Public and Private Management:
Are They Fundamentally Alike in All Unimportant Respects?

Graham T. Allison Jr.

My subtitle puts Wallace Sayre’s oft quoted “law” as a question. Sayre had
spent some years in Ithaca helping plan Cornell’s new School of Business and
Public Administration. He left for Columbia with this aphorism: public and
private management are fundamentally alike in all unimportant respects.

Sayre’s conclusion on years of personal observation of govern-
ments, a keen ear for what his colleagues at Cornell (and earlier at OPA) said
about business, and a careful review of the literature and data comparing pub-
lic and private management. Of the latter there was virtually none. Hence,
Sayre’s provocative “law” was actually an open invitation to research.

Unfortunately, in the 50 years since Sayre’s pronouncement, the data base
for systematic comparison of public and private management has improved
little. . . . I would, in effect, like to take up Sayre’s invitation to speculate about
similarities and differences among public and private management in ways that
suggest significant opportunities for systematic investigation. . . .

FRAMING THE ISSUE: WHAT IS PUBLIC MANAGEMENT?

What is the meaning of the term “management” as it appears in Office of
Management and Budget or Office of Personnel Management? Is “management”
different from, broader, or narrower than “administration”? Should we distin-
guish between management, leadership, entrepreneurship, administration,
policy making, and implementation?

Who are “public managers”? Mayors, governors, and presidents? City
managers, secretaries, and commissioners? Bureau chiefs? Office directors?
Legislators? Judges?

Recent studies of OPM and OMB shed some light on these questions.
OPM’s major study of the “current status of public management research”
completed in May 1978 by Selma Mushkin and colleagues of Georgetown’s
Public Service Laboratory starts with this question. The Mushkin report
notes the definition of “public administration” employed by the Interagency
Study Committee on Policy Management Assistance in its 1975 report to
OMB. That study identified the following core elements:

1. Policy Management. The identification of needs, analysis of options,
selection of programs, and allocation of resources on a jurisdiction-
wide basis.

2. Resource Management. The establishment of basic administrative sup-
port systems, such as budgeting, financial management, procurement
and supply, and personnel management.

3. Program Management. The implementation of policy or daily opera-
tion of agencies carrying out policy along functional lines (education,
law enforcement, etc.).

The Mushkin report rejects this definition in favor of an “alternative list
of public management elements.” These elements are:

- Personnel management (other than work force planning and collective
bargaining and labor-management relations)
- Work force planning
- Collective bargaining and labor-management relations
- Productivity and performance measurement
- Organization/ reorganization
- Financial management (including the management of intergovern-
mental relations)
- Evaluation research, and program and management audit.

Such terminological tangles seriously hamper the development of public
management as a field of knowledge. In our efforts to discuss the public man-
agement curriculum at Harvard, I have been struck by how differently people
use these terms, how strongly many individuals feel about some distinction
they believe is marked by a difference between one word and another, and
consequently, how large a barrier terminology is to convergent discussion.
These verbal obstacles virtually prohibit conversation that is both brief and
constructive among individuals who have not developed a common language
or a mutual understanding of each other’s use of terms.

This terminological thicket reflects a more fundamental conceptual con-
fusion. There exists no overarching framework that orders the domain. In an
effort to get a grip on the phenomena—the buzzing, blooming confusion of
people in jobs performing tasks that produce results—both practitioners and
observers have strained to find distinctions that facilitate their work. The
attempts in the early decades of this century to draw a sharp line between
“policy” and “administration,” like more recent efforts to mark a similar
divide between “policy making” and “implementation,” reflect a common
search for a simplification that allows one to put the value-laden issues of
politics to one side (who gets what, when, and how), and focus on the more
limited issue of how to perform tasks more efficiently. But can anyone real-
ly deny that the “how” substantially affects the “who,” the “what,” and the
“when”? The basic categories now prevalent in discussions of public manage-
ment—strategy, personnel management, financial management, and control—are
mostly derived from a business context in which executives manage hierar-
chies. The fit of these concepts to the problems that confront public managers
is not clear.

