

Bob Behn's Public Management Report

An occasional (and maybe insightful) examination of the issues, dilemmas, challenges, and opportunities in leadership, governance, management, and performance in public agencies.

Vol. 4, No. 11, July 2007

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On why *both* government and business must fix:

The Underperformance Problem

"Government underperforms." With that two-word sentence, my Kennedy School colleague, **Steven Kelman**, begins an essay, published by the **IBM Center for the Business of Government**, on "**The Transformation of Government in the Decade Ahead.**"

When I first read Kelman's striking sentence, I was sitting on an airplane. Consequently, my immediate reaction was: "So do the airlines." Indeed, if you have recently had the opportunity (or the exigency) to get on an airplane, you too are well aware that government isn't the only institution that underperforms. Business often underperforms too.

Last month, *The Economist* published a "special report" on the airline business in which (paraphrasing Thomas Hobbes) it asserted that "**air travel is often nasty, brutish, long and unprofitable.**" In an introductory commentary, *The Economist* observed that "**sad to say, flying anywhere can be horrible nowadays.**" But you already knew that.

Today, everyone has an airline that they hate. Indeed, if your experiences are similar to mine, you don't just hate one airline, you have a long list. Unless you have access to one of those "executive jets" (in which case, why are you reading this?), you have accumulated an encyclopedia's worth of horror stories. I first purchased a mobile phone specifically to ensure that I could communicate with my family whenever an airline decided to hold me hostage on the tarmac.

The airlines, of course, say it isn't their fault. It's the government's fault. If it wasn't for the government's regulations, they could both provide decent service and make a profit. *The Economist* makes a similar (but not identical) argument: "Too much of the air-travel business remains protected from genuine competition."

In fact, one set of regulations that protects the airlines from competition results from U.S. bankruptcy laws. They have provided many an unprofitable airline with the opportunity to

seek bankruptcy protection rather than simply disappear. Is this the freedom that the airlines want: the freedom to go out of business?

Nevertheless, airline executives gripe: If only we didn't have to comply with all those damn regulations, we could . . . well, for example, we could be nice to customers.

In many circumstances, however, "the government made us do it" hardly sounds like a legitimate excuse. JetBlue established a reputation that was significantly different from its competitors—until, that is, last February when it confronted a snowstorm. JetBlue canceled hundreds of flights while holding some passengers on the tarmac for as many as **ten hours**. Such operational decisions are hardly mandated by government regulations.

Airline travel has become nasty and brutish suggesting that the need to improve performance is not only a challenge for government. Indeed, as the behavior of the airlines illustrates, taking a job in the private sector doesn't make you smart.

For example, different airlines have different policies about the "credit" you might get for changing or canceling a flight. No airline gives you back cash. Still, some airlines (such as American) will give you a straight credit—a voucher to use on a future trip (though usually within a year).

With other airlines, *The Washington Post* reported, it's not so simple. If you have a \$500 credit, some airlines (such as US Airways) will let you use it to purchase a \$450 ticket, though you do lose the \$50 difference. Other airlines (such as United and Northwestern) are more restrictive. If you have a \$500 credit, you can use it only to help buy a ticket worth \$500 or more. These airlines will not let you spend your \$500 credit for a

\$450 ticket, even if you are willing to forfeit the remaining \$50.

Executives in business offer the same complaint as executives in government: "If we didn't have all of those damn regulations, we could improve performance." This is, of course, true; regulations do impose constraints. Nevertheless, such regulations aren't going to disappear. The management challenge—in both public and private sectors—is to improve performance while also complying with the regulations. That's life.

Once upon a time, whenever newspaper columnists, stand-up comics, and all species of **cartoonists** were in desperate need of material, they could simply return to a subject that pained everyone: the Division of Motor Vehicles. Long lines combined with uncomfortable facilities, multiple and complex forms, inscrutable rules—everyone hated the DMV. Today, however, the easy target for such mockery is **the latest airline frown**. If you are standing in a long line at another kind of establishment that has decided to under-staff the counter, the **running joke** now is: "An airline must have taken over this business."

Government, it is often argued, is inherently inefficient. It lacks the discipline imposed by the market. Every business must worry about its existing and potential competitors. Thus business executives are driven to improve performance—to increase efficiency, improve quality, and satisfy customers.

Nevertheless, the pressures of the market don't guarantee performance. As the behavior of the airlines illustrates, taking a job in the private sector doesn't make you smart. **B**

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