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The ethics of productivity: Toward increased dialogue and customer-based accountability

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**THE ETHICS OF PRODUCTIVITY: TOWARD
INCREASED DIALOGUE AND CUSTOMER-BASED
ACCOUNTABILITY**

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ABSTRACT

The ethics of recent productivity improvement strategies requires an open and inclusive dialogue among diverse stakeholders, as well as customer-based accountability. By contrast, the expertise of managers in the past tended to drive a public productivity improvement process that involved little dialogue and customer-based accountability. This article examines fundamental values in productivity improvement and relates these to increased dialogue and customer-based accountability.

INTRODUCTION

An important characteristic of recent productivity improvement efforts is the incorporation of new values and beliefs. Employees are increasingly expected to have heightened awareness of their customers' needs and to involve them in decision-making. This often involves a dialogue which cuts across different organizations, priorities and belief systems of stakeholders, and which seeks agreement for service priorities, delivery mechanisms and evaluation criteria. Employees are also expected to accept greater accountability for satisfying their customers who, in turn, are responsible for providing feedback to employees about their performance. The success of these strategies depends in large measure on the extent that employees, managers and stakeholders actually adopt new values and core beliefs about their roles and standards of accountability.⁽¹⁾

This article addresses such questions as: Which values and behaviors are employees and managers expected to have today? What ethical issues do these values and behaviors raise? What is the role of dialogue in resolving these issues and how do they affect stakeholder relations? How do these concerns compare with previous productivity improvement efforts?

This article defines productivity improvement as a set of management practices and analytical techniques that aim to increase the effective and efficient use of resources to produce outcomes.⁽²⁾ This definition includes a broad range of traditional and modern management strategies that scholars and practitioners of different orientations (for example, industrial engineering, economics, applied psychology, and management) have developed.⁽³⁾

WHY ETHICS MATTERS

The idea that values and ethics are important in productivity -- indeed, that they are central to goal-setting and implementation-- is

not widely shared by scholars and practitioners in public administration. One perspective, which might be labeled the “engineering” viewpoint, regards productivity as either a quantity (How high is our productivity, and how has it changed during the last month?), a measurement practice (What is the correct way to measure productivity?), or as a set of specific practices to increase productivity (What should we do to increase productivity?). The latter includes practices which aim to optimize labor efficiency through, for example, ergonomics and time management techniques. The engineering perspective frequently takes productivity objectives as given, and identifies the most efficient ways of achieving these goals. A typical example of this approach is optimizing bus schedules to minimize costs. Analysis often focuses on ways to reorganize production processes in order to reduce cost, time and effort. Ethical considerations are seldom discussed, which are delegated to the realm of interesting, but are not very pertinent issues.

We disagree. Ethics is concerned with the rules and standards for determining what is ‘right’ conduct and behavior.⁽⁴⁾ Ethics are involved in (i) determining how productivity objectives are determined (for example, the extent that stakeholder interests should be taken into account in determining effectiveness goals, as well as the extent that stakeholders should be involved in setting goals); and (ii) determining how productivity improvement is implemented (for example, the extent that employees and stakeholders should be consulted prior, during and after implementation, as well as issues involving the administration of incentives and punishments in productivity improvement and its implementation). Ethical reasoning is also involved when (iii) managers must explain or justify the above decisions, for example, how they come to prioritize some objectives above others.

Justifying efficiency increases is relatively easy, because they free up resources that can be used for other purposes. However, the task is much more delicate when the competing demands of

effectiveness, efficiency and equity must be balanced because of new priorities or implementation strategies. For example, bus service should not only be efficient in delivery systems and financial self-sufficiency, but also fair with regard to neighborhoods and effective in meeting the needs of different populations. In short, ethics involves the time-honored question: by what measure do we know that we are doing the right thing?

The inclusion of ethical issues, then, is an extremely practical effort that is often critical for operational success. Research shows that successful entrepreneurial public managers often have strong orientations toward ethics.⁽⁵⁾ Because of extensive effort, the productivity value change to more customer responsive mindset requires a genuine understanding by employees and a conviction to do the right thing, despite its newness and challenges. Employees and managers who believe that services should reflect their customers' needs and priorities are more likely to consider alternative objectives and perspectives. They are also more likely to ensure that the way in which services are delivered reflect ethical standards and stakeholder needs. By contrast, managers who do not feel strongly about these ethical aspects of productivity improvement are less likely to consider alternative service objectives, delivery processes and decision-making processes.