Finally, there exist no ready data on what public managers do. Instead,
the academic literature, such as it is, mostly consists of speculation tied to bits
and pieces of evidence about the tail or the trunk or other manifestation of
the proverbial elephant. In contrast to the literally thousands of cases
describing problems faced by private managers and their practice in solving
these problems, case research from the perspective of a public manager is just beginning... The paucity of data on the phenomena inhibits systematic empirical research on similarities and differences between public and private management, leaving the field to a mixture of reflection on personal experience and speculation.

For the purpose of this presentation, I will follow Webster and use the term management to mean the organization and direction of resources to achieve a desired result. I will focus on general managers, that is, individuals charged with managing a whole organization or multifunctional subunit. I will be interested in the general manager's full responsibilities, both inside his organization in integrating the diverse contributions of specialized subunits of the organization to achieve results, and outside his organization in relating his organization and its product to external constituencies. I will begin with the simplifying assumption that managers of traditional government organizations are public managers, and managers of traditional private businesses are private managers. Let the discussion fall victim to the fallacy of misplaced abstraction, I will take the Director of EPA and the Chief Executive Officer of American Motors as, respectively, public and private managers. Thus, our central question can be put concretely: in what ways are the jobs and responsibilities of Doug Costle as Director of EPA similar to and different from those of Roy Chapin as Chief Executive Officer of American Motors?

SIMILARITIES: HOW ARE PUBLIC AND PRIVATE MANAGEMENT ALIKE?

At one level of abstraction, it is possible to identify a set of general management functions. The most famous such list appeared in Gulick and Urwick's classic Papers in the Science of Administration. [They] summarized the work of the chief executive in the acronym POSDCORB. The letters stand for:

- Planning
- Organizing
- Staffing
- Directing
- Coordinating
- Reporting
- Budgeting

With various additions, amendments, and refinements, similar lists of general management functions can be found through the management literature from Barnard to Drucker.

I shall resist here my natural academic instinct to join the intramural debate among proponents of various lists and distinctions. Instead, I simply offer one composite list (see Table 1-2) that attempts to incorporate the major functions that are common to general managers, whether public or private.

These common functions of management are not isolated and discrete, but rather integral components separated here for purposes of analysis. The

| Table 1-2 Functions of General Management

<table>
<thead>
<tr>
<th>Strategy</th>
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<tr>
<td>1. Establishing objectives and priorities for the organization (on the basis of forecasts of the external environment and the organization's capacities).</td>
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<td>2. Devising operational plans to achieve these objectives.</td>
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Managing Internal Components

3. Organizing and staffing. In organizing the manager establishes structure (units and positions with assigned authority and responsibilities) and procedures for coordinating activity and taking action. In staffing he tries to fit the right persons in the key jobs. * 

4. Directing personnel and the personnel management system. The capacity of the organization is embodied primarily in its members and their skills and knowledge, the personnel management system recruits, selects, socializes, trains, rewards, punishes, and exits the organization's human capital, which constitutes the organization's capacity to act to achieve its goals and to respond to specific directions from management.

5. Controlling performance. Various management information systems—including operating and capital budgets, accounts, reports, and statistical systems, performance appraisals, and product evaluation—assist management in making decisions and in measuring progress towards objectives.

Managing External Constituencies

6. Dealing with "external" units of the organization subject to some common authority. Most general managers must deal with general managers of other units within the larger organization—above, laterally, and below—to achieve their unit's objectives.

7. Dealing with independent organizations. Agencies from other branches or levels of government, interest groups, and private enterprises that can importantly affect the organization's ability to achieve its objectives.

8. Dealing with the press and the public whose action or approval or acquiescence is required.

* Organization and staffing are frequency separated in such lists, but because of the interaction between the two, they are combined here. See Graham Allison and Peter S. Feaver, Rebalancing Foreign Policy (New York: Basic Books, 1976), p. 14.

