

Chapter 1

The Challenges of Public-Sector Project Management and the Coming Storm

THE DISTINGUISHING CHARACTERISTICS OF THE PUBLIC SECTOR

Before embarking on a study of public-sector project management, including its unique characteristics, we should first identify how the public sector differs from the private sector. More differences exist between private-sector organizations and public-sector organizations than just their approach to earning and distributing revenue.

Of course, there are differences among public-sector agencies as well. Some public-sector organizations can be defined as public enterprises that are charged with the provision of services on a self-supporting basis. These include municipal utilities that provide water, wastewater, sewer, and other services. Other public-sector organizations can arguably be described as only quasi-public. Examples of these organizations are state-supported universities, which receive an increasingly lower percentage of their operating funds from the states they are in.

Some public-sector organizations provide direct services to the public, although those services are increasingly being outsourced as well. A good example is the provision of mental health services by state institutions. Until the 1970s, state institutions were one of the primary modes of service provision to people with mental illnesses or mental retardation. Since then, those institutions have largely been closed, and service provision has moved to private hospitals.

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Other public-sector agencies set standards for the industries or perform economic regulation. Public service commissions at the federal and state levels set rates for gas, electricity, and telecommunications providers. In the past decade, some of those services have been deregulated, and market mechanisms are allowed to set rates. Nonetheless, public service commissions still retain general oversight of the quality of services and the maintenance of effective markets.

Some public-sector organizations are also responsible for ensuring that other agencies comply with the myriad of laws, rules, and process requirements that have been levied on public-sector agencies. Those organizations exercise formal and informal supervision of other agencies and may set requirements for agency operations. Budget agencies not only prepare the budget for the jurisdiction (e.g., the city, the state, the nation) but also are responsible for ensuring that the agencies comply with budget requirements and conform to appropriated limits. These agencies create or enforce many of the constraints that impact public-sector projects.

Despite this array of types of public-sector organizations, they have some shared characteristics, particularly with regard to the management of their projects. Descriptions of those shared characteristics follow.

The Public-Service Purpose

Although they sometimes provide services to distinct populations (like issuing hunting and fishing licenses), all public-sector organizations operate to serve the larger public. That service to the public complicates the management of public agencies and public-sector projects, because it makes identifying objectives much more complex. Not only do a variety of opinions attend the best way to serve that public, but the public itself is difficult to define. For example, what is the goal of a public-sector program designed to revitalize neighborhoods? And who is the public to be served by that program? Is the goal of the program to encourage new investment and development in the neighborhood, which might draw new residents to the neighborhood and consequently drive out current low-income residents? Or is the goal to make housing affordable to current residents? The answers to those tough questions are not without controversy and can substantially impact the direction of the program and the projects within it.

In general, public-sector agencies lack the simple measures of performance, like return on investment (ROI), that private-sector organizations enjoy. Although simple project outcomes, like on-budget performance and timeliness, can be measured, larger outcomes, like the impact on public welfare, are more difficult to measure.

Overlapping Oversight Mechanisms

Public agencies are constrained by overlapping oversight structures. A public agency may operate under (1) the oversight of an elected executive (e.g., a governor or the President), (2) oversight agencies like the Government Accountability Office (GAO) or an office of the budget at the state level, (3) legislative bodies and their own oversight agencies (e.g., a legislative budget office), and (4) elected oversight officials, such as state auditors and treasurers. The constraints of these overlapping oversight agencies are embedded in statutes, rules, executive orders, and required processes. This overlapping oversight represents, at the operational level, the system of checks and balances that limits the power of government agencies to operate outside the bounds of public authorization.

As a result of this overlapping oversight, public-sector projects may be required to dedicate substantial resources to ensuring that constraints are not violated and that oversight agencies are placated. These constraints are, in fact, designed to limit agency discretion and operations so that public-sector employees remain accountable. In addition, the penalties on public-sector agencies for violating these constraints are so severe that public-sector agencies may be very risk averse, even to the extent of choosing compliance over the attainment of business objectives. These overlapping oversight mechanisms also increase the number of project stakeholders with an interest in a project.

For reference throughout this book, it may be useful to identify the hierarchy of official and formal constraints that impact public-sector projects. They are as described in hierarchical order in Table 1.1.

In national governments, the executive is typically called the president; in states, it is called the governor, and in cities, the mayor. In city governments, the legislative body is usually called the city council. For other levels of government, other terms may be applied. For example, in U.S. county governments, the executive and legislative functions are both performed by the county commission made up of elected commissioners.