Implementation research also shows that resistance from diverse stakeholders (i.e., employees, clients, managers and elected officials) is a frequent cause of failed productivity efforts. Employees and stakeholders resist when they feel excluded from decision-making, or when they do not understand the need or rationale for change. Ethics is also important in the way that decision-making about productivity improvement occurs. Dialogue with stakeholders, which is genuinely open and committed to information sharing and building understanding, is one of several practical ways to increase ethical awareness and ensure that stakeholder concerns are addressed. Such communication helps employees rethink not only how they deliver

services but why. Increased dialogue with stakeholders forces managers and employees to pay careful attention to client interests, such as through focus groups and complaint analysis. Increased dialogue is an important strategy for enhancing awareness of ethical issues and ensuring that services meet customer-defined standards of accountability.⁽⁶⁾

TEN BASIC VALUES

The increased emphasis on dialogue and customer-based accountability reflects a basic shift in values that underlie productivity improvement efforts. Productivity values are distinguished according to the ends (substantive elements) and means (process elements) of productivity improvement. The five substantive elements are: efficiency, effectiveness, dependability, responsiveness (including outcome equality), and external compliance standards. Heightened *customer-based accountability* reflects the increased importance of effectiveness, dependability and responsiveness. Five process elements are openness, consultation (including procedural equality), inclusiveness, standards for participation (including the qualification of experts), and shared responsibility. The heightened emphasis on *dialogue* today reflects values of increased openness, consultation and inclusiveness.

Effectiveness is defined as program outcomes that are accomplished, for example, the degree to which the bus system meets the various transportation needs of the community. Productivity improvement analysts often distinguish between short-term outcomes (outputs) and long-term outcomes (goals). The extent to which buses meet a region's long-term transportation needs is a program goal, whereas the number of buses in service in a given period to accomplish the various needs is considered an output.

Efficiency is often defined as outputs divided by inputs, for example, the cost of timely bus service, per passenger or bus. The

dual emphasis on both effectiveness and efficiency as substantive elements of productivity distinguishes public productivity from that in for-profit organizations. In business, success often focuses on profitability which leads to an emphasis on efficiency. By contrast, effectiveness is often more important in public organizations. Citizens are often more concerned about the availability of bus service than with the cost of providing this service. This is not to say that efficiency is unimportant to policy makers and public administrators, but it is often of secondary importance.⁽⁷⁾

Dependability concerns the reliability, timeliness and lack of error in the delivery of services. For example, bus service should be dependable, that is, be on time. Likewise, Emergency Medical Services (EMS) should arrive promptly and services should be rendered without mistakes.

Responsiveness is defined as the extent that service outcomes respond to the needs and rights of those receiving the service. In this regard, a key decision is whether all clients should receive the same service, or whether services can and should be tailored to individual needs. A practical reason for opting toward the latter is that uniform services seldom achieve high levels of client satisfaction and also that technology improvements in many areas have enabled greater degrees of customization without a significant loss in efficiency.

External standards concern the extent that service delivery is required to meet performance standards, eligibility requirements, health and safety standards, and equity measures. For example, external standards determine the accessibility of buses by disabled persons. Setting criteria involve issues about how these standards are determined, and by whom. Another concern is that uniform services which may not satisfy reasonable individual needs.

Openness is a process element which is defined as the extent that productivity improvement processes are transparent, that is, that

improvement data and decision-making processes are shared with stakeholders. Openness generally increases trust and, hence, stakeholder participation, acceptance and commitment to productivity efforts. Openness is critical to authentic dialogue that helps stakeholders understand and overcome their differences. Some bus services make their performance results available to riders.

Consultation concerns the extent that stakeholders are questioned about and involved in determining their needs. Bus companies often consult users, employers and others to better determine their schedules. Consultation may raise issues of fairness, and in some instances stakeholders may have legal rights or ethical expectations to be included in various aspects of decision-making.

Inclusiveness concerns the range of actors who are consulted in planning for productivity improvement. In recent years, demands for inclusiveness have required more broad-based consultation. Greater inclusiveness of those consulted along with greater demands for openness have led to new (and more) forums in which many stakeholder groups can express their views.

