the Interstate Commerce Commission are all examples of regulatory frameworks enacted during this period.

5. The income tax is the most prominent of these.

6. The council-manager form of local government was born in this era.

7. For a more complete description of various kinds of networks see Fritjof Capra, *The Hidden Connections* (2002).

8. Professor Ernest Wilson suggests that research be conducted on the types of PVNs to ascertain in what situation a particular type would be used. For example, if the primary attribute required were speed, inclusiveness, or fairness, which type would be used? This is an intriguing question that we hope to address in future publications.

9. See www.bt.cdc.gov/lrn/. (Accessed 28 August 2006.)

10. See <http://strategis.ic.gc.ca/epic/internet/inoca-bc.nsf/en/ca00396e.html>. (Accessed 28 August 2006.)

11. See <http://archive.cabinetoffice.gov.uk/moderngov/help/faqs.htm>. (Accessed 28 August 2006.)

12. See www.unitedspacealliance.com/about/. (Accessed 28 August 2006.)

13. At a recent meeting with members of several directorates and centers from the National Institutes of Health, a description of the laundry allocation process within the care center appeared to be an excellent example of an intraorganizational network.

14. Drawn from work performed under the sponsorship of Booz Allen Hamilton by the Center for Public Policy and Private Enterprise at the University of Maryland School of Public Policy.

15. The very nature of public networked organizations precludes the use of publicly available databases in this study. Accordingly, it is necessary to collect the data directly from the network members. The approach taken, in this regard, was to conduct questionnaire-based interviews with representatives from the various members of three PVNs. Each of the case studies discussed was completed by a single individual using the research tool questionnaire developed by the author and his colleagues, which is available upon request. The judgments in the case studies were based on interviews or actual experience as deemed appropriate by the analyst. The majority of the questionnaire consists of questions that are answered on a

five-point Likert scale, so that quantitative analysis can be conducted on the data collected. However, the questionnaire also includes some open-ended questions so as to provide a more complete understanding of the participants' responses.

The goal is to make the research tool available to a wider audience. This can be accomplished using standard surveying techniques, or possibly a more innovative approach: making the instrument available on the Internet, to solicit many individuals involved in PVNs to perform the analysis and provide clear comments. This method, although somewhat unconventional, is similar to the creation of the *Oxford English Dictionary (OED)* in the late nineteenth and early twentieth centuries. In the case of the *OED*, volunteers could select a period of history from which to read books. These books would come from their own libraries or be supplied by the *OED*. The volunteers' duties are described as follows:

They would write to the society offering their services in reading certain books; they would be asked to read and make word lists of all that they read, and would then be asked to look super-specifically for certain words that currently interested the dictionary team. Each volunteer would take a slip of paper, write at its top left-hand side the target word, and below, also on the left, the date of the details that followed: These were, in order, the title of the book or paper, its volume and page number, and then below that, the full sentence that illustrated the use of the target word (Winchester 1998, 108).

Contributions from these volunteers were then edited and compiled for review by the primary editor and finally selected for inclusion in the *OED*.

The search for Types and the importance of Elements in PVNs is in its very early stages as Eggers and Goldsmith (2004) noted earlier. The development of the research design is the next task in the process of developing the roadmap.

16. Ward 7 is predominately lower income and African American with a high rate of unemployment. See www.neighborhoodinfodc.org/wards/nbr_prof_wrd7.html. (Accessed 28 August 2006.)

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12

Consensus Building and Leadership

JOHN B. STEPHENS

There appears to be a consensus on consensus building in public administration: We are for it. Consensus building is an important skill for managers and leaders in terms of responsiveness, participation, managing in an age of diffuse power centers, and building more durable outcomes. This chapter pushes beneath this comfortable degree of agreement to critique what is known about consensus building, identifies issues on leadership from inside and outside of consensus-building processes, and proposes essential questions for leadership research to bridge the gap between practice and theory on consensus building.

Public leadership can be conceived as a process that occurs at all levels of an organization and between public-service entities. Clearly, consensus building is a decision-making process. However, my focus is primarily on leadership defined as positions of authority or power within an organization. The reason for this focus is that formal consensus building is not a legal standard or common practice in the public sector; majority rule by a board or managerial direction by an individual is practiced far more widely. Thus, this chapter examines consensus building as a choice leaders have within their discretion.

Another reason for examination of consensus building and leadership speaks to the needs of consensus-building advocates and practitioners. Whereas this audience has emphasized assessment of a situation by potential consensus-building organizers prior to starting such a process, there is value for consensus-building proponents to focus more on the role of leaders and leadership in initiating and guiding those processes. The convening dimension of leadership (Carlson and Wolf 2005) and contrasting duties of managers and leaders within consensus-building processes (Wondolleck and Ryan 1999) will be examined.

The range of books, articles, and practitioner guides about the value of and need for building consensus is prodigious.¹ Consensus decisions are promoted for resolving public issues, creating interorganizational cooperation for programs and services, and gaining team buy-in for innovation and change within an organization. There are even organizations such as the Montana Consensus Council, the Consensus Council, Inc. (serving North Dakota), and the Policy Consensus Initiative/National Policy Consensus Center.²

Inadequate attention has been paid to key questions about leadership in relation to seeking consensus. First, what are the trade-offs on using consensus building versus other methods for engaging stakeholders, building support, and reaching a decision that will be implemented? While advocates rightly focus on the incentives of consensus building for finding creative alternatives and gaining buy-in for easier implementation, there are concerns about negotiating away principles, compromising scientific expertise, and reaching only lowest-common-denominator outcomes.

Second, is consensus building an option among other forms of decision making and agreement seeking, or should it be embraced as a change of paradigm? Leaders must make or guide numerous decisions. Is consensus building more of a philosophical value, or simply an option that requires diagnosis for appropriate use? This question leads to the examination of assessment, design, and evaluation of consensus building: How can we distinguish between a well-designed and well-implemented consensus-building process and group think (Janis 1982)? Finally, at the extreme, consensus building can be seen as “anti-leader.” If the ultimate decision depends on consensus, and every participant is equal in power to give or withhold assent, what does this mean for leaders who have authority to direct people, resources, and outcomes?

This chapter addresses consensus building and leadership in seven ways:

1. Identifies the importance of consensus building to leadership.
2. Defines consensus building and its connection to collaboration.
3. Presents criticisms of consensus building.
4. Offers guidance for consensus-building processes.
5. Probes selected difficulties in understanding and implementing consensus building in terms of leadership.
6. Proposes areas of research on consensus building and leadership.
7. Makes recommendations for consensus-building practice.

How one determines the relevant literature for consensus building and leadership is critical. I offer two notes in this regard. First, I draw from traditional public administration sources and from the field of conflict resolution. This latter field, in terms of public policy, has its own journals, professional associations, and touchstone books. There has been relatively little overlap of conflict resolution and public administration scholars and publications (Bingham, Nabatchi, and O’Leary 2005). Second, there are related works on collaborative leadership (Chrislip and Larsen 1994; Chrislip 2002), citizen participation and performance management (Epstein, Coates, and Wray 2006), and public deliberation (Roberts 1997). Some portions of these works are relevant to the narrower focus on consensus building.

My interest is analyzing models of consensus building in terms of practical “fieldwork.” Thus, I draw on documents created to guide public officials in consensus-building processes. For example, *A Practical Guide to Consensus* (Arthur,

Carlson, and Moore 1999) addresses government officials contemplating consensus building and offers specific guidance on assessment, preparation, and conduct of a consensus process. On the other end of the guidebook spectrum, *The Consensus Building Handbook*, (Susskind, McKernan, and Thomas-Larmer 1999) at over 1,100 pages, is “meant as a reference, like an encyclopedia” (xxii), and yet also for use by a wide audience, opening with a sleek fifty-page “short guide” to consensus building (3–57). My point is to draw from the interdisciplinary conflict-resolution field, as well as prominent public administration sources in addressing public leadership matters on consensus building.

Why Consensus Building?

There has been a torrent of reasons for why consensus building is becoming more important. One analysis of political power and culture sees the growing reach of government, the diffusion of power away from political parties and to many different political actors, the judicial dynamics on public policy issues, and the heightened attention to complexity and interrelatedness of social problems as leading factors for seeking more cooperative approaches to issues (Dukes 1996). These themes are shared by other authors (Booher 2004; Kelman 1992; Crosby and Bryson 2005). In the face of divided power, interconnected policy areas, and a demand for ways to promote creative and inclusive decisions, consensus building fits the bill.

Similarly, in broad brush, many entities are moving (or have moved) from hierarchical decision making to more team-oriented organizational structures that promote networked or webbed modes of decision making. Employees’ views are valued, and their buy-in on decisions is even more important. Thus, seeking consensus fits the “flatter” structure and culture of many public organizations (Saint and Lawson 1994).

Turning to the public administration literature, one long-standing and several recent offerings stand out. Recently, Frederickson (2005), in his analysis of the trans-jurisdictional challenges that public administrators face, identifies shared power and the need for cooperation as the new model of governance for local government leaders. “Because cities and counties share their power in both horizontal and vertical directions, the ways in which they are led will be more collegial, consensual and consultative” (2005, 13–14).

A second recent contribution examines the context of new, innovative ways for civic engagement and the challenges for the roles and skills of public administrators. Bingham, Nabatchi, and O’Leary (2005) identify “collaborative policy making” as one of the areas of practice leading theory in citizen participation and the “new governance.” Analogous skills that public administrators must acquire or improve include “conflict assessment, negotiation, active listening and reframing, facilitation and consensus building” (548).

Similar to Bingham, Nabatchi, and O’Leary, the “new public service” is framed,

in part, in consensus-building terms. Denhardt and Denhardt (2003) first draw on John Gardner's vision of civil society where a framework of shared purpose and a collective direction and purpose contain disparate interests and needs. Then, the authors present a vision of "seeking the public interest" that relies on the creation of shared interests and shared responsibility. Moreover, they argue against simply seeking compromises among pluralist competitors, and they embrace public interests based on shared values as a consensualist framework. Finally, drawing from several sources, part of what constitutes the new public service, according to Denhardt and Denhardt, is for public servants to help citizens articulate and build a consensus on a shared public interest.