**DIFFERENCES: HOW ARE PUBLIC AND PRIVATE MANAGEMENT DIFFERENT?**

While there is a level of generality at which management is management, whether public or private, functions that bear identical labels take on rather different meanings in public and private settings. As I are I see how pointed our
"similarities" and those who underline "differences" is the nearly unanimous conclusion of individuals who have been general managers in both business and government. Consider the reflections of George Shultz (Secretary of State; former Director of OMB, Secretary of Labor, Secretary of the Treasury, President of Bechtel), Donald Rumsfeld (former congressman, Director of OEO, Director of the Cost of Living Council, White House Chief of Staff, and Secretary of Defense; now President of G. D. Searle and Company), Michael Blumenthal (former Chairman and Chief Executive Officer of Bendix, Secretary of the Treasury, and now Vice Chairman of Burroughs), Roy Ash (former President of Litton Industries, Director of OMB; later President of Addressograph), Lyman Hamilton (former Budget Officer in BOB, High Commissioner of Okinawa, Division Chief in the World Bank and President of JTT), and George Romney (former President of American Motors, Governor of Michigan, and Secretary of Housing and Urban Development). All judge public management different from private management—and harder!

Orthogonal Lists of Differences

My review of these recollections, as well as the thoughts of academics, has identified two interesting, orthogonal lists that summarize the current state of the field: one by John Dunlop . . . and one by Richard E. Neustadt, prepared for the National Academy of Public Administration’s Panel on Presidential Management.

Dunlop’s “impressionistic comparison of government management and private business” yields the following contrasts: 10

1. **Time Perspectives.** Government managers tend to have relatively short time horizons dictated by political necessities and the political calendar, while private managers appear to take a longer time perspective oriented toward market developments, technological innovation and investment, and organization building.

2. **Duration.** The length of service of politically appointed top government managers is relatively short, averaging no more than 18 months recently for assistant secretaries, while private managers have a longer tenure both in the same position and in the same enterprise. A recognized element of private business management is the responsibility to train a successor or several possible candidates, whereas the concept is largely alien to public management, since fostering a successor is perceived to be dangerous.

3. **Measurement of Performance.** There is little if any agreement on the standards and measurement of performance to appraise a government manager, while various tests of performance—financial return, market share—have been relatively explicit for a particular managerial position during a specific period ahead.

4. **Personal Constraints.** In government there are two layers of managers that are two times hostile to one another: the civil service (or now the executive system) and the political appointees. Unionization of government employees exists among relatively supervisory personnel. Civil service, union contract provisions, and other regulations complicate the recruitment, hiring, transfer, and layoff or discharge of personnel to achieve managerial objectives or preferences. By comparison, private business managers have considerably greater latitude, even under collective bargaining, in the management of subordinates. They have much more authority to direct the employees of their organization. Government personnel policy and administration are more under the control of staff (including civil service staff outside an agency) compared to the private sector in which personnel are much more subject to line responsibility.

5. **Equity and Efficiency.** In governmental management great emphasis tends to be placed on providing equity among different constituencies, while in private business management relatively greater stress is placed upon efficiency and competitive performance.

6. **Public Processes versus Private Processes.** Governmental management tends to be exposed to public scrutiny and to be more open, while private business management is more private and its processes more internal and less exposed to public review.

7. **Role of Press and Media.** Governmental management must contend regularly with the press and media; its decisions are often anticipated by the press. Private decisions are less often reported in the press, and the press has a much smaller impact on the substance and timing of decisions.

8. **Persuasion and Direction.** In government, managers often seek to mediate decisions in response to a wide variety of pressures and must often put together a coalition of inside and outside groups to survive. By contrast, private management proceeds much more by direction of the issuance of orders to subordinates by superior managers with little risk of contradiction. Governmental managers tend to regard themselves as responsive to many superiors, while private managers look more to one higher authority.