Qualification (i.e., eligibility) limits the range of stakeholders who may participate in decision-making processes. Decision-making processes may be open only to elected officials, appointed officials, experts, and others who meet qualifying standards. Whereas inclusiveness broadens the pool of stakeholders, qualification limits participants in dialogues about service needs and productivity improvement. An emphasis on qualification increases efficiency and control. However, recent emphases on inclusiveness have often forced public managers to reconsider what individuals or groups they should exclude (for example, being a minor, legally incompetent, not a “legitimate” representative, lacking expertise or credentials, etc).⁽⁸⁾

Finally, *shared responsibility* is defined as the extent that the stakeholders or service recipients are included in decision making and

service delivery. Shared responsibility is often the price for admission to decision-making processes. Shared responsibility can increase efficiency (co-production stretches existing resources) as well as effectiveness (shared decision making increases responsibility-taking by stakeholders which produces better results) when implemented properly.

THE ETHICS OF TRADITIONAL PRODUCTIVITY IMPROVEMENT STRATEGIES

The family of traditional productivity practices is diverse. Through the 1960s, productivity best practices included those developed in industrial engineering (such techniques as demand analysis, time-travel analysis, task analysis, process flow analysis, work distribution analysis, performance standards), project management (for example, PERT charts), economics (cost-benefit/effectiveness analysis, full cost analysis, break-even analysis, discounting), budgeting (program budgeting) and management techniques (for example, organizational design, strategic planning).⁽⁹⁾

Table 1 examines the above values as they characterize traditional productivity practices. Implications for dialogue and customer-based accountability are discussed below. Low value emphases do not imply the absence of consideration but, in some instances, merely that consideration has increased over time. Many traditional productivity improvement efforts emphasize efficiency over effectiveness. The purpose of PERT charts, demand analysis, time-travel analysis, cost-benefit analysis, and break-even analysis is to increase efficiency. These tools provide little guidance to decision-makers in the way of determining which outcomes they should pursue (i.e., effectiveness). However, the tools do suggest how these objectives are most efficiently pursued. The efficiency objective is also present in much organizational analysis of the 1950s and 1960s, which often addressed the issue of identifying the most efficient way of accomplishing given objectives. (See Table 1.)

TABLE 1
Traditional Productivity Values

	Low Emphasis	High Emphasis
Substantive Elements:		
Efficiency		X
Effectiveness	X	
Dependability	X	
Responsiveness	X	
External Standards		X
Process Elements:		
Openness	X	
Consultation	X	
Inclusiveness	X	
Qualification		X
Shared Responsibility	X	

The efficiency orientation of traditional productivity improvement strategies is consistent with the politics/administration dichotomy which holds that elected officials should set policy and administrators should implement it. Indeed, those employing the dichotomy assumed that administrative discretion was tightly circumscribed. Customer-based accountability was often limited to making incremental efficiency improvements within existing policy guidelines. Broad-reaching improvements required direction and authorization from elected officials. In this manner, public officials might be tightly limited in their ability to determine bus routes, frequencies and amenities. Such limited discretion also made strategic planning less useful in the public sector during this period. Public managers often had little authority to implement the results of such

exercises, because these responsibilities typically belonged to elected officials.

Another characteristic of traditional productivity improvement efforts is the wholesale use of political and policy experts in setting standards for public programs. Quite often, standards were legislated into public programs, for example, in health and environmental regulation. As Table 1 suggests, productivity improvement efforts relied on external standards. In other instances, public managers assumed the role of experts and relied on professional organizations to set service standards. For example, the standard of eight minutes for EMS arrival to the incident scene was set by the American Ambulance Association. Standards for lawyers were set by the American Bar Association. Many of these standards concern minimally acceptable or average levels of service reliability. In recent years, this strategy of setting standards has been far less satisfactory in meeting public expectations, as declining perceptions of public services indicate.⁽¹⁰⁾

In many instances, dialogue was limited to elected and appointed officials who determined the services to be provided and how administrators would provide those services. Clients were assumed to affect service delivery through their elected officials, and productivity improvement strategies included few means of direct input or consultation from clients and citizens. By design, having expert knowledge was an important qualification for participating in decision-making, because only experts were assumed to understand the intricacies of cost-benefit analysis, linear programming, work-distribution analysis, organizational design, and so on. Therefore, dialogue with citizens was viewed as unnecessary or even as a source of bias. Elected officials ensured through the political process that programs did not stray too far from citizen and client interests. This hierarchical notion of accountability, marginalizing the direct input of service recipients, is less appropriate in an information-rich society.⁽¹¹⁾

In sum, the context in which traditional productivity improvement strategies were used, as well as the emphasis of many of the productivity tools, limited customer-based accountability and dialogue.