From the practitioner's level of the public administration literature, one report offers guidance on citizen engagement (and contrasts it with citizen participation). [Editors' note: Issues of citizen participation are analyzed in Buss, Redburn, and Guo (2006) in a volume in the M.E. Sharpe series.] Lukensmeyer and Torres (2006) emphasize seven values held by AmericaSpeaks, a not-for-profit organizer of dialogues to enact deliberative democracy. One of the seven values is: "Demonstrate public consensus. Produce information that clearly highlights the public's shared priorities" (10).

Turning to a long-standing public administration source on local government leadership, consensus building is identified with a particular kind of leadership: "facilitative leadership." A model and case studies on mayoral facilitative leaders are presented by Svava (1994) and contributors in his book. The authors studied cities with professional managers, meaning the mayors were most often peers with city council members. Svava argues that mayors' effectiveness as facilitative leaders rests on ten roles, two of which are relevant to consensus building. One of the "active coordinating and communicating roles" is attending to team relations and being a network builder. Those responsibilities, in turn, call for mayors to support the council internally, communicate inside and outside of government and to "unify the council" (225). An even more direct connection is leadership on goal setting. Svava says the goal-setting role depends not only on identifying problems and creating direction but also "building consensus" (225).

In terms of practical and public leadership on consensus building, a Canadian framework for consensus building is notable, and it seems absent from attention in U.S. public administration. In the 1990s, Canadian government, business, and First Nations leaders met at the provincial and national levels through the National Round Table on the Environment and the Economy (NRTEE). They focused on the importance of consensus building for addressing the balancing and sustainability of economic growth and environmental protection. NRTEE identified ten guiding principles for building consensus on sustainability issues (Government of Canada 1993) and support for initiatives recorded as part of a guide for putting principles into practice (Cormick et al. 1996). I will return to this second publication for both its clarity on consensus and consensus building and the leadership dimensions of that mode of decision making.

What Is Consensus Building?

An important aspect of leadership and consensus building is examining what consensus building is and is not. This is not as easy as the common sense meaning of the term indicates. First, “consensus building” is analyzed in relation to other leadership and decision-making terms and processes: collaboration, joint decision making, and others. Second, a simple definition becomes complicated when compared to actual standards of decision making termed *consensus*. For the present purpose, my definition centers on the decision making standard and draws limits on other elements of group management and benefits of “collaboration.” Third, this analysis frames the challenges for leaders deciding to use consensus-building processes.

From a small-scale focus, consensus building, even for ardent advocates, does not extend to every decision. One guide explains that “consensus management” does not mean every decision, no matter how small, must be made by consensus. Individuals and groups can be empowered to decide on behalf of others. Thus, “consensus does not mean unanimity or 100 percent agreement on everything by everybody. Consensus is not conformity” (Saint and Lawson 1994, 4).

Consensus Building: Different Terms, Focus, and Emphasis

Consensus building is one of many related words or phrases for a group seeking agreement on a question or resolving a conflict. However, “consensus building” or “consensus process” is often shorthand for “collaboration” and a family of related terms. For example, *A Practical Guide to Consensus* notes that consensus processes as an explicit way of making public decisions have been developing during the past three decades. However, the labels for the same kind of process have proliferated; the guide offers twenty-three different terms (Arthur, Carlson, and Moore 1999, 6). This list merits examination. Some can be deemed the same for all practical purposes: collaborative agreement seeking, consensus-based processes, consensus building, multiparty negotiation, for instance. However, others point to broader concepts: environmental conflict resolution, environmental mediation, negotiated processes, joint decision making, cooperative decision making. This second set of concepts does not call for full assent and can sidestep the power differences involved in “joint” or “cooperative” efforts. On a more specific level, the terms *negotiated rulemaking* and *regulatory negotiations* usually fit under a specific statutory authority (most frequently at the federal level) and thus constrain the preparation and conduct of consensus building in those settings.

The slippery slope is to equate any kind of agreement or “cooperative outcome” with consensus. The nub of consensus building is the standard of decision making. The simplest definition, from the *Consensus Building Handbook*, states consensus building as a “process of seeking unanimous agreement” (Susskind, McKernan and Thomas-Larmer 1999, 6). Yet the unanimity also depends on a good faith effort to satisfy the interests of stakeholders, that is, the participants in the consensus-building

process. Consensus is reached when “everyone agrees they can live with whatever is proposed . . . and that there has been enough time and work to satisfy stakeholder interests” (Susskind, McKernan and Thomas-Larmer 1999, 6).

Thus, even at this early stage, sufficient time and good faith efforts are precursors to the value that can be gained from, and the authenticity of, a consensus outcome. In contrast to majority decisions, consensus advocates point to the need to attain some level of agreement from participants as critical to promote mutual respect, equalize power, and demand more creative, inclusive agreements. If there is no agreement until all agree, then attention to everyone’s interests and needs are greater. Similarly, with more widespread buy-in, implementation should be more swift and sure, rather than grudging or with only partial compliance when the members of the decision-making group have power over the enactment of the agreement.

Other components, usually framed within the term *collaboration*, include mutual learning, honest inquiry into the views of others, identification of underlying interests, and satisfaction of those interests through creative alternatives (Gray 1989; Daniels and Walker 2001). Some advocates focus more on deliberation, while others frame it as collaborative learning.

Finally, some argue that even a consensus process that does not reach consensus has important value. Innes (1999) writes, “Consensus-building processes, whether or not they result in an agreement, typically produce numerous secondary consequences that are sometimes more important than any agreement. For example, consensus building can result in new relationships and trust among stakeholders who were either in conflict or simply not in communication” (635). So even taking consensus as “unanimous agreement,” this standard has value only insofar as it promotes other kinds of benefits of collaboration.

Another dimension of the value of consensus depends on who is or is not in the group. The *Practical Guide* offers a definition for “consensus in public policy setting”:

- The parties have reached a meeting of the minds sufficient to make a decision and carry it out.
- No one who could block or obstruct the decision or its implementation will exercise that power.
- Everyone needed to support the decision and put it into effect will do so (Arthur, Carlson, and Moore 1999, 6).

Thus, building on the need for inclusion, this definition depends on “those who could block or obstruct the decision” and “everyone needed to . . . put it into effect.” Consensus is not coalition building. Coalition building involves only those of fairly similar goals and viewpoints to build agreement on how to work against other interests. Consensus calls for building bridges across coalitions or standard fault lines of “us” and “them.”

Consensus Building: Beginning and End

While consensus is at heart a standard of decision making, its beginning and end is in dispute. First, the *Practical Guide* describes the “consensus process” as extending from deciding whether to initiate a process; to working to bring diverse interests to the table, organizing the process, and establishing ground rules; to holding the dialogue/negotiation itself. Moreover, the process should extend to formalizing a consensus decision, carrying it out, and monitoring the results (Arthur, Carlson, and Moore 1999, 5–6). In some ways, this is non-controversial; one could analogize to “having surgery” as involving not just the time in the operating room but the diagnosis, patient and surgeon preparation, implementation of the procedure, and immediate recovery steps. Akin to diagnosis that does not call for surgery, assessments for using consensus building can end in a determination not to proceed.

The harder question to address is when there is not unanimity. Is this consensus or something else? There is a lack of consensus by public dispute–resolution practitioners and experts on “consensus.”

At a 1998 conference, a panel of public administrators, facilitators, and academics offered different views on what consensus is and its value. Susskind, a prominent researcher, writer, and practitioner on public policy consensus building, believed that consensus is a core value for public dispute resolution but is not the only standard for decision making. Holdouts who unreasonably block an agreement by the group should not have that level of power. Instead, “practitioners should ‘seek unanimity’ but settle for ‘overwhelming agreement,’ for example, a supermajority of 80 percent” (Stephens 1998). Susskind elaborates on that point:

Most dispute resolution professionals believe that groups or assemblies should seek unanimity, but settle for overwhelming agreement that goes as far as possible toward meeting the interests of all stakeholders. The effort to meet the interests of all stakeholders should be understood to include an affirmative responsibility to ensure that those who are excluded really are holdouts and are rejecting the proposal on reasonable grounds that would seem compelling to anyone who found themselves in the holdouts’ shoes. It is crucial that the definition of success be clear at the outset of any consensus building process (1999, 7).

Susskind is not alone in this view. An example of such a standard from a North Carolina government advisory body, led by a contract facilitator and seeking consensus, defined consensus as twenty-four out of twenty-eight stakeholders being in agreement. Given the diversity of views and the mix of kinds of interests represented, it was judged that this was a realistic standard for “consensus” (Stephens 2004, 15). Finally, this “less-than-unanimity” standard is also defined as consensus in federal law, under the *Negotiated Rulemaking Act* (5 USC § 561–570).

Consensus defined as “full agreement” or “unanimity” values legitimacy tied to complete assent of the stakeholders in the group. It reflects values for inclusivity, equality, and high respect for minority views. Consensus “purists” view the

challenge of working with diverse viewpoints as an opportunity for learning and creativity. If the high standard of consensus is weakened, the incentives for new thinking and creating truly innovative solutions are lessened. Such a high standard can also protect against stakeholders believing that consensus building actually means abandoning principles for the sake of agreement.

Turning to consensus-building practice, it is not uncommon for a consensus agreement to specify areas of continuing disagreement. Although the details differ, the template is that stakeholders do reach consensus on most issues or topics. They also acknowledge there are points of disagreement, despite good faith efforts at resolution. Thus, the final “consensus agreement” packages the language describing the differences (sometimes labeled “minority” and “majority views”) along with the areas of agreement, and the stakeholders reach consensus on the full report. The rationale is to allow the areas of agreement to be implemented, while acknowledging and explaining the remaining differences.

Criticisms of Consensus Building

Criticisms of consensus have grown along with its use in policy and program formulation. Some fears, such as giving up authority, compromising important principles, and losing face, are considered misperceptions of actual consensus practice (Susskind, McKernan, and Thomas-Larmer 1999, xx–xxii). Other critiques come from both theoretical and experiential bases. The following summary draws from several authors, most prominently Kenney (2000), Cestero (1999), and Coglianese (1997), and almost entirely from environmental settings.³

A first challenge comes from the exact meaning of “consensus-based” processes. One meaning is an approach that “emphasizes cooperation, learning and accommodation of diverse interests.” (Kenney 2000, 40). The other meaning, adopted by this author, is a decision rule for how individuals’ views are melded into an agreement that all support; a “joint decision.” Broadly, it is the difference between addressing disagreements agreeably and with an open mind, and a specific decision standard—agreement by all—even if that agreement involves some compromises and disappointments leading to an overall acceptable package.