9. **Legislative and Judicial Impact.** Governmental managers are often subject to close scrutiny by legislative oversight groups or even judicial orders in ways that are quite uncommon in private business management. Such scrutiny often materially constrains executive and administrative freedom to act.

10. **Bottom Line.** Governmental managers rarely have a clear bottom line, while that of a private business manager is profit, market performance, and survival.

. . . Richard E. Neustadt, in a fashion close to Dunlop’s, notes six major differences between presidents of the United States and chief executive officers of major corporations. 11

1. **Time Horizon.** The private chief begins by looking forward a decade, or thereabouts, his likely span barring extraordinary troubles. The first term president looks forward four years at most, with the fourth (and now even the third) year dominated by campaigning for reelection (what second-termers look toward we scarcely know having
2. Authority over the Enterprise. Subject to concurrence from the Board of Directors which appointed and can fire him, the private executive sets organization goals, shifts structures, procedure, and personnel to suit, monitors results, reviews key operational decisions, deals with key outsiders, and brings along his Board. Save for the deep but narrow sphere of military movements, a president's authority in these respects is shared with well-placed members of Congress (or their staffs); case by case, they may have more explicit authority than he does (contrast authorizations and appropriations with the "take-care" clause). As for "bringing along the Board," neither the congressmen with whom he shares power nor the primary and general electorates which "hired" him have either a Board's duties or a broad view of the enterprise precisely matching his.

3. Career System. The model corporation is a true career system, something like the Forest Service after initial entry. In normal times the chief himself is chosen from within, or he is chosen from another firm in the same industry. He draws department heads [and other key employees] from among those with whom he's worked or whom he knows in comparable companies. He and his principal associates will be familiar with each other's roles—indeed, he probably has had a number of them—and also usually with one another's operating styles, personalities, idiosyncrasies. Contrast the president who rarely has had much experience "downtown," probably knows little of most roles there (much of what he knows will turn out wrong), and less of most associates whom he appoints there, with one another well, coming as they do from "everywhere" and headed as most are toward oblivion.

4. Media Relations. The private executive represents his firm and speaks for it publicly in exceptional circumstances; he and his associates judge the exceptions. Those aside, he neither sees the press nor gives its members access to internal operations, least of all in his own office, save to make a point deliberately for public-relations purposes. The president, by contrast, is routinely on display, continuously dealing with the White House press and with the wider circle of political reporters, commentators, columnists. He needs them in his day-to-day business, ... and they need him in theirs: the TV network news programs lead off with him some nights each week. They and the president are as mutually dependent as he and congressmen (or more so). Comparatively speaking, these relations overshadow most administrative ones much of the time for him.

5. Performance Measurement. The private executive expects to be judged, and in turn to judge subordinates by profitability, however the firm measures it (a major strategic choice). In practice, his Board may use more subjective measures; so may he, but at risk to morale and good order. The relative virtue of profit, of "the bottom line," is its legitimacy, its general acceptance in the business world by all concerned. Never mind its technical utility in given cases; its apparent "objectivity," hence "fairness," has enormous social usefulness: a myth that all can live by. For a president there is no impeachment. The general public seems to judge a president, at least in part, by what its members think is happening to them, in their own lives: congressmen, officials, interest groups appear to judge by what they guess, at given times, he can do for or to their causes. Members of the press interpret both of these and spread a simplified criterion affecting both, the legislative box score, a standard of the press's own devising. The White House denigrates them all except when it does well.

6. Implementation. The corporate chief, supposedly, does more than choose a strategy and set a course of policy; he is also supposed to oversee what happens after, how in fact intentions turn into results, or if they don't to take corrective action, monitoring through his information system, and acting, if need be, through his personnel system. A president, by contrast, while himself responsible for budgetary proposals, too, in many spheres of policy appears ill-placed and ill-equipped to monitor what agencies of states, of cities, corporations, unions, foreign governments are up to or to change personnel in charge. Yet these are very often the executives of "his" programs. Apart from defense and diplomacy the federal government does two things in the main: it raises and applies regulations and it awards grants in aid. Where these are discretionary, choice usually is vested by statute in Senate-confirmed official well outside the White House. Monitoring is his function, not the president's except at second hand. And final action is the function of the subordinate agencies and funds; they mostly are not federal at all. In defense, the arsenals and shipyards are gone; weaponry comes from the private sector. In foreign affairs it is the other governments whose actions we would influence. From implementers like these a president is far removed most of the time. He intervenes, if at all, on a crash basis, not through organizational incentives.