Table 1.1 Official Constraints of Public-Sector Projects

Formal Constraint	Source	Description	Example
Constitution (or City Charter)	Derived directly from the consent of the people under the authority of their sovereign capacity (i.e., there is no higher authority)	The set of fundamental rules governing a jurisdiction. Constitutions are typically general and describe the powers allowed to the government by the people. Constitutions are deliberately hard to change and are, therefore, entrenched. All specific government actions must be allowed by the general terms of the constitution.	The Constitution of the United States, including amendments made to it since its adoption in 1787
Statute or Law	Created by those elected by the people (legislators or representatives) to act on their behalf	The formal, written enactments of the state. Statutes are created by processes defined by the constitution and under its authority. Laws are enforceable and penalties are specified for violation of laws. Statute law is written and common law is also defined by practice and court decisions.	The Freedom of Information Act (5 U.S.C. 552, as Amended), which makes public records accessible to the public with certain restrictions
Executive Order	Issued by the executive based on either constitutional powers prescribed to the executive or laws passed by the legislature	Regulations issued by the executive under defined constitutional or legislative authority that have the force of law. Executive orders are enforced by courts unless they are deemed to be in violation of the constitution or existing law. Executive orders can be revoked by legislation or superseded by new executive orders.	Executive Order: Facilitation of Presidential Transition, issued October 2009 to describe the roles of persons charged by the President to assist in the transition to the new administration.
Administrative Rule	Issued by public agencies in order to implement statutes	Standards issued by agencies within the powers authorized by statute and	Chapter 123:3-1 of the Ohio Administrative Code, Use of

		<p>which have the force of law. Administrative rules are not subject to the same legislative processes as statutes but must still be issued in conformance with standards that allow for public review and comment. Administrative rules are often issued to create specific guidelines that implement a general statute. Internal agency policies typically do not require the issuance of an administrative rule; requirements that apply to the public or other agencies often do require the issuance of an administrative rule. Administrative rules often require some sort of legislative or executive rule review to ensure that they comply with statute. Administrative rules can be (1) regular rules, which are established through a public comment and hearing process; (2) interim rules, which have a specific time limit; or (3) emergency rules, which can only be adopted in cases of imminent danger to the public. Administrative rules are codified in the administrative code of a jurisdiction.</p>	<p>Electronic Signatures and Records, Office of Information Technology, which prescribes the use of electronic signatures and transactions by state agencies</p>
Mandatory Process or Procedure	Issued by agencies	<p>Describe policies employed internally by agencies to perform their functions. Do not have the force of law and cannot conflict with law or administrative rule.</p>	<p>Agency policy prohibiting the use of e-mail by employees for private purposes</p>

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A Short Planning Horizon

Private-sector organizations like to presume that they operate at higher speed than public-sector agencies. Sometimes they do, but there is one area in which the public sector is required to move more quickly. Public-sector agencies have a shorter planning horizon than private-sector organizations because of electoral cycles. Although some public-sector agencies are not subject to election cycles (e.g., publicly supported universities and other board-governed agencies), those that are subject to them are required to articulate an agenda, create plans for implementation of that agenda, and create outcomes in four years, with a four-year grace period if the administration is reelected.

Private-sector, for-profit organizations can establish substantially longer time horizons for product planning and other strategic movements. Public-sector organizations cannot count on the commitment to strategic goals beyond the term of current political officeholders and their appointees.

A Contentious Environment

Every project is subject to conflict and differences of opinion, and private-sector projects may not be supported by all of the organization's stakeholders. But public-sector organizations are subjected to an organized political opposition. That opposition, usually embedded in the opposition party, may be on the alert for opportunities for criticism of the current administration. In addition, the media, though not explicitly attempting to find fault with the current administration, finds "good copy" in the failures of public-sector projects. Unfortunately, failed projects make better stories than successful projects. Both of these factors in combination cause public-sector project managers to feel that they operate in a hostile environment and that they need to avoid visible failure at all costs.

Overlapping Service Delivery Mechanisms

It is rare that any public-sector agency has a monopoly on providing a public service or attaining a public goal. In the United States, for example, services provided to those with mental illnesses may be funded by federal programs and grants, managed by state agencies, and provided by private

providers, the state agencies themselves, and county governments. Similarly, education at any level is subject to a variety of funding mechanisms at various levels of government and is provided to the public by an equally extensive array of organizations.

As a result, public-sector agencies have to coordinate their projects with other agencies and consider the impact of their projects on that array of programs and providers. These overlapping service delivery mechanisms also increase the number of stakeholders involved in a project.