Second, the ideas about the useful outcomes of consensus are challenged. That consensus decisions are quicker, lower cost, and more sustainable are critiqued, at least in the form of negotiated rule making (Coglianese 1997). Third, normative arguments for consensus are critiqued. There are two related normative standards on consensus decisions: the idea that there is a social value in the stability and harmony, and that such decisions are more accurate, valid, or “truthful” than other types of decisions. One danger in such “mythology” is the “bias against diversity and individualism,” and the delegitimizing of confrontation and conflict (Kenney 2000, 41–43). Similarly, the ability to agree seems to rest on the assumption that the participants are reasonable people who acknowledge the interests and values of other stakeholders. Experience in actual consensus-based processes belies such

an assumption. One advocate (Britell 1997) argues that past breakthroughs in justice and liberty were dependent on the refusal to seek common ground or win-win solutions. For “most turning points of history . . . in-your-face confrontation saved the day.”

Another purported strength is that consensus-based processes are effective in melding differing opinions into a moderate, coherent, mutual-learning outcome. The criticism in this area is the possible confusion of consensus on opinion rather than fact. Moreover, some research indicates that in comparing consensus with other decision rules, the outcome in consensus is not a compromise or creative combination of viewpoints but an extreme position. This “group polarization” has been demonstrated in laboratory conditions (Moscovici and Zavalloni 1969).

Kenney (2000) provides a set of strategic considerations to challenge consensus, with an eye to relative power and efficacy of environmental advocates, especially local volunteers. First, there is social pressure to compromise. Second, local volunteers may not have the experience and training in negotiation when facing developers, other businesses, or government officials. Third, there can be inadequate representation of affected interests. Underrepresentation of “distant” or “general” stakeholders when focusing on a local or regional environmental matter (such as watershed management) is one representation problem. Another is explicit or subtle efforts to exclude more extreme voices in order to have a greater chance of reaching consensus. Kenney identifies one study where the supposed unanimity standard that protects minority views did not provide the maximum power for the little guy, compared to majority rule (Falk 1982).

Finally, a weakness of consensus is that general principles or statements of agreement serve to avoid the real decisions that need to be made. Such a “paper consensus” does not yield meaningful guidance for policy or programs. I add that this danger is also realized when an overall consensus agreement includes “agreement on continuing disagreements,” in essence, minority reports. At the least, this critique points to questions about the form, depth, logic, and “quality” of consensus agreements crafted to reiterate continuing differences on key points.

Guidance for Consensus-Building Processes

The public policy conflict-resolution field⁴ has offered guidance to government officials initiating consensus processes and for the third-party neutrals called on to design and facilitate those processes. Some of the guidance responds to the criticisms mentioned earlier. Other portions preceded some of the specific critiques but have been fine-tuned over the last two decades.

In 1992, the Society of Professionals in Dispute Resolution (SPIDR) published a list of competencies for mediators in multiparty, public disputes (Stephens 1998). This guidance grew out of both specific experience and concern about who can practice mediation or facilitation in policy areas. The experience dates back to the 1970s when mediators had been building consensus on a variety of environmental

conflicts (Bingham 1986) and was an effort to synthesize the experience into specific competencies. The competencies document was, in part, designed to clarify the shared and distinct competencies for public-dispute mediators amid a burgeoning conflict-resolution field, with colleagues experienced in settings such as the courts, commercial and business matters, family, and community arenas trying their hand at public issue mediation and facilitation.

For leaders, this document serves as a useful tool in evaluating who is prepared to act as a facilitator for building consensus. Of critical importance, both to government leaders and the potential facilitator, is to analyze the situation or conflict to determine if consensus building is feasible and what kind of process arrangements make such an effort likely to succeed (SPIDR 1997, 14). A “conflict assessment,” “situation assessment,” or “assessment for collaboration” is a common part of most consensus efforts where the work involves more than one organization and a mix of stakeholders with competing interests.⁵

The same professional association extended their guidance to government “conveners” of consensus-building processes. Instead of competencies, eight “best practice” recommendations were identified and explained (SPIDR 1997). The terminology is *collaborative agreement-seeking processes*, but the document uses the term *consensus building* interchangeably. The assessment is one part of the “pre-process” work, along with an agency considering the appropriateness of a collaborative agreement-seeking process and the stakeholders’ willingness and ability to participate (SPIDR 1997, 6–7). Moreover, the agency leaders should support the process with “sufficient resources,” meaning staff time and funds (SPIDR 1997, 7–8).

The best practices call for leaders to share control in two ways: to have ground rules mutually agreed upon rather than set by the agency, and to assure the facilitator’s neutrality and accountability to all participants. Finally, policy makers should resist creating overly prescriptive laws or rules because “consensus-based processes are effective because of their voluntary, informal and flexible nature” (SPIDR 1997, 9–11).

These best practices attempt to respond to criticisms of representation, stakeholder autonomy, pressure to compromise, and implementation standards to avoid paper consensus. The devil is in the details, but the practices try to provide some protection from consensus devolving into another form of power politics.

The standards outlined in these two documents produced by a professional association have been elaborated or adapted by various analysts and facilitators. Two of the most useful iterations are *Building Consensus for a Sustainable Future: Putting Principles into Practice* (Cormick et al. 1996) and *A Practical Guide to Consensus* (Arthur, Carlson, and Moore 1999).

Building Consensus for a Sustainable Future built on the dialogues of Canadian government, business, and First Nations leaders who met at the provincial and national levels through the National Round Table on the Environment and the Economy, noted earlier. Sustainable development—seeking a balance of

environmental protection and economic well-being—is central to this approach to consensus. Ten principles are explained, and important questions and possible objections are addressed. Examples of Canadian consensus processes provide nice case illustrations.

The ten principles expand on the best practice recommendations: (1) the principle of self-design states that parties should design the consensus process; (2) inclusivity and voluntary participation are emphasized; (3) accountability of stakeholders' representatives to the consensus group and to their respective constituencies is enumerated; and (4) realistic deadlines are important to move things along, but not to rush the work. Of greatest utility is a clear comparison of a consensus process with other decision processes, with special attention to the overlaps and divergences between "consultation" and "consensus" (Cormick et al. 1996, 11).

The *Practical Guide to Consensus* is a product of the Policy Consensus Initiative (PCI), a nonprofit organization whose mission is to "create and support collaborative governance capacities, structures, and networks in states" and to "offer a nationally recognized source of information on collaborative governance, consensus building, and conflict resolution."⁶ The "sponsor" or "convener" role is addressed, which is most relevant to leadership concerns. It is far more of a "how to" manual, from planning and organizing a consensus process, to selecting a facilitator or mediator, to writing ground rules.

In testing for consensus, but avoiding yes/no votes, "consensus scales" are commonly used. They are multipoint continuums to reflect different degrees of agreement or disagreement. Facilitators often use them to test for agreement on proposals that are then aggregated and modified to build a package of agreements.

Leaders should employ scales of consensus as a stakeholder group works on alternative proposals to gain clarity on how strong the "votes of support" need to be to have a viable consensus for implementation.

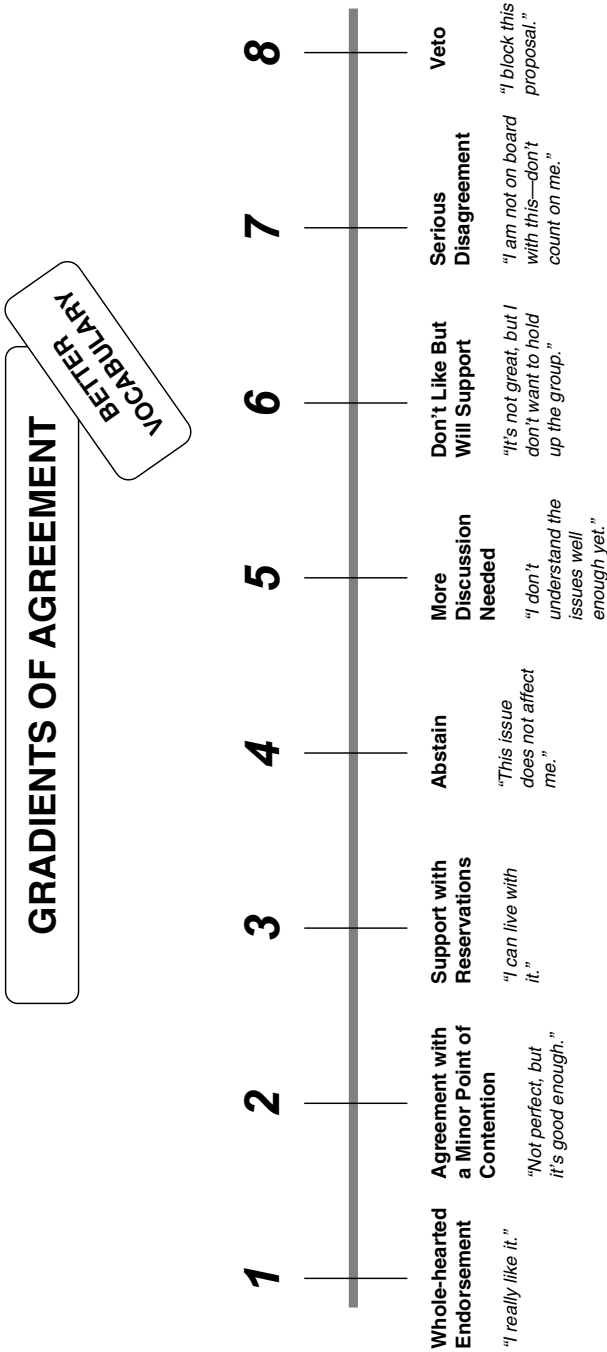
A final element in leadership and consensus building goes beyond books to education and training. While leadership development programs have employed negotiation and problem solving for a long time, the focus on consensus and its fit with management and decision making is relatively new. A leading program that has thoroughly examined its knowledge transfer model is the Natural Resources Leadership Institute, active in six states (Addor et al. 2005). Other kinds of civic education and leadership approaches are relevant as well.⁷

Difficulties in Implementing Consensus Building in Terms of Leadership

Leaders who seek to be "consensus-building leaders" face several difficulties in reaching for such broad-based support. Philosophical and practical matters are offered.