Underlying these lists' sharpest distinctions between public and private management is a fundamental constitutional difference. In business, the functions of general management are centralized in a single individual: the chief executive officer. The goal is authority commensurate with responsibility. In contrast, in the U.S. government, the functions of general management are constitutionally spread among competing institutions: the executive, two houses of Congress, and the courts. The constitutional goal was "not to promote efficiency but to preclude the exercise of arbitrary power," as Justice Brandeis observed. Indeed, as The Federalist Papers makes starkly clear, the aim was to create incentives to compete: "the great security against a gradual concentration of the several powers in the same branch, consists in giving those who administer each branch the constitutional means and personal motives to resist encroachment of the others. Ambition must be made to counteract ambition. Thus, the general management functions concentrated in the CEO of a private business are, by constitutional design, spread in the public sector among a number of competing institutions and thus shared by a number of individuals whose ambitions are set against one another. For most areas of public policy today, these individuals include at the federal level the chief appointed official, the chief appointed executive, the chief
are actually delivered by state and local governments, with independent sources of authority, this means a further array of individuals at these levels.

AN OPERATIONAL PERSPECTIVE:
HOW ARE THE JOBS AND RESPONSIBILITIES
OF DOUG COSTLE, DIRECTOR OF EPA,
AND ROY CHAPIN, CEO OF AMERICAN MOTORS,
SIMILAR AND DIFFERENT?

If organizations could be separated neatly into two homogeneous piles, one public and one private, the task of identifying similarities and differences between managers of these enterprises would be relatively easy. In fact, as Dunlop has pointed out, “the real world of management is composed of distributions, rather than single undifferentiated forms, and there is an increasing variety of hybrids.” Thus for each major attribute of organizations, specific entities can be located on a spectrum. On most dimensions, organizations classified as “predominantly public” and those “predominantly private” overlap. Private business organizations vary enormously among themselves in size, in management structure and philosophy, and in the constraints under which they operate. For example, forms of ownership and types of managerial control may be somewhat unrelated. Compare a family-held enterprise, for instance, with a public utility and a decentralized conglomerate, a Bechtel with ATT and Textron. Similarly, there are vast differences in management of governmental organizations. Compare the Government Printing Office or TVA or the police department of a small town with the Department of Energy or the Department of Health and Human Services. These distributions and varieties should encourage penetrating comparisons within both business and governmental organizations, as well as contrasts and comparisons across these broad categories, a point to which we shall return in considering directions for research.

Absent a major research effort, it may nonetheless be worthwhile to examine the jobs and responsibilities of two specific managers, neither polar extremes, but one clearly public, the other private. For this purpose, and primarily because of the availability of cases that describe the problems and opportunities each confronted, consider Doug Costle, Administrator of EPA, and Roy Chapin, CEO of American Motors.

Doug Costle, Administrator of EPA, January 1977

The mission of EPA is prescribed by laws creating the agency and authorizing its major programs. That mission is “to control and abate pollution in the areas of air, water, solid wastes, noise, radiation, and toxic substances. EPA’s mandate is to mount an integrated, coordinated attack on environmental pollution in cooperation with state and local governments.”

EPA’s organizational structure follows from its legislative mandates to control particular pollutants in specific environments: air and water, solid wastes, noise, radiation, pesticides, and chemicals. As the new administrator, Costle inherited the Ford administration’s proposed budget for EPA of $802

The setting into which Costle stepped is difficult to summarize briefly. As Costle characterized it:

“Outside there is a confusion on the part of the public in terms of what this agency is all about; what it is doing, where it is going.”

