

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. 10, June 2007

Copyright © 2007 by Robert D. Behn

On why public executives need to fix their agency's:

Binding Constraints

Ricardo Hausmann, Dani Rodrik, and Andrés Velasco, colleagues on the Kennedy School faculty who concentrate their research on international economic development, note that every developing nation faces a **"binding constraint."** This is the factor that is limiting the nation's ability to improve living standards.

Of course, any developing nation has many problems. The question, however, is which ones—in the current situation—are limiting its economic growth.

For each nation, this binding constraint is different. For some, it is inadequate infrastructure: roads or telecommunications or port facilities. For others, the binding constraint may be the education (and thus potential productivity) of its citizens. For other nations, it might be access to financial capital.

The challenge facing a developing nation, Hausmann, Rodrik, and Velasco argue is to identify and then fix one or two of its key binding constraints. Don't try to fix all of the problems. No nation can. Don't try to implement "the infinite laundry list of reforms" that the "Washington consensus" has defined as **best practice**. What works in one nation does not necessarily work for its neighbor.

Instead, they continue, a nation's policymakers should "focus on the most binding constraints"—"the biggest hurdle[s] to growth."

Similarly, the managers of every public agency face a number of constraints. But which ones are binding? Which ones are, currently, preventing the agency from improving its performance?

The obvious answer is money: "If only the budget office and the legislature would increase our funding, we could improve performance."

This could be true. With more money, any organization (or any individual) should be able to produce better results.

Yet, is money the agency's most binding constraint? Maybe. All of us,

however, have observed an organization or two that—even if with a significant budget increase—failed to improve performance. Why? Because it had other, more binding constraints.

For example, a public agency might lack operational competence. Front-line staff don't really understand how to do their job. They lack the technical knowledge to carry out their assignments in the way that produces real results.

Or maybe the support staff—perhaps the IT shop, perhaps the procurement unit—have failed to provide the line staff with what they need.

Or maybe the organization lacks the capacity for leadership and management. That is, it has the front-line capacity to do it, and the support necessary to get it done. Still, the agency lacks a cadre of middle managers who know how to mobilize and motivate people.

Public agencies face many constraints. But which ones are binding? Which ones, currently, prevent the agency from producing real results? To improve performance, public executives need to identify and fix their one or two binding constraints.

Or maybe the organization has other deficiencies that are really limiting its ability to improve performance. These could be: an inappropriate field structure for delivering services; a personnel structure that prevents it from hiring the people that it needs; a practical physical structure (locations, buildings, and rooms) that discourages people from interacting in a way that identifies and solves problems, and that fosters cooperation and creativity.

Unfortunately, there is no formula for determining an agency's binding constraints. Instead, to analyze their many constraints, the agency's key executives need a sophisticated un-

derstanding of how their organization really operates. After all, every organization has many constraints. Thus, the question is: Which constraints are currently binding?

The leadership team of every public agency needs to ask itself: "If we got a bigger budget, would our performance automatically go up?" "Yes?" "Are we sure?" "Are there other things we need to fix too?" "If so, maybe we ought to first fix those one or two binding constraints."

After all, the guardians of the budget are unlikely to give an agency more money just because it asserts an acute need. The first line in the job description of all budget staffers is: "Say no!" If they are unable to say "no," they quickly find another job. Moreover, most agencies make it easy for budget staffers to say no. For their request is backed only by a promise: "If you give us more money, we promise to produce these bigger and better results." It doesn't take long, however, for a new budget staffer to figure out that such promises are inevitably bogus. Even with more money, the agency is unable to improve real performance.

At the same time, it is also the job of every budget staffer to hide money in the drawer. Thus, when some truly compelling need does come along, the budget shop has some flexibility.

When a jurisdiction's agencies line up looking for this hidden money, who is apt to get it? The agency that has come up with yet another unsubstantiated promise? No. The winner will be the agency that has already demonstrated the capacity to abolish its current binding constraints and thus is able to use some additional funds effectively. **B**

Robert D. Behn is the author of *Performance Leadership: 11 Better Practices That Can Ratchet Up Performance*. He is a lecturer at Harvard University's John F. Kennedy School of Government where he chairs the executive-education program "Driving Government Performance: Leadership Strategies that Produce Results."