One philosophical dichotomy is between democratic norms of majority decision making and other forms of supermajority or consensus thresholds. While

Figure 12.1 Gradients of Agreement



This is the **GRADIENTS OF AGREEMENT Scale**. It enables members of a group to express their support for a proposal in degrees, along a continuum. Using this tool, group members are no longer trapped into expressing support in terms of yes and no.

Source: The **GRADIENTS OF AGREEMENT Scale** was developed in 1987 by Sam Kaner, Duane Berger, and the staff of *Community at Work*. Copyright © 2006 *Community at Work*.

a unanimous jury and a two-thirds vote requirement in a legislative body are strong examples of “more than majority” standards, they are also in the minority for the range of public decisions most representatives and executives face. Some homogenous communities (usually small scale, such as intentional communities, communes, or kibbutzim) and the Society of Friends (Quakers) are the leading examples of concerted, durable efforts to create consensus on policy matters. Thus, one conundrum is establishing the legitimacy of a consensus threshold when democratically determined majority rule is, well, the rule.

A second philosophical problem—with social science dimensions—is whether consensus decisions are truly better than other standards. As recounted earlier, consensus protects minorities; may demand more careful listening, which generates creative win-win alternatives; and can assure easier implementation. For inclusion and support, it’s hard to argue against consensus conceptually. However, the demand that people adjust their judgments and preferences to come into accord with other stakeholders may yield a poor decision in two ways. First, the outcome can be a thin veil of compromises that it is minimally acceptable but lacks logic, consistency, and wisdom. As former British Prime Minister Margaret Thatcher acidly commented, “To me, consensus seems to be the process of abandoning all beliefs, principles, values and policies. So it is something in which no one believes and to which no one objects” (Thatcher 1993, 167).

In a different vein, James Surowiecki (2004) argues for the need to maintain independent judgments of stakeholders and to compile those judgments to produce outcomes that get closer to “the truth” or “a good judgment.” Surowiecki’s argument is that large groups of people are smarter than an expert few, no matter how brilliant the collection of experts may be. He uses examples from various settings to show the power of large numbers making independent judgments that collectively yield better results on solving problems, fostering innovation, coming to wise decisions, and even predicting the future. In most cases, the decision rule is for separate, independent judgments that are aggregated and then averaged. Thus the “group’s intelligence” is better than any single member, and often better than experts in a particular field. But such intelligence is not found in changing those judgments or preferences into a single consensus agreement.

Thus, the challenge to consensus is whether the change of views—the push and pull, creativity, and compromise—yields superior, “wiser” decisions rather than those that are just more acceptable (or, at least, less objectionable). Consensus advocates can reply that durability, effectiveness, and efficiency can be achieved using consensus building far more than majority rule, compromise, or no agreement.

Turning to practical difficulties, the implementation conundrum for leaders is how to “lead” a process that demands equality of decision-making power. The first choice is for leaders to initiate and support consensus building from a distance, but not be involved in the nitty-gritty lest their power influence people’s views and preferences too much. This “power to convene” is described by PCI leaders Christine Carlson and Greg Wolf (2005). Their shorthand term is *public solutions*,

which refers to inclusive participation, a neutral setting, and impartiality by the powerful convener. In short, the leader can initiate and show commitment but not throw his or her weight around, trusting that a diverse set of stakeholders, working in a well-defined environment (that satisfies the leader's interests), can yield a good outcome. This approach to leadership and consensus building applies most directly to legislators, mayors, and other elected leaders.

At a level of leadership where more hands-on work is possible, or required, one analysis identified three "hats" that compete for attention in managing a consensus process. Wondolleck and Ryan (1999) reviewed studies of federal agencies' experience of collaborative resource-management processes and mediation of administrative appeals of forest plans. Their analysis yielded "three hats" (distinct roles) that agency representatives must wear: that of leader, partner, and stakeholder.

The leader encompasses responsibilities for process, issues, and decisions to be made. Process includes determining certain logistics such as hiring a facilitator and setting the timeline. Process responsibilities call on agency employees to model norms and behavior of agreement seeking and safeguard forthright discussion and accurate representation of various participants' views. Issues leadership entails preliminary analysis of the issues, setting limits of the substantive dimension of the work, and helping produce issue papers. Finally, decision leadership acknowledges the agency's additional responsibility given its position of authority. The leader of the collaboration must signal support for the consensus process and the ability to engineer final trade-offs as well as show a commitment for follow-through on the outcome.

The partner hat emphasizes the togetherness of how all participants seeking consensus should work. Demonstrations of being open-minded, flexible, and willing to listen, to teach and be taught constitute this hat. Wondolleck and Ryan (1999) believe this hat is the most challenging one because it is least consistent with traditional agency procedures and the role of technical expert. They also identify the tension between alignment as a partner in a stakeholder group and identification with the norms and expectations of one's agency. Finally, among the three hats, the authors think the roles of leader versus partner hold the greatest tension.

The stakeholder hat calls for clarity about the interests and needs for the agency's satisfaction in a consensus process. Persuasion is a key function of this hat, along with guardianship for the broad public interest, consistency with current laws and regulations, and support of organizational and professional needs. Wondolleck and Ryan (1999) emphasize the need for thorough preparation about the interests the agency must satisfy, combined with flexibility on the means of satisfying those interests.

The authors explicitly call for agency participants to *not* combine a facilitator role with the hats they must wear. Two different people from the same agency could divide responsibilities, with one being the facilitator. However, Wondolleck and Ryan (1999) see this as a risky approach.

Wondolleck and Ryan (1999) argue that the three roles are distinct. Their vision is for agency participants to balance, not merge, the roles. The only specific

guidance on such balancing is for agency participants to explicitly recognize the distinct roles and to transition between them in a manner transparent to their fellow participants in the collaborative process.

Thus, the practical difficulties are:

1. How is leadership divided, or shared, among the three hats?
2. How can consensus building be supported while acknowledging the higher power roles of leader and stakeholder held by the public authority?

Consensus may not be possible or necessary in certain circumstances. When matters are trivial or routine, a managerial decision or simple majority will suffice. Consensus may not be possible when fundamental divergences of values predominate. In this case, how to engage people thoughtfully and respectfully is the key question. One approach comes from the field of public participation. The International Association for Public Participation offers a “spectrum of public participation” that parallels the concerns of identified stakeholders and the possibility of sharing decision power (see Figure 12.2). It is addressed to corporate or government leaders and calls for an alignment of goals and “promise to the public.”

The final difficulty is in terms of a consensus standard. I have reviewed consensus scales to identify strength of support. One practical conundrum is determining the threshold for sufficient strength of agreement. Using the Gradients of Agreement (Figure 12.1), it probably falls to the leader to say if any “#4—Abstain” is acceptable for calling everyone in agreement. Moreover, where the group is tightly aligned on decision and implementation powers—those in the room are expected to work assiduously to actualize the agreement—it is doubtful that more than one person at the 5 or 6 level be considered a wise decision on implementation grounds.

Similarly, as covered in detail in Arthur, Carlson, and Moore (1999), names for consensus processes can be misleading and not be consensus. The best, shortest distinction—cooperation, coordination, and collaboration—comes from the Amherst H. Wilder Foundation (Mattessich, Murray-Close, and Monsey 2001). It offers leaders and managers a shorthand guide to distinguish the degree of shared or preserved authority, resources, and information flow for addressing different needs for working with other people and groups.

Therefore, different standards are used for reaching consensus. One leader may be a “purist” on consensus. This would mean, using the Gradients of Agreement, all participants would have to give support at levels 1, 2, or 3 for a consensus to be achieved. On the other hand, other consensus processes have operated with a consensus defined as a supermajority (per the example in Stephens 2004), or following a standard found in federal law (*Negotiated Rulemaking Act* 1990):

“Consensus” defined as “unanimous concurrence among the interests represented” unless the committee agrees “to define such term to mean a general but not unanimous concurrence” or “agrees upon another specified definition” (5 USC § 562 (2)—Definitions).

Figure 12.2 Increasing Level of Public Impact

	Public Participation Goal	Promise to Public	Example Techniques to Consider
Inform	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities, and/or solutions	We will keep you informed.	<ul style="list-style-type: none">• Fact sheets• Web sites• Open houses
Consult	To obtain public feedback on analysis, alternatives, and/or decisions	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	<ul style="list-style-type: none">• Public comment• Focus groups• Surveys• Public meetings
Involve	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	<ul style="list-style-type: none">• Workshops• Deliberate polling
Collaborate	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution	We will look to you for direct advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	<ul style="list-style-type: none">• Citizen advisory committees• Consensus building• Participatory decision making
Empower	To place final decision making in the hands of the public	We will implement what you decide.	<ul style="list-style-type: none">• Citizen juries• Ballots• Delegated decisions

Source: Copyright © 2005 International Association for Public Participation.

Areas of Research on Consensus Building and Leadership

The following are four areas for research on the leadership dimensions of consensus building. First, when is consensus building required and when is it optional? When is it more or less appropriate? The goal here is to sharpen, and possibly critique, an ideological divide between “consensualists” and “practical deciders.” Consensualists emphasize the interconnectedness of people and communities and the moral obligation for affected stakeholders to have a say on actions that affect them. Consensualists focus on the power of agreement for building social capital and community learning and emphasizing gradual change and stability. The practical deciders focus on consensus as one tool for reaching decisions. Consensus is always a choice, not the Holy Grail; leaders should set a consensus standard only when conditions call for it. We see this latter strain in the “supermajority defined as consensus” examples previously.

A second question is how are short- and long-term trade-offs measured and valued? How do leaders assess the benefits and costs of pursuing and reaching consensus? Even “failed” consensus efforts can still yield benefits of greater understanding, reduced tension, and the beginnings of stronger relationships that build toward later agreements (Innes 1999). There are first- and second-order effects to be measured. Comparisons of different issues, kinds of stakeholders, and outcomes can refine our understanding of two dimensions of the benefits of consensus: agreement based and relationship based. Some may term the relationship-based dimension as the “positive externalities” of consensus building.

