Bob Behn's Performance Leadership Report

An occasional (and maybe even insightful) examination of the issues, dilemmas, challenges, and opportunities for improving performance and producing real results in public agencies.

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On the public executive's chicken-or-egg dilemma:

Which Comes First: Resources or Results?

Which came first: the chicken or the egg? This age-old philosophical conundrum troubled even Aristotle. After all, the chicken could never have existed without the egg. Yet, the egg could never have existed without the chicken. Which came first, indeed?

Of course, this not just a problem for biological species. It has a variety of modern equivalents. Which comes first: electric cars or electric-car charging stations?

How do you get people to build and buy electric cars when there are no places to recharge them? How do you get people to build charging stations for electric cars when there are no electric cars that need to be charged?

Today's public executives face their own chicken-and-egg dilemma. Which comes first: the resources or the results? After all, producing better results requires resources. Yet, who will provide resources to an agency that cannot demonstrate the ability to produce better results?

Private-sector executives solve this problem by raising capital. A fledgling firm—with no sales; indeed, with nothing yet to sell—can attract investment from venture capitalists on the *promise* of future sales and thus future profits.

Venture capitalists are, of course, careful when they select a firm in which to invest. Moreover, they are not passive investors, but fully engaged. Drawing on their experience helping other firms bring their products to market, these investors help the firms in which they invest. They offer advice about everything from product development to marketing. Then, if they are satisfied with a firm's progress, these investors will provide another infusion of capital. If not, they will cut their loses

No venture-capital firm ever has a perfect record. None ever expects to have a perfect record. They accept that a majority of their investments will fail. But they aren't looking just for winners. They are looking for big winners—a few winners whose profits are so big that they more than compensate for the firm's many losses.

In the beginning, however, it isn't obvious which investments will be losers, which will be winners, and which will be the big winners. Producing a few big winners takes lots of work and years of patience.

Unfortunately, few public agencies have a funding source that is speculative, helpful, and patient. Today, some are able to attract such funding from social impact bonds. The rest, however, can't go to the budget office or the legislature's finance committee with a brilliant idea and expect to earn anything more than a polite thank you. (All sorts of people are, however, happy to offer public executives lots of advice.)

> Business pursues tight purposes with huge resources. Government pursues huge purposes with tight resources. To resolve their which-comes-first dilemma, (resources or results?) public agencies must increase results by exploiting existing resources.

As a result, many (most?) public agencies are—compared with their public purposes—quite undercapitalized. As Joseph Bower of the Harvard Business School once observed: Strategy in business is "the application of massive resources to limited objectives." In contrast, strategy in government is "the application of limited resources to massive objectives."

How might purpose-driven public executives obtain the capital necessary to make significant improvements in performance? They can't improve performance without resources. Yet, they can't generate resources without improving performance. How can they resolve their chicken-or-egg dilemma?

The answer is slowly. They have to ratchet up performance by exploiting their available resources. Only after they have improved results by a significant notch, can they seek more resources.

After all, the electric-car dilemma will be resolved only slowly. A increase in the number of electric cars induces an increase in the number of charging stations. Meanwhile, an increase in the number of charging stations induces an increase in the production and sales of electric cars.

The same is true for the performance in government. A small increase in results can earn an increase in resources. Meanwhile, a small increase in resources can be used to produce an increase in results.

The initial increase in results need not be small. Indeed, what is "small" and what is "big"? Anyone who seeks to evaluate a public agency's performance does so by making a comparison. But with what?

Often, this comparison is with expectations. The evaluator compares the results that the agency actually produced with the results that the evaluator expected it would, could, or might produce.

Thus, when public executives seek to resolve their chicken-or-egg dilemma, they may find it beneficial to help their evaluators compare their meager expectations with the results the agency did indeed produce.

Which comes first: the resources or the results? Public executives can actually solve this dilemma. To do so, however, they will have to be patient as they ratchet up performance one step at a time. B

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