Some observers might argue that another difference between public-sector and private-sector projects is that public-sector employees are not adequately motivated. That is not the case. First, though it is true that public-sector employees may not be motivated by short-term financial rewards such as bonuses, they are motivated by the same drives for professionalism and career growth that inspire private-sector employees. Second, they have learned that their motivation for performance must be tempered with an understanding of the constraints under which they work. Blind ambition or revolutionaries cannot be accommodated in public-sector agencies, and public-sector employees have learned that accomplishing objectives requires sharing responsibility and working within existing systems or shaping those systems incrementally.

Third, because of the long-term nature of most public-sector employment and the group cohesion that characterizes many public-sector agencies, public-sector employees have strong group norms and are motivated by a desire to support their colleagues. Although military operations are perhaps an extreme example of public-sector projects, the behavior of soldiers in combat has been shown to be motivated by allegiance to their comrades in small units. Public-sector project managers may want to keep in mind that, in many cases, the allegiance to the small group exceeds the allegiance to the larger agency or organization.

Last, public-sector employees are also motivated by a concern for the public interest. Operationalizing that concern requires complex behaviors given the challenges inherent in identifying the public interest and the actions that must be taken to serve that interest. Inspiring project team members based on their public-interest motivation is, of course, more challenging than awarding them bonuses, which is probably also impossible in public-sector agencies. It is a factor, however, that astute project managers can apply to induce team performance.

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Private-sector project managers like to assume that their work is more demanding than projects in the public sector. They assume that their projects are more complex, subject to tougher management oversight, and mandated to move at faster speeds. Although private-sector projects can be tough, in many cases, it is easier to accomplish results in the private sector than in the public sector.

Public-sector projects can be more difficult than many private-sector projects because they:

- Operate in an environment of often-conflicting goals and outcomes
- Involve many layers of stakeholders with varied interests
- Must placate political interests and operate under media scrutiny
- Are allowed little tolerance for failure
- Operate in organizations that often have a difficult time identifying outcome measures and missions
- Are required to be performed under constraints imposed by administrative rules and often-cumbersome policies and processes that can delay projects and consume project resources
- Require the cooperation and performance of agencies outside of the project team for purchasing, hiring, and other functions
- Must make do with existing staff resources more often than private-sector projects because of civil-service protections and hiring systems
- Are performed in organizations that may not be comfortable or used to directed action and project success
- Are performed in an environment that may include political adversaries

If these challenges were not tough enough, because of their ability to push the burden of paying for projects to future generations, public-sector projects have a reach deep into the future.¹ That introduces the challenges of serving the needs of stakeholders who are not yet “at the table” and whose interests might be difficult to identify. Some also cite the relative lack of project management maturity in public organizations as a challenge of public-sector projects.

¹Project Management Institute, *Government Extension to the PMBOK® Guide Third Edition*, 2006, p. 15.

In addition to these complications, public projects are often more complex than those in the private sector. For some projects, the outcome can be defined at the beginning of the project. Construction projects are one example. For other projects, the desired outcome can only be defined as the project progresses. Examples of those are organizational change projects and complex information technology projects. Although the first type of project can be difficult and require detailed planning and implementation, the second type, those whose outcomes are determined over the course of the project, are regarded as more challenging. They require more interaction with stakeholders and more openness to factors outside of the control of the project team.

Because of the multiple stakeholders involved in public-sector projects, the types of projects the public sector engages in, and the difficulty of identifying measurable outcomes in the public sector, more public-sector projects are likely to be of the latter variety and more difficult. Project complexity and tools for managing complexity and chaos will be discussed later in this book.

As a result of the distinguishing characteristics of public-sector organizations, public-sector projects require the management, not only of the project team, but of an entire community. Little is accomplished in the public sector by lone individuals or even by teams working in isolation. Instead, public-sector projects engage broad groups of stakeholders who not only have a stake in the project but also have a voice and an opportunity to influence outcomes. In public-sector projects, even though the project manager may be ultimately accountable, governance of the project and credit for successes must be shared.

The good news for public-sector project managers is that the community of stakeholders, which may seem to be a burden, can also be an opportunity and a source of resources and support. Many of those stakeholders stand ready to provide help to the project manager as he or she attempts to navigate the constraints affecting the project. Others can be enlisted to support the project, and their authority can make the difference between project success and failure.