Third, we need to know more about role definition and analysis of leaders and supporters—who are often also the “funders”—in consensus processes. One leadership role is to serve as sponsor and/or convener for consensus building. This role is to help create the forum that “brings people to the table,” but not to participate as a stakeholder at the table. A second leadership role, according to Wondolleck and Ryan (1999), is for leadership from *within* the process. The inside leadership tasks range from administrative management, to information flow assistance, to issue framing and implementing decisions. We have not had rigorous research on different kinds of “at a distance” and “in the process” leadership.

Finally, laboratory simulations and multicase analysis is needed to address the contrasting views about the “truth” or “strength” of different outcomes by different decision modes. As noted earlier, one model calls for “independent judgments compiled” but not a single face-to-face decision by consensus (that is, Surowiecki’s [2004] argument). A different model emphasizes social learning and creativity as a way to induce change of the positions and viewpoints of stakeholders in order to create a consensus. Can the pluralism and diversity that is presupposed—and protected—in a majority-rule system be honored such that any consensus process truly grows out of voluntary participation, enlightened self-interest, and new insights rather than group think? In our increasingly connected and interdependent global economic and social relations, consensus may not lead to better outcomes.

We may need multiple forms of enhanced cooperation (or, at least, tolerance), but in a way that retains some independence and discretion.

Directions for Practice on Consensus Building and Leadership

In conclusion, I offer four directions for applied work on consensus building and leadership. First, there need to be better evaluation tools for understanding the conjunctions and disjunctions of consensus building and other skills, needs, and traits of leadership. Perhaps in a shared-power world every leader needs to be a facilitative, consensus-building leader. However, other conditions seem to call for individual judgment, courage and conviction, and the ability to move followers toward the leader's conclusion rather than waiting for a consensus to form.

Second, more rigorous reflection by leaders and consensus-building practitioners can deepen understanding of the degrees of consent needed for leaders' actions. Leaders often decide without consensus, that is, consensus is the exception not the rule. What are the conditions for judging the "right level" of cooperative behavior and decision making? How can we clearly distinguish the value of a "consensus" as opposed to a large or overwhelming majority?

Third, a concerted examination of the different models of collaboration and consensus building is required. Many models of collaboration and consensus building exist (for example, Chrislip 2002; Gray 1989; Linden 2002; Straus 2002; Wondolleck and Yaffee 2000). Just to name three areas of contrast: (1) different emphases on emotion and relationship; (2) various approaches to science (for example, complexity theory) and rationality; and (3) the degree of regimented or flexible steps in seeking consensus. There needs to be a better assessment of the strengths and weaknesses of different, comprehensive models on consensus building to help guide leaders.

Finally, more regular use of tools to judge the potential for consensus building is needed. One such tool is offered by the Policy Consensus Initiative (PCI). In their training manual that accompanies *A Practical Guide to Consensus*, PCI presents an assessment module for starting a consensus process and offers a ten-point screening tool as one step in that process.⁸ This is but one resource for near-term, practical benefit to public-sector leaders.

Conclusion

This chapter has addressed consensus building's importance and its connections to public administration trends of new governance and collaborative management, and it has summarized the criticisms of decision making by consensus. For public-sector leaders working with a great diversity of groups within organizations and with stakeholders from different organizations or constituencies, more concerted research on the conditions, models, and evaluations of comparable cases is essential to support their effectiveness as consensus builders.

Notes

1. Collaboration is the closest fit to “consensus building” with works such as Gray (1989), Huxham (1996), Chrislip (2002), Linden (2002), and Straus (2002). As detailed later, a “public dispute resolution” field has formed, with consensus decision making being a key concept. Representative early books are Susskind and Cruikshank (1987) and Carpenter and Kennedy (1988). However, the focus on getting buy-in, assent, or “consensus” extends to works on program management and interorganizational relations; facilitation; organizational learning and change; regulatory negotiation; natural resource management and environmental conflict resolution; and deliberative democracy, citizen engagement, and governance. A sampling from those areas of interest are Crosby and Bryson 2005; Daniels and Walker 2001; Gastil and Levine 2005; Booher 2004; Hajer and Wagenaar 2003; Bingham, Nabatchi, and O’Leary 2005; Winer and Ray 1994; Langbein and Kerwin 2000; Weeks 2000; Weber and Khademian 1997; Kelman 1992; Roberts 1997; Roberts and Bradley 1991; Zhiyong 1997; Luke 1998; Schwarz 1994; Bryson and Anderson 2000; Grubbs 2000; Leach, Pelkey, and Sabatier 2002; Wondolleck and Yaffee 2000; O’Leary and Bingham 2003.

2. The respective Web sites for these three organizations are <http://mcc.mt.gov/>, www.agree.org/, and www.policyconsensus.org/. (Accessed 12 June 2006.)

3. A school-based critique of consensus building is offered by Erbes (2006).

4. This field is epitomized by the Environment and Public Policy section of the Association for Conflict Resolution (see www.mediate.com/acrep/) and characterized by Dukes (1996). (Accessed 1 October 2006.)

5. See, for example, assessment reports from the U.S. Institute for Environmental Conflict Resolution at www.ecr.gov/s_publications.htm and the dialogue on the standards for, and challenges of, implementing conflict/situation assessments at www.ecr.gov/pdf/OnlineDialogue.pdf. (Both accessed 13 October 2006.)

6. From Policy Consensus Initiative Web site, www.policyconsensus.org/about/mission.html. (Accessed 13 October 2006.)

7. For example, see the Alliance for Regional Stewardship, www.regionalstewardship.org/bootcamp.html. (Accessed 13 October 2006.)

8. For details, see www.policyconsensus.org/publications/practicalguide/index.html. (Accessed 13 October 2006.)

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13

The Challenge of Leading through Networks

Institutional Analysis as a Way Forward

BRENT NEVER

The increasing complexity of public problems is followed by increasingly complex governmental responses. Dynamic humanitarian disasters—Hurricane Katrina, the Southeast Asian tsunami, and even domestic terrorist attacks—test the skills of public administrators to work outside of traditional organizational boundaries. While the fact that such momentous events require unique responses is not surprising, public problems once considered to be traditional are now appreciated for their complex and dynamic nature. Issues of local economic development, education, and public safety require new tools in order to be solved. Both administrators and policy makers are increasingly turning to network forms of governance versus responses by hierarchical organization. The question that practitioners and theorists face is how to lead a networked organization specifically designed to cut across rule-bound hierarchies. How can administrators craft new rules of the game to address public problems that could not be answered by hierarchies?

The challenge for administrators facing such complex public problems is the need to create networked organizations intended to cut across the rules that bind traditional hierarchal organization. How does one create a network structure that facilitates new modes of collaboration and communication while at the same time creating an organization that can be led? Principal-agent relationships dominate hierarchies where subordinates are contractually beholden to their supervisors. Rules are intended to facilitate information flow and collaboration within the organization. Those very same rules can inhibit interaction outside of the organization.

Horizontally organized networks are designed explicitly to facilitate collaboration between organizations, that is, between sets of rules. Leaders need to devise ways for network members to move outside of their affiliations to their home organizations in order to achieve the collaboration for which networks are intended. Institutions, the formal rules and informal social norms that guide social conduct (North 1990), are tools for administrators of both hierarchy and networks. This chapter argues that in the context of networks, administrators have only their understanding of institutions and the mental models upon which those institutions rest.

Without powers inherent in a supervisor-subordinate relationship, administrators need to hone their understanding of existing institutions to design future institutions that will encourage cooperation and stability in a dynamic environment.

Institutions present both challenges and opportunities for administrators seeking to govern through networks. This chapter holds that institutions are built upon a set of mental models—understandings of how the world operates. If one were to consider the management-leadership dichotomy (Zaleznik 1977; Kotter 1990; Yukl and Lepsinger 2005), individuals fitting the manager archetype would be concerned with operating within existing institutions while those labeled as leaders would concern themselves with changing the mental models of existing institutions. An institutional perspective of organizations in general, and network organizations specifically, draws attention to the connection of the rules that administrators use to guide action and the mental models that provide the foundation for an understanding of the rules.

Public administrators face great uncertainty when working through networks and must be fluent in their understanding of both techniques typically relegated to managers and to leaders (Zaleznik 1977). The first section of this chapter considers the nature of networks in contemporary public administration. The past century has seen an unparalleled increase in the size and scope of governments throughout the world. The structural response to increasingly complex societal challenges—brought about by contextual changes such as the increase in commerce, rapid urbanization, and expanding communication—has been to create complex hierarchies. These hierarchies, though, suffer from principal-agent problems; the response of administrators has been to increase rules and regulations in order to get a better handle on what subordinates are doing. Today we have reached a point where the inefficiencies inherent in hierarchies governed by excessive rules and regulations have led policy makers and administrators to explore the use of other structures to deliver public goods and services. These structures are networks.

This chapter asserts that contemporary public administrators face complex social situations in trying to govern through networks. A way to disentangle those structures is to understand the institutional basis—formal rules and informal norms—of all social interaction. The second section explores the basic nature of institutions as the rules of the game. The third section goes one step further to state that all rules are based upon mental models. Mental models are the lenses through which humans view the world. Whether through trial and error or through socialization, members of organizations tend to make sense of their world through the use of such models. Administrators facing the task of leading through networks have the challenge of leading a set of subordinates who all have different mental models learned from their home organizations. A skilled administrator cannot lead only through the creation of new rules; he or she must also match new rules to the mental models that subordinates already possess.

Leading through networks entails interesting challenges for contemporary administrators. “Proposed goals may be vague or not provocative. Important actors may

be absent, while the presence of other actors may discourage the participation of necessary actors. Crucial information about goals, means, and actors may be lacking. Discretionary power may be absent. The absence of commitment of actors to the common purpose may also be a reason for failure” (Kickert, Klijn, and Koppenjan 1997, 9). The flexibility inherent in any network also means that administrators have greater responsibility to create a framework of understandings through which participants can work. The fourth section explains how network administrators can use the logic of institutions as a means to lead under such difficult circumstances.