THE ETHICS OF CONTEMPORARY PRODUCTIVITY STRATEGIES

There are three main emphases in recent productivity improvement efforts. First, new efforts of empowerment, performance measurement, re-engineering, and customer-orientation are based on philosophies of Total Quality Management which became popular in the mid 1980s (first in the federal government, and then in state and local governments). Second, information technology has become increasingly important since the early 1990s as a tool of both information management and communication. Third, community-based strategic planning has become increasingly important in managing community-wide consensus at all levels of government.⁽¹²⁾

These productivity improvement strategies emphasize effectiveness over efficiency. Public services are increasingly evaluated on the basis of their effectiveness, for example, that bus services meet regional transportation needs, that students do learn their three R's, that recidivism declines among inmates, and so on. The increased importance of effectiveness reflects widespread public dissatisfaction with public services, which has led to greater scrutiny of public services. Such concern has also increased the importance of other criteria, too. Services must be timely, responsive, reliable, accurate, error-free and customer-friendly, and convenient, too. Furthermore, tightly constrained budgets has increased the use of public-private partnerships and user fees in service delivery. Thus, for example, bus transportation managers now must provide responsive and effective service to those who rely on it as a sole means of transportation, to those who use it for business computing, and to

those who see it as an air-quality enhancement. Further, they must do so in an efficient and dependable fashion. Table 2 shows that present productivity improvement strategies are based on a broader range of values than in the past.⁽¹³⁾

This shift in values has increased the responsibility of public managers in making policy-based decisions. Although oversight is still provided by elected officials, public managers have real-time responsibility for ensuring customer and citizen satisfaction. They are no longer only held accountable for implementing policy, but also for ensuring citizen and client satisfaction. This increases the need for direct, customer feedback as well as greater involvement by citizens and clients in assessing public services. Thus, the politics/administration dichotomy sometimes becomes unworkable and is replaced by a more flexible politics-administration-citizen partnership. The ethics of this partnership requires that each party accepts responsibilities. Specifically, public managers must now proactively obtain customer input for their management decisions, and elected officials must direct their oversight to holding public managers accountable for outcomes rather than mere compliance. In doing so, public managers are now held accountable by more stakeholders, and they are judged by more diverse and comprehensive criteria that are suggested by these stakeholders.

Dialogue has become increasingly important as managers balance competing objectives while maximizing stakeholder satisfaction. By bringing stakeholders into decision-making processes, and increasing dialogue among diverse groups, managers can hope to achieve community consensus (though perhaps not unanimity) for their program goals and delivery processes. As activists know, the price of influence is sometimes shared responsibility and co-optation. Dialogue is thus more than information: it is consensus-building among different stakeholders which makes customer-based accountability result in greater support

TABLE 2
New Productivity Values

	Low Emphasis	High Emphasis
Substantive Elements:		
Efficiency	X	
Effectiveness		X
Dependability		X
Responsiveness		X
External Standards	X	
Process Elements:		
Openness		X
Consultation		X
Inclusiveness		X
Qualification	X	
Shared Responsibility		X

for public services. Public managers, in this view, must take leadership to ensure that their decision-making processes are open, consultative and inclusive.

Indeed, managing the new politics-administration-citizen partnership requires more, rather than less, dialogue among partners. Obviously, partnerships require a degree of trust which involves commitment to common values and ends. They also require on-going dialogue and information exchanges so that parties can readily adapt their efforts to changing circumstances or expectations. This is also the case when programs are implemented through private providers,

where public agencies need on-going feedback to adopt corrective policies. The process values of the new productivity improvement efforts are aligned with these purposes. TQM processes are consultative and inclusive. Survey research is used to solicit information from the population of citizens and clients, and information technology is increasingly used to speed up interactions among stakeholders and providers. Focus groups and quality circles are used to seek continuous improvement. Community-based strategic planning is increasingly used to generate consensus among diverse stakeholders about policy and program priorities. These processes emphasize inclusiveness and openness.⁽¹⁴⁾

CONCLUSION

Productivity improvement involves standards of conduct that ultimately determine what is considered right or wrong. These standards concern how productivity improvement objectives are determined, how they are implemented, and how they are justified. In this regard, decision-making efforts in productivity improvement are increasingly open, consultative, and inclusive. That is, they involve greater dialogue among stakeholders and public managers. In addition, stakeholders are also holding public services directly accountable by influencing service objectives. Although public managers are still experts in many areas, their expertise no longer dominates productivity improvement efforts. The objectives of productivity now emphasize effectiveness over efficiency (which is still relevant), and dependability and responsiveness over conformance with external standards.