THE COMING STORM

In addition to the existing challenges of public-sector projects listed previously, some factors will place soon more stress on public-sector organizations and demand even more emphasis on solid project

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management. Some of the emerging challenges for public-sector organizations will include:

- Modest or stagnant economic growth
- Globalization and the loss of the industrial revenue base and, increasingly, the service-sector revenue base
- A decline in real wages and pressures for tax reform
- Private-sector practices that pass the corporate safety net back to individuals, who may then look to government for such essential security mechanisms as health coverage
- Difficulty in passing on the need for government revenue to taxpayers and a general loss of confidence in government
- Structural limitations on revenue generation, such as Proposition 13 and property tax indexing
- The redirection of scarce public revenues to homeland security and defense without the imposition of war taxes
- The erosion of public-sector income as entitlement programs drain revenues in response to an aging population
- An age imbalance, with fewer workers in the workforce to support an expanding number of retirees and children
- Longer life expectancy, which further burdens entitlement and health programs
- Increasing costs of health care well beyond the level of inflation
- Long-delayed investments in our national infrastructure, including roads, bridges, and water systems

In combination, these factors constitute a looming storm that will require us to question our assumptions about government operations and services. Doing far more with much less will require new thinking about how government performs its work. It will require more innovation than the development of new services. It will take radical rethinking of what government does and how it goes about getting it done. It will take recognition that the temporary budget reductions required in these tough financial times for government are, in fact, permanent.

Private-sector organizations have already experienced similar stressors, in response to economic concerns and a chaotic environment. Those private-sector organizations are focused on the demands of the

competitive market, which requires lean, fast-moving structures and cost reductions. Free flows of capital and the demands for measurable financial performance in the short term, consumer choices, universally available electronic communications, and worldwide labor and capital markets have changed the economic climate for companies. As a result, most private-sector organizations are adopting a short-term planning horizon, embracing the need to shift asset risk to others, and recognizing the need to maintain lean organizational infrastructures.

As private-sector organizations move toward these highly competitive models of operations, they are moving away from traditional operating models. That movement is reflected in the end of the lifetime employment guarantee, reduced employee benefits, and the use of temporary staff and vendors instead of long-term employees. Similarly, highly competitive private-sector organizations are attempting to reduce their reliance on careful processes and procedures. Instead, they are pushing responsibility for decision making to staff at the interface between the organization and the customer.

Newspapers are full of evidence of private-sector organizational transitions. Some of that evidence in the media includes:

- The movement of manufacturing to Central America, Asia, and now Eastern Europe
- Announced layoffs in all industries
- The creation of two-tiered employment strategies (maintenance of pay and benefits for existing employees but lower pay and benefits for new ones)
- The shifting of health-care costs to employees
- Outsourcing administrative functions like IT, accounting, and human resources

These changes have created a set of new organizational strategies, which include:

- Outsourcing
- Cost cutting and downsizing
- The creation of organizations that operate with minimal fixed assets and shifting partnerships with others to exploit network models of organization
- The end of the lifetime employment social contract

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- The termination of company-provided benefits and shifting risk back to individuals
- The greater use of temporary and part-time employees

In short, life in the private sector has become less collaborative and more competitive and less controlled and more chaotic. Ask almost any worker in a modern U.S. private-sector organization, and they can tell the same story in vivid detail.

As noted, many of the same pressures that have driven private-sector organizations to adopt the listed strategies will soon impact government and the public sector. Agencies will need to compete for ever-decreasing amounts of revenue, governments will try to create lean government as a means of competing with other jurisdictions for jobs, and demands on government will increase as the social safety net erodes. In short, public-sector organizations will need to adopt some of the same strategies that private-sector organizations have already made as those public-sector organizations face increasing resource constraints and new demands for services. Those changes will be difficult for the public sector.

For decades, public-sector organizations have emphasized organizational models that value stable processes and an aversion to risk. In addition, public-sector compensation systems have valued longevity, and retirement systems have provided great benefits in the future in return for less compensation in the short run. As a result, public-sector organizations have not been structured to be flexible and innovative, two requirements of organizations in the new economy. Whether government agencies want to make the transitions demanded by the coming economic storm, environmental conditions are certain to push them there.