The Nature of Networks in Contemporary Public Administration

While conventional wisdom may hold that public-sector leaders, as well as public administration theorists, are wedded to a concept of leadership as protection of the status quo (Gabris, Golembiewski, and Ihrke 2000; Terry 1995), the recent concentration on public management networks as solutions to complex problems indicates that public administrators are increasingly interested in circumventing the staid view of leadership. The complexity of public problems has driven public administration practitioners and scholars to consider new forms of organization. The structure of the welfare state in many ways has been unable to be flexible enough to deal with the dynamism of contemporary society (Kickert, Klijn, and Koppenjan 1997). Administrators have traditionally worked through rule-bound hierarchies in order to address the pertinent issues in their community. The major thrust of administrative theory in the past century has been toward making organizational structures, as well as the individuals who inhabit them, more efficient and effective. Movements toward reinvention as well as hollowing the state indicate that practitioners and public officials are searching for different ways to address dynamic issues. Changes in the knowledge of the problems we face, as well as changes in the technology that we employ to address those problems, have made organizing outside of the formal rule-bound relationships of hierarchy a more attractive option for practitioners.

Hierarchy induces stable relationships among employers and employees. The employment contract allows administrators to remain relatively confident that their employees will pursue organizational goals. If they do not, supervisors theoretically are able to terminate employment and seek others who will fulfill the contract. Of course, practice indicates that employees may not faithfully pursue the interests of their employers, leading to a classic principal-agent problem (Miller 1992). Individuals may find it in their interest to shirk duty especially when they know that they will not be sanctioned for shirking. Supervisors have limited resources, such as time and money, to devote to monitoring workers.

While supervisors are unable to perfectly monitor their workers, they can set up rules that will both hinder the ability of workers to stray outside the interests of the supervisor as well as facilitate the transmission of information (Miller 1992). Rules can circumscribe permitted actions and permit methods of monitoring as well as regulate information flow from subordinates to supervisors. The nature of

the principal-agent problem is that supervisors face resource and cognitive limitations in being able to completely monitor the actions of subordinates. Outside of designing a matrix of formal rules, administrators also can shape the informal norms and mental models that provide organization members a sense of common purpose (Kreps 1990; Schein 1992). Considered more of an art than a science (Schein 1992), leadership can manipulate both abstract mental models as well as concrete physical objects. Crafting mission statements, as well as designing the physical layout of an office, is a method for leaders to mold organizational values.

The logic of transformational versus transactional leadership (Burns 1978) fits neatly into an understanding of institutions as the formal written rules as well as the mental models upon which those rules are built (North 1990). If one were to take the traditional leadership and management dichotomy to its logical extreme, a transformational leader and a transactional manager would be two separate people. While increasingly being challenged today (Yukl and Lepsinger 2005; Kotter 1990), leading a hierarchy requires somebody focused on the big picture of where the organization is to go as well as the general organizational culture that shapes the attitudes and actions of employees (Zaleznik 1977). The specialization of hierarchical organizations can potentially lend itself to a division between management and leadership tasks, although even this contention is called into question.

Governing through networks requires an administrator to be well versed in both transformational as well as transactional leadership (O'Toole 1997; Frederickson 2005). Public administration networks, theoretically, are created in order to address complex public problems that were ineffectively addressed by more traditional hierarchies. The leader of a network faces a serious problem: Not only do new networks not have a set of formal rules or informal organizational values to guide behavior but members of the network come with rules and values from their home organizations. Leaders are tasked with the twofold challenge of understanding the current rules of the game for each participant and then creating a new set of rules that will guide future conduct. By understanding the impact of institutions on human behavior, leaders of networks are better able to face this difficult challenge.

The Nature of Institutions

As public administrators increasingly move toward using networks as tools to transcend traditional organizational boundaries, difficult challenges present themselves. Municipal executives who create a local citizens' action committee, agency directors who form interorganizational task forces, as well as the president of the United States creating an independent blue-ribbon commission—all face two related issues. First, administrators of networks draw network members from existing organizations. Individuals already work by a set of formal organizational rules as well as informal norms. In order to effectively lead through a network, administrators need to recognize that each individual brings a set of existing institutions to the bargaining table. In order to create a common purpose, administrators face hav-

ing to create an atmosphere where network members can create a new set of rules and norms. Oftentimes it is not realistic to expect individuals in a new network to completely forget the parochial interests they bring from their home organizations. However, successful leaders of networks facilitate the creation of new institutions that do not conflict with existing ones, where individuals appreciate that there can be a different way to work within the network that is productive both for the network as well as for their home organizations. Administrators of networks have a heightened interest in understanding the structure of institutions.

Institutions structure long-term social interaction in a community (North 1990). These “rules of the game” are human creations, involving more craft than science in their creation even when they are knowingly created. In fact, a great number of social norms are created organically by individuals who interact with each other repeatedly over long periods of time (Knight 1992). Oftentimes individuals are not conscious of an organization’s social norms but rather have internalized those norms through a process of socialization. Ironically, even the creation of the formal rules of the game, whether they are written out in bylaws or simply verbalized to all members of a community, is an organic process of pragmatic trial and error (Ostrom 1980). The difficulty for administrators of networks comes from the lack of a common socialization process.

Institutions affect the distribution of resources in a community or an organization (Knight 1992). Rules and norms set out the opportunities that individuals have in investing their own resources in various activities. They guide social interactions, whether in formal organizations such as the Department of Transportation or informal networks such as a local citizens’ commission on school safety, by indicating what activities are allowed and what ones are prohibited. The strength of the rules depends on the application of sanctions to rule breakers. As rules help to determine how individuals can invest their resources, institution making and changing is a contentious process where people stand to gain or lose depending on the contours of the specific institutions. Ideally, institutions allow for long-term social exchange and would allow a community to reach some sort of social optimum, whether Pareto optimality or some other measure of social efficiency. Of course, the world is replete with cases where the rules of the game result in great inefficiencies.

Institutions are created by individuals who are “boundedly” rational (Simon 1955). Individuals do not completely understand complicated social environments; they must invest time and cognitive resources in contemplating change. The need to change rules comes about with a change in relative values in a community. Individuals perceive the fact that values have changed and then rework their existing institutions in order to take advantage of these new realities (North 1990). This is a dynamic process.

Administrators of horizontal, networked organizations inherit a set of employees who have been socialized into the formal rules and informal norms of their home organizations. The preset institutional foundations of network members cannot be swiftly erased; rather, effective network administration involves a process of cata-

logging existing institutions, determining the overlap of those institutions, and the molding of new institutions that take areas of convergence as the basis of moving the business of the network forward. This has been labeled as transactional in nature, that is, a management task. Leadership on the other hand involves transforming the larger mental models upon which the institutions rest.

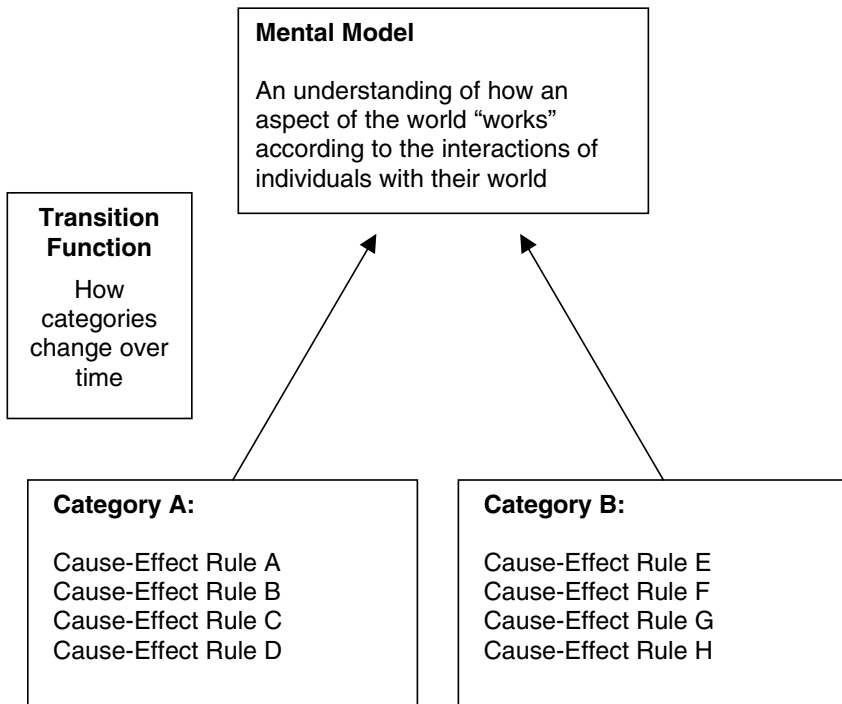
Institutions and Mental Models

Administrators of horizontal, networked organizations face what have been called leadership and management tasks (Zaeleznik 1977). If viewed through the lens of institutions, the traditional view of management involving transactions indicates that managers are manipulators of the institutions within an organization. In order to facilitate compliance in principal-agent relationships, managers invoke formal rules and informal norms. Institutions, though, must be built on a set of ideas or understandings of a complicated world. For example, the formal rule that employees in the United States generally are to work forty hours per week, along with an informal norm that great workers will put in even more time, is based on a larger set of ideas that Weber considered to be indicative of a Protestant work ethic. There is a dialectic relationship between institutions and the mental models upon which they are based (North 2005). Leaders, traditionally interested in organization transformation, spend more effort focusing on the mental models behind the formal institutions in an organization. Network administrators face a need to understand institutions as well as mental models in order to operate in organizations where all participants arrive with different sets of priorities.

This section considers the nature of ideas as inductively created frames used to understand a complicated world. It then moves on to consider how rules are based on these particular understandings.

Social interactions are complicated. Institutions are powerful tools for individuals in that they limit the potential actions that other community members may take. The crafting of institutions is based on some common social understanding of how the world works (Denzau and North 1994). Mental models help to focus attention on the most important environmental factors that a community faces, a way of separating out what individuals feel are important events as opposed to unimportant events (Hayek 1952). Mental models serve both an organizational as well as an institutional function; common ideas about cause and effect serve to provide a common set of focal points for a community, giving individuals common ideas around which they may act collectively (Schelling 1960).