“The most serious constraint on EPA is the inherent complexity in the state of our knowledge, which is constantly changing.”

“Too often, acting under extreme deadlines mandated by Congress, EPA has announced regulations, only to find out that they knew very little about the problem. The central problem is the inherent complexity of the job that the agency has been asked to do and the fact that what it is asked to do changes from day to day.”

“There are very difficult internal management issues not amenable to a quick solution: the skills mix problem within the agency, a research program with laboratory facilities scattered all over the country and cemented in place, largely by political alliances on the Hill that would frustrate efforts to pull together a coherent research program.”

“In terms of EPA’s original mandate in the bulk pollutants we may be hitting the asymptotic part of the curve in terms of incremental clean-up costs. You have clearly conflicting national goals: energy and environment, for example.”

Costle judged his six major tasks at the outset to be:

- Assembling a top management team (six assistant administrators and some 25 office heads).
- Addressing EPA’s legislative agenda (EPA’s basic legislative charter—the Clean Air Act and the Clean Water Act—was being rewritten as he took office; the pesticides program was up for reauthorization also in 1977).
- Establishing EPA’s role in the Carter Administration (aware that the Administration would face hard tradeoffs between the environment and energy, energy regulations and the economy, EPA regulations of toxic substances and the regulations of FDA, CSPS, and OSHA. Costle identified the need to build relations with the other key players and to enhance EPA’s standing).
- Building ties to constituent groups (both because of their role in legislating the agency’s mandate and in successful implementation of EPA’s programs).
- Making specific policy decisions (for example, whether to grant or deny a permit for the Seabrook Nuclear Generating Plant cooling system. Or how the Toxic Substance Control Act, enacted in October 1976, would be implemented; this act gave EPA new responsibilities for regulating the manufacture, distribution, and use of chemical substances so as to prevent unreasonable risks to health and the environment. Whether EPA would require chemical manufacturers to provide some minimum information on various substances, or require much stricter reporting requirements for the 1,000 chemical substances already known to be hazardous, or require companies to report all chemicals, and on what timetable, had to be decided and the regulations issued).
- Rationalizing the internal organization of the agency (EPA’s extreme decentralization to the regions and its limited technical expertise).
different approach to the auto market—in picking our spots and then being innovative and aggressive.” The new corporate growth plan included a dramatic change in the approach to the market to establish a “youthful image” for the company (by bringing out new sporty models like the Javelin and by entering the racing field), “changing the product line from one end to the other” by 1972, (and) acquiring Kaiser Jeep (selling the company’s non-transportation assets and concentrating on specialized transportation, including Jeep, a company that had lost money in each of the preceding five years but that Chapin believed could be turned around by substantial cost reductions and economics of scale in manufacturing, purchasing, and administration).

Chapin succeeded for the year ending September 30, 1971. AMC earned $10.2 million on sales of $1.2 billion.

Recalling the list of general management functions in Table 1-2, which similarities and differences appear salient and important?

**Strategy**

Both Chapin and Costle had to establish objectives and priorities and to delineate operational plans. In business, “corporate strategy is the pattern of major objectives, purposes, or goals and the essential policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.”

In reshaping the strategy of AMC and concentrating on particular segments of the transportation market, Chapin had to consult his board and had to arrange financing. But the control was substantially his.

How much choice did Costle have at EPA as to the “business it is or is to be in” or the kind of agency “it is or is to be”? These major strategic choices emerged from the legislative process which mandated whether he should be in the business of controlling pesticides or toxic substances and if so on what timetable, and occasionally, even what level of particulate per million units he was required to control. The relative role of the president, other members of the administration (including White House staff, congressional relations, and other agency heads), the EPA Administrator, congressional committee chairmen, and external groups in establishing the broad strategy of the agency constitutes an interesting question.