NEW TOOLS FOR PUBLIC-SECTOR MANAGERS IN THE NEW ECONOMY

As public-sector agencies make the necessary transitions to cope with the demands of the new economy and the impact of the factors described earlier, public-sector managers at all levels of government will face an array of daunting challenges. Some of those are:

- Motivating employees who are coping with increasing demands but less pay and security

- Dealing with a multigenerational workplace (According to some observers, there is a wider age range among employees in the workplace now than at any time in history.)
- Managing for short-term results with limited resources
- Managing employees who are not in the same geographic location
- Managing vendors who may be performing critical organizational functions
- Building organizational loyalty without the trade-off of a guarantee of long-term employment
- Managing in an environment of constant change
- Coping with the unique constraints of public-sector organizations, which include political systems, organizational stovepipes, and limited technology
- Coping with the loss of organizational knowledge as the baby boom generation retires

Public-sector managers will require new tools and strategies for operating in this challenging new environment. So what tools can public managers apply? One of the best adaptive tools for organizations and individuals is project management, which is the focus of this book and which is ideal for organizations attempting to create change and optimize the use of scarce resources. In order to make their projects successful, public-sector project managers will need a combination of humility and patience coupled with dogged persistence and creativity. Management tools and skills for making public-sector managers successful will be discussed later in the book.

DISCUSSION QUESTIONS

1. What are the implications of the changes in the workplace? Is the workplace more stressful? Are resources less available? Are you being asked to do more with less? Is it harder to separate work and home? When will things change?
2. How can you build a sustainable work life—one that you can sustain for the long term?
3. What management tools do you think will be effective in the public sector in the future?

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EXERCISE

1. Identify a public-sector organization. Identify the pressures (e.g., financial, competitive, technological, workforce) that it might be facing. Create a list. For the pressures on that list, create a second column identifying strategies (projects) for coping with those challenges.

Project Apollo

Some projects discover midway through that they have ambitious and nearly unachievable goals. Some projects start out that way. Some historians today regard Project Apollo and the moon landing as the greatest feat in human history. Project Apollo was second only to the construction of the Panama Canal as the largest, nonmilitary technological project ever performed by the United States.

Amid concern that a “missile gap” had been opened by the Soviet Union over the United States, the United States was particularly concerned when the Soviets put a man in space. On May 25, 1961, President John F. Kennedy responded by declaring that “. . . this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the Moon and returning him safely to the Earth.” That goal was particularly bold in that, at the time of Kennedy’s speech, the United States had put only one person into space (for less than 16 minutes) and none into orbit around the earth.

Project Apollo, as the project to put a man on the moon was known, was greeted by some as impossible. The head of Kennedy’s space flight advisory committee believed that launch-vehicle technology was poorly developed and that putting a man in space was a high-risk endeavor with little chance of success. Ultimately, Project Apollo required 400,000 project team members, and a partnership between the government, universities, and private companies. Kennedy also publicly asked the Soviets to work with the United States in developing space technology, which asserted the United States was at least equal to the Soviet Union in space technology.

Project Apollo accomplished President Kennedy’s goal on July 20, 1969, when Neil Armstrong stepped off the lunar module onto the

surface of the moon. In order to accomplish its goal, the project identified a set of product-based and project-based deliverables that included the mission structure, the spacecraft, the lunar module, the boosters, unmanned and manned missions, the moon mission itself, and post-mission applications. The project not only accomplished its goals on time, but it performed well from a budget perspective. With an original estimate of about \$20 billion, the total cost of the Apollo project was estimated to have been between \$20 billion and \$25 billion. At the height of the project, the budget of the National Aeronautics and Space Administration (NASA) was 5.3 percent of the total federal budget. A major portion of NASA's project budget (80 to 90 percent) was directed to contractors who created the goods and services necessary for the project.

The project had its challenges and setbacks. When President Kennedy was assassinated in 1963, President Lyndon Johnson took up Kennedy's challenge to the nation and successfully guided NASA appropriations through Congress. Three astronauts died in a launchpad fire. As made famous by a movie of the same name, Apollo 13 experienced an in-space explosion that nearly caused the death of its three-man crew. Engineering setbacks caused the scope of the mission to be adjusted on several occasions, and a shrinking budget caused the last three lunar-landing missions to be cancelled. Project managers had to coordinate the work of engineers and scientists, who differed in their approach and outlook, and the work of contractors, university researchers, and employees.

The project risk was heightened by the significant political and public interest in the project. Not only was the prestige of the United States at risk, but when Apollo 8 orbited the moon—the first time an earth-launched spacecraft had orbited another celestial body—the television audience was the largest up until that time. When Apollo 11 landed on the moon and Neil Armstrong made the first step onto the moon's surface, somewhere between 600 million and 1 billion people watched.

As significant as the results of the Apollo project were, it also had an impact on our understanding of project management and our capability to manage huge endeavors under aggressive time limits.