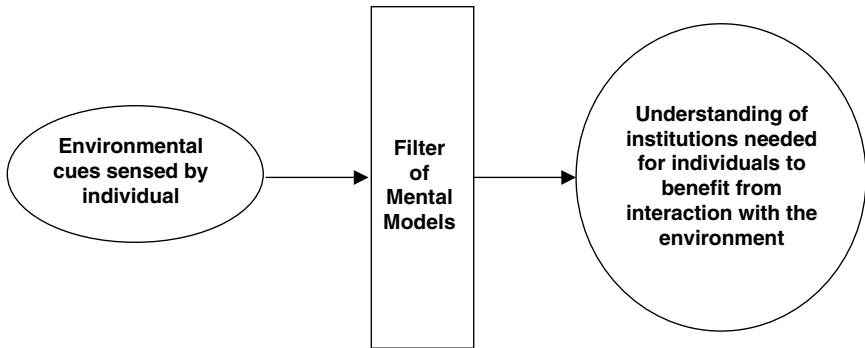
People form mental models as they interact with the world. Learning is not abstract in nature—the idea of a *tabula rasa* upon which humans can construct a holistic understanding of their environment—but rather an inductive process of matching patterns in the environment with an evolving model of that environment (Edelman and Tonini 2001). This inductive approach entails individuals divining cause-and-effect rules from their daily interactions (Holland et al. 1986). Individu-

Figure 13.1 **Components of Mental Models: Inductive Approach**

als then put these rules into larger conceptual categories. A mental model, then, is an understanding of how a set of categories interacts with one another over time (Holland et al. 1986).

Human beings have three sources of mental models: genetic endowments, personal experiences, and communicated models from others’ experiences (North 1994). All animals are genetically endowed with some cause-effect rules that form mental models (flight or fight being one) (North 1994). A good number of animals also learn from their experiences in an environment, yet it is a unique quality of humans to have developed a system of communication to transmit their own personal experiences to others. Human beings, with complicated systems of oral communication, have the tools to communicate complicated empirical phenomena to others. Whereas chimpanzees are able to indicate to other chimps their ability to use sticks as crude tools to extract food from shells (a cause-effect rule), humans are able to convey whole sets of cause-effect rules, categories, and transition functions. Transferring this mental framework is costly in several different ways. Cognitive mental models can be extremely complicated, involving many different categories and perhaps hundreds of cause-effect rules.

Groups of individuals organize around mental models. With a common un-

Figure 13.2 **Interplay of Environment and Institutions**

derstanding of how the world works, it is less costly to collectively act. Whereas institutions are the external mechanisms that regulate social behavior, mental models are the internal intellectual frameworks that individuals use to order a complicated world (see Figure 13.2).

The Composition and Use of Mental Models

A fundamental tension with sentient animals, and especially with human beings, is the need to actively sense what is going on in one's environment and then being able to place this experience into a memory so that the next time such an experience occurs, one does not have to reinvest the cognitive resources needed to understand what is happening (Jones 2001). At what point is it desirable to learn from an environment and at what point is it better to rely on stored information? Humans are excellent cognitive misers, in that not only are they proficient at storing information from their own experiences but also through various forms of communication they are able to draw on the similar experiences of others to make sense of their own situations (Jones 2001; Ostrom 2005). "People act in part upon the basis of myths, dogmas, ideologies, and 'half-baked' theories" (Denzau and North 1994, 3).

The objective reality of the world is less important than the subjective reality of that world. If humans were fully rational and able to see an objective reality, then it would follow that an analyst could predict the choices they make without understanding how they do it.

If, on the other hand, we accept the proposition that both the knowledge and computational power of the decision maker is severely limited, then we must distinguish between the real world and the actor's perception of it and reasoning about it. That is to say, we must construct a theory (and test it empirically) of the processes of decision. Our theory must include not only the reasoning processes but also the processes that generate the actor's subjective representation of the decision problem, his or her frame (Simon 1986, 210–11).

Bounded rationality models assume that individuals have cognitive limitations. There is a gap between that objective reality and how people perceive reality; the greater the gap, the greater the need for cognitive shortcuts to help individuals cope with a complicated environment (Heiner 1983). Jones (2001) finds that while humans can sense many things all at once, as well as store a seemingly endless amount of data in long-term memory, the major limiting factor is short-term memory. Given this biological limitation, humans create frames, Denzau and North's "half-baked theories," to filter all of the information bombarding them from their environment. The way that filters are constructed has profound effects on how individuals view their world (Tversky and Khaneman 1986).

Holland et al. (1986) create an inductive approach to understanding how individuals develop mental frames. Individuals develop their "half-baked" theories through experience with their environments, either their own personal experiences or the credible experiences of others whom they trust. Humans put information in categories, frameworks that help boundedly rational individuals to link similar experiences into a conceptual group.

Models must consist of components that can be flexibly constructed and inter-related. Our most basic epistemic building block is a condition-action *rule*, which has the form "IF such-and-such, THEN so-and-so," where the IF part is the condition and the THEN part is the action (Holland et al. 1986, 14).

A young child, very early in development, learns that higher-pitched vocal patterns mean that a human is generally happy, while lower-pitched patterns indicate a problem. Humans are genetically hardwired with certain categories, such as when certain experiences will induce flight instincts while others induce fight, and create others from experience. The fundamental unit of any mental model of the environment is a rule, a single understanding of cause and effect (Holland et al. 1986). Similar cause-and-effect rules are packaged into common categories of cause and effect. Mental models are inductively created.

Not all cause-and-effect relationships are as important as others, depending on the environment in which an individual finds him- or herself. There are two elements to consider. First, rules can have different importance to the same individual depending on the individual's environment. While hiking in the deep backwoods of Alaska, the arrival of a grizzly bear with her cubs might trigger the "flight" rule; from experience one knows that the arrival of a very large animal with big teeth indicates the need to leave the area quickly. Conversely, while at the local zoo with one's small children, the arrival of the same bear with her cubs in the bear enclosure triggers the "stay" rule, where one knows that the enclosure provides good protection from the large animal with teeth.

In the case of a public organization, a subordinate may be happy to relax and share her personal feelings with the boss when she has built a long-term understanding that her boss is open to discussing issues that do not fall under the narrow scope of official work. That same worker, when facing a new supervisor in a networked

situation, is unlikely to share information as freely. The challenge that the leader faces is creating a common understanding of cause and effect where the sharing of personal information is not frowned upon.

The second element to consider is that not only does a change in environment result in a different understanding of cause and effect but also a change in individuals in the same environment could result in very different cause-and-effect rules. On the Alaska backwoods adventure, the arrival of the grizzly bear would trigger in the hunter's mind the need to grab the hunting rifle, while in the nature photographer's mind it would trigger the need to grab the camera. In the case of members of a newly formed network, the addition of individuals who previously had no contact with the group is likely to create tension or lead people to remain silent. The administrator needs to discover what mental models are at work with each individual and then develop a means for individuals to recognize that they have certain commonalities in the way that they view the world. Cause-and-effect rules are contextual and inductive in nature, meaning that humans through time place disparate experiences into meaningful mental categories (Holland et al. 1986; Denzau and North 1994).

Mental categories, grouping similar cause-and effect-rules, are organized in a default hierarchy where certain categories are more fundamental than others (Holland et al. 1986). For a young child outside playing in the yard, the approach of an object triggers a search of fundamental categories. Is it an inanimate object blown by the wind or an animal moving under its own power? Once the child determines that it is an animal, the next level of specificity triggers the question, is this animal cute, cuddly, and furry and thereby friendly, or is it scaly and slimy and thereby unfriendly? If the child considers the animal to be in the friendly category, the response is to approach the animal in order to interact with it. Unfortunately, if it is the neighbor's guard dog, trained to ward off uninvited guests, its vicious barking and potential bite will make the child reconsider his default hierarchy. The experience could be only mildly traumatizing, resulting in the child reconsidering categorizing all cute animals as friendly, or it could be deeply traumatizing and cause him to feel that all moving objects in his or her yard (for the time being) need to trigger the flight response.

Higher-order rules of cause and effect, such as the idea that cute animals are friendly, are built upon lower-order rules, such as animals move under their own power. When one considers the process of creating mental rules as being inductive in nature, built upon real-world experience, it follows that individuals are more likely to change higher-order rules much more readily than lower-order rules (Holland et al. 1986, 205). As Sabatier and Jenkins-Smith (1993) indicate, ideas fundamental to one's understanding of the environment are difficult to change due to their abstract nature. Broad categories of cause and effect at lower-order, fundamental levels are created to in order to catch very broad empirical phenomena. Being broad in nature, singular empirical events that suggest that the categories are incorrect can easily be labeled as aberrant (Holland et al. 1986, 37).

Leaders of networks face the task of discovering the hierarchy of mental rules for subordinates. One must understand which rules are malleable, less fundamental to an individual's belief system, and which are untouchable. For example, a leader may be able to get a police officer to consider different tactics for arresting juvenile offenders while the officer may be completely unwilling to discuss how to change the juvenile legal code. The officer in this case has a mental hierarchy where he or she is comfortable in interpreting agency policy while unwilling to interpret law. The policy and law are the formal institutions at play, while the officer's interpretation that the role of an officer can extend to interpretation of policy but not law is the larger mental model constructed through a process of socialization. In a network situation, such as a local juvenile crime task force, the effective leader may notice that the officer is unwilling to discuss changes to law. This may seem like tacit approval, or disinterest, rather than the fact that the officer has been socialized not to discuss changes in law. The way forward for the leader, then, may be to discuss how changes in policy could affect juvenile crime.

A group of cause-and-effect rules delineate a category. The category of "cuddly animal" for the young child includes rules about what such an object will feel like, look like, and how it will react to the child's interaction. A mental model is a set of categories and a transition function (Holland et al. 1986, 37). Transition functions animate an individual's understanding of how a state of the world moves from point A to point B through time. An object that fits into the category of "cuddly animal" for a child may follow a transition function where the child approaches the cuddly animal and then the cuddly animal becomes the child's playmate. The full mental model for the child includes the individual cause-effect rules about this approaching object, the categories that encompass the several rules into the idea of a "cuddly animal," and a transition function that indicates how the category can change through stimulus either from the child or from other external impacts. In this inductive approach an individual's mental models change from the bottom up, meaning interactions with an environment that serve to question the validity of cause-effect rules that, in turn, call into question categories and transition functions.