These new values have consequences for ethical issues involving productivity. In the past, many ethical issues focused on qualification factors for stakeholder participation in decision-making processes, and the importance of accountability to elected officials through processes of policy implementation and oversight. The new ethics issues concern a redistribution of power (leadership, oversight, and responsibility) among the partnership of citizen-clients, elected

officials, and public managers. Instilling trust and communication among participants in ways that are perceived as both fair and efficacious is another important thrust of (and challenge for) ethical management today.

More than before, productivity improvement requires values and ethics that are shared among different stakeholders. Such consensus requires processes of dialogue that are based on awareness that partnerships are increasingly necessary between elected officials and public agencies. Increasingly, citizen-clients must be consulted in order to effectively resolve myriad public problems. The great challenge is that common values must sometimes be developed against a background of contentious relations, such as between legislatively elected and executive appointed officials, a skeptical public and public agencies, rival public and private providers, and so on. The need for dialogue has never been greater. It must be based on shared understanding about the need for cooperation and the ability to implement structured processes of decision-making that are guided by values of openness, consultation, inclusiveness and shared responsibility. Effective productivity improvement increasingly requires that managers are skilled mediators and process facilitators as well.

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2. Berman, 1998, *op.cit.*; Rosen, E. *Improving Public Sector Productivity*, Sage, Thousand Oaks, California, 1993. The emphasis on outcomes in the definition of productivity is of

contemporary origin, reflecting the insight that effectiveness and efficiency gains are important only when they result in improved services. For example, whereas workload efficiency is important (e.g., the number of clients per case worker), it is relevant only when outcomes are maintained.

3. Included are such efforts as time management, demand analysis, program evaluation, cost-benefit analysis, process flow analysis, re-engineering, empowerment, performance measurement, program budgeting, quality management, Management by Objectives, privatization and partnering, as well as strategic planning and uses of information technology.
4. Lewis, C. *The Ethics Challenge in Public Service*, Jossey-Bass, San Francisco, California, 1991.
5. Berman, E. and West, J. "Responsible Risk-Taking," paper presented at the Annual Conference of the Society for Public Administration, Philadelphia, July, 1997; see also: Cohen, S. and Eimicke, W. "Is Public Entrepreneurship Ethical?" *Public Integrity Annual* 1 (1996): 3-12.
6. Van Wart, M. *Changing Public Sector Values*, Garland, New York, 1998, Chapter 11; Cooper, T and Wright, D. (eds). *Exemplary Public Administrators*, Jossey-Bass, San Francisco, California, 1992; Covey, S. *First Things First*, Simon & Schuster, New York, 1994.
7. Contentious issues often focus about the equity or distribution of efforts and efficiency gains: e.g., some disadvantaged groups may feel that their needs are inadequately being addressed. See discussion of 'inclusion' in this article.
8. Another ethical issue concerns conditions under which third parties may legitimately represent the rights of those being

affected. Can public officials legitimately determine what is good for others? However, this issue pertains more to program management than productivity improvement. The ethics of such decisions are customarily based on 'democratic responsibility,' that is, the need for a majority to look after those who cannot help themselves, as well as the need to protect society against individuals or groups that aim to destroy it. Issues arise in deciding which groups qualify as such.

9. Ammons, D. *Administrative Analysis for Local Government*, Carl Vinson Institute of Government, Athens, Georgia, 1991; Washnis, G. *Productivity Improvement Handbook for State and Local Government*, Wiley, New York, 1980.
10. The general issue of public confidence in public services is discussed in Berman, E. "Dealing With Cynical Citizens." *Public Administration Review* 57 (March-April 1997): 105-112; see also: Ruscio, K. "Trust in the Administrative State." *Public Administration Review* 57 (September-October 1997): 454-458 (book review); Frederickson, G. *The Spirit of Public Administration*, Jossey-Bass, San Francisco, California, 1997.
11. Of course, many minority groups in the 1960s and 1970s protested their exclusion. They successfully alleged that public management had become exclusionary and they gained increased participation from 1980 onwards in decision-making processes.
12. Processes of community-based strategic planning differ markedly from strategic planning for organizations. On the former, see: Chrislip, D. and Larson, C. *Collaborative Leadership*. Jossey-Bass, San Francisco, California, 1992; Berman, E. and Werther, W. "Broad-Based Consensus-

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13. This is not to say that efficiency is unimportant. A major ideological thrust of public dissatisfaction is a push toward privatization (or at least, increased competition) due to perception of greater efficiencies by private providers. This has caused public agencies to emphasize efficiency, as well.
14. According to some, these participation processes are open to a fault: they include numerous input and participation opportunities that sometimes greatly slow down decision-making.