Learning from Experience

The question then becomes, how do individuals learn from experiences? According to Denzau and North (1994) there are two different learning processes: a process of normal learning where experiences serves to strengthen the current categories, and a process of representational redescription. Mental models serve to order a complicated world, so a certain amount of rigidity in categories aids individuals in putting the many disparate experiences into common conceptual boxes. The cognitive benefits of mental models are due to the shortcuts that they produce (Jones 2001). An individual does not have to completely reconsider what is happening in the world every moment but rather can find certain cues (cause-effect rules) from any situation that can quickly and cheaply label that experience as being part of

an existing category. Individuals continually have experiences with their environments, and the process of incorporating those experiences into their current mental categories is that of normal learning (Denzau and North 1994).

Normal learning is about the testing of the cause-effect rules from an individual's experience with the world. While the strength of mental models may lie in their ability to reduce cognitive costs, they must also be able to adapt to changing environmental stimuli. The second type of learning, the process of representational redescription, occurs when empirical facts begin to call into question not only the validity of the cause-effect rules but also the mental categories. Individuals generalize from their specific experiences, recombining former rule elements with newer rules derived from recent experience.

Individuals continually evaluate their experiences in the environment with their mental models.

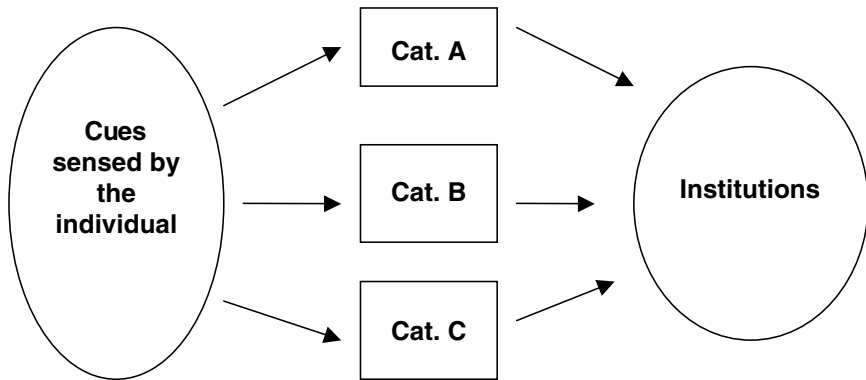
Rules are in competition with each other for the best description of empirical reality. Competition will favor those rules that (a) provide a description of the current situation (match), (b) have a history of past usefulness to the system (strength), (c) produce the greatest degree of completeness of description (specificity), and (d) have the greatest compatibility with other currently active information (support) (Holland et al. 1986, 49).

The assertion made here is that there is a tendency for individuals to not update their understandings of how the world works even in the face of repeated experiences that would indicate that the mental model in use no longer accurately explains what is going on in their world. The tendency to hold on to incorrect models is due to the two different types of learning. Normal learning occurs often as humans routinely interact with their environments. By contrast, representational redescription requires individuals to make a significant cognitive investment in reconsidering how their world works. Individuals face a choice as they start to sense that environmental factors have changed: They can decide to update their current mental models through either normal learning or representational redescription.

Boundedly rational individuals will choose to "satisfice" (Simon 1955), meaning that the first rule that minimally explains the reason for aberrant cues from the environment will be used (Holland et al. 1986, 78). Individuals can decide whether to broaden the applicability of their mental categories in order to fit seemingly aberrant information into the current model; or, they can view conflicting data simply as aberrant and decide that it has little impact upon their current model (Holland et al. 1986, 37). Individuals, as cognitive misers, are more likely to consider experiences that do not follow the posited cause-effect rules to be aberrant rather than an indication that their existing mental models may be faulty (Holland et al. 1986, 205–6).

Mental models are the key filter between events in an environment and the humanly devised formal rules and informal norms that structure social interaction. The design of mental models helps determine how informational cues from the

Figure 13.3 Cues, Categories, and Institutions



environment will be processed. The ability of individuals to tailor new institutions to a changing environment is dependent not only on what information is out there to be gleaned but also on what information individuals see fit to communicate to others. The social aspect of mental models, the fact that many models are socially created and transmitted through the use of language (Ostrom 1990), inherently means that individuals will tend to process information by using the current mental models and will in turn pass the information to other network members packaged in the existing categories of the common mental model. Such a tendency serves to limit how environmental cues impact upon current institutions (see Figure 13.3).

Individuals tend to place cues within the framework of existing categories (normal learning) rather than investing in the costly process of representational redescription. When individuals are working with their own, individually created mental models, there most likely will be a point where placing environmental cues incorrectly into preexisting categories results in suboptimal rules and norms, which would indicate the need to reconsider those categories. A different dynamic occurs when mental models are socially created and shared. Individuals no longer experience environmental cues themselves, as it is not possible to transmit direct physical cues (such as the feeling of intense sunlight on one's face); rather they rely on the communication of such cues by other individuals (the communication that the sunlight created a sunburn, which is a socially understood category resulting from the cause-effect rules for extended exposure to the sun). By only communicating how an experience fit into a category, the receiver of such information is not able to make a sound judgment as to whether that experience with the environment really warranted such a label. The result is a system where environmental cues can be consistently misinterpreted, leading to the extension of current mental models beyond their usefulness.

There also is a relationship between mental models and organization. Individuals with similar interpretations of how the world works face lower transaction costs

because they do not need to invest in communicating these complicated ideas among each other. Once organizations have formed around a core of mental models, those organizations themselves provide a convenient heuristic for organization members (Simon 1998; 2000).

Because the creation of mental models is an inductive process, where individuals slowly build understandings of their world, it follows that mental models are not rapidly changed. Similar to understandings of organizational culture (Schein 1992), changing mental models occurs through an iterative process as individuals find that their current understanding of cause and effect no longer adequately explains their reality. As individuals invest time and resources into creating existing understandings of the world, they must face pressing concerns in order to change those models. The role of an administrator, especially one in a newly created horizontal organization, is not as a creator of completely new understandings of the world but rather as an interpreter of the current mental models that different organization members hold. After the period of investigation the administrator faces finding enough common understanding to make the organization functional.

Challenges for Network Leadership

Networks as forms of organization provide a necessary flexibility to address complex public problems. At the same time they also produce significant challenges for public administrators who increasingly spend more of their time trying to lead through fluid relationships. There are two interrelated issues that deserve further attention for scholars of public administration. The first is an issue of pedagogy. How do we teach current and future public administrators to be effective in both hierarchical and horizontal organizations? The second deals with constructing a theory of network productivity. That is, how do people work through networks? With that knowledge, one can begin to consider the role of the public administrator in trying to lead in this increasingly frequent type of organization.

The dominant form of public organization over the course of the past century has been hierarchy. Public administrators have been trained to be effective at bridging specialized subordinates. Master's programs in public administration almost universally create pedagogies around a core set of technical skills as well as greater understandings of the public environment. Students are instructed in how to strategically plan, budget, implement, and evaluate public programs. Sometimes courses on human resources, decision making, and administrative ethics augment these programs. Almost all courses are designed with the understanding that public administrators will be working within hierarchies, if not leading them. In fact, programs overwhelmingly teach transactional modes of administration: how students can understand current rules and mold future rules.

This chapter holds that future public administrators need to be exposed to a broader range of organizational concepts. The concept that network managers are faced both with traditional management and leadership tasks, that is, using both

rules and the mental models that undergird those rules, lends itself to teaching students less concrete techniques and more about how to think situationally. As long as an organization remains complicated, whether that means hierarchically or horizontally, there will be a place for administrators to specialize in technique. At the same time, administrators will be challenged to appreciate the larger environment in which the organization occurs. Part of that environment is the matrix of institutions that guide social life. As Schein (1992) indicates, administrators would be helped by learning to recognize physical and social cues that point not only to formal rules but also mental models. That is to say, institutional analysis is a skill that should be practiced.

Discerning what mental models are at play in an organization, hierarchical or network based, is difficult. Oftentimes they are so basic or ingrained in the subconscious that people are unable to articulate that they even exist. Given that challenge, what makes successful leaders adept at understanding these underlying frameworks? There are three categories that leaders can consider. For one, successful leaders foster their own abilities to *discern patterns in what is said or not said*. Organizational stories or myths, passed down through generations of members, hint at the contours of underlying models. Stories about how an organization's founder clocked into work at 5 o'clock in the morning, every morning, points toward a model that values timeliness throughout the organization. Successful leaders will encourage existing organizational members to tell the war stories that may seem trivial at first but hint at deeper meaning.

A second strategy for successful leaders is to *identify how language frames communication*. Modern organizations have their own languages with different groups of organization members assigning specific meanings to words. On a transactional level, a manager would be best served by understanding the definitions of words and acronyms in order to communicate with his or her employees. On a transformational level, leaders endeavor to understand how a vocabulary can serve to provide meaning for a group in different circumstances. For example, a term such as *performance-based management* could have a specific textbook definition for a recent graduate of a public administration program. That same term could be packed with an entirely different meaning when it is used by a group of public-sector workers who recently faced rapid downsizing due to a process of contracting out a core service. Only through experiencing the impact of a vocabulary on social interaction can a leader understand underlying mental models.

Last, successful leaders become adept sociologists in *understanding how people physically relate to each other* (Schein 1992). Are office doors open? Do employees rapidly return telephone messages? Do people congregate in the cafeteria or do they eat alone at their desks? Each one of these aspects of social relations could provide a clue as to the underlying logic to the institution in use for an organization.

The difficulty of discerning mental models is compounded when one considers the task of leading a newly formed network. Not only are mental models at work but there is a diverse set of models coming from a myriad of different home organiza-

tions. Success in network leadership depends on creating structures that facilitate members communicating about how stories, vocabularies, and interactions work in their own organizations. Discussions of the way different member organizations work, the vocabulary they employ, and their organizations' structures could all provide a means to understand deeper mental models. Network leaders can also seek to spend one-on-one time with each new network member in order to begin the relationship on a relaxed and informal basis. The most important lesson for those leading networks is to aim to facilitate long-term communication and mutual learning between network members. Only through repeated contact can members begin to construct a common set of models that will structure future interactions.

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