**Managing Internal Components**

For both Costle and Chapin, staffing was key. As Donald Rumsfeld has observed, “the single most important task of the chief executive is to select the right people. I’ve seen terrible organization charts in both government and business that were made to work well by good people. I’ve seen beautifully charted organizations that didn’t work very well because they had the wrong people.”

The leeway of the two executives in organizing and staffing were considerably different, however. Chapin closed down plants, moved key managers, hired and fired, virtually at will. As Michael Blumenthal has written about Treasury, “If you wish to make substantive changes, policy changes, and the Roosevelt administration didn’t think you had the leeway to do that.”

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**Roy Chapin and American Motors, January 1967**

In January 1967, in an atmosphere of crisis, Roy Chapin was appointed Chairman and Chief Executive Officer of American Motors (and William Luneburg, President and Chief Operating Officer). In the four previous years, AMC unit sales had fallen 37 percent and market share from over 6 percent to under 3 percent. Dollar volume in 1967 was off 42 percent from the all-time high of 1963 and earnings showed a net loss of $76 million on sales of $656 million. Columnists began writing obituaries for AMC. Newsweek characterized AMC as “a flabby dispirited company, a product sold enough but styled with about as much flair as corrective shoes, and a public image that melted down to one unshakable label: loser.” Said Chapin, “We were driving with one foot on the accelerator and one foot on the brake. We didn’t know where the hell we were.”

Chapin announced to his stockholders at the outset that “we plan to direct ourselves most specifically to those areas of the market where we can be fully effective. We are not going to attempt to be all things to all people, but to concentrate on those areas of consumer needs we can meet better than anyone else.” As he recalled, “There were problems early in 1967 which demanded immediate attention, and which accounted for much of our time for several months. Nevertheless, we began planning beyond them, establishing objectives, programs and timetables through 1972. Whatever happened in the short run, we had to prove ourselves in the marketplace in the long run.”

Chapin’s immediate problems were five:

- The company was virtually out of cash and an immediate supplemental bank loan of $20 million was essential.
- Car inventories—company owned and dealer owned—had reached unprecedented levels. The solution to this glut took five months and could be accomplished only by a series of plant shutdowns in January 1967.
- Sales of the Rambler American series had stagnated and inventories were accumulating. A dramatic merchandising move was concocted and implemented in February, dropping the price tag on the American to a position midway between the VW and competitive smaller U.S. compacts, by both cutting the price to dealers and trimming dealer discounts from 21 percent to 17 percent.
- Administrative and commercial expenses were judged too high and thus a vigorous cost reduction program was initiated that trimmed $15 million during the first year. Manufacturing and purchasing costs were also trimmed significantly to approach the most effective levels in the industry.
- The company’s public image had deteriorated: the press was pessimistic and much of the financial community had written it off. To counteract this, numerous formal and informal meetings were held with bankers, investment firms, government officials, and the press.

As Chapin recalls, “With the immediate fires put out, we could put in place the pieces of a corporate growth plan—a definition of a way of life in the auto industry for American Motors. We felt that our reason for being,
method they have is Congress. If I say I want to shut down a particular unit or transfer the function of one area to another, there are ways of going to Congress and in fact using friends in the Congress to block the move. They can also use the press to try to stop you. If I at Bendix wished to transfer a division from Ann Arbor to Detroit because I figured out that we could save money that way, as long as I could do it decently and carefully, it’s of no lasting interest to the press. The press can’t stop me. They may write about it in the local paper, but that’s about it.”

For Costle, the basic structure of the agency was set by law. The labs, their location, and most of their personnel were fixed. Though he could recruit his key subordinates, again restrictions like the conflict of interest laws and the prospect of a Senate confirmation fight led him to drop his first choice for the Assistant Administrator for Research and Development, since he had worked for a major chemical company. While Costle could resort to changes in the process for developing policy or regulations in order to circumvent key office directors whose views he did not share, for example, Eric Stork, the Deputy Assistant Administrator in charge of Mobile Source Air Program, such maneuvers took considerable time, provoked extensive infighting, and delayed significantly the development of Costle’s program.

In the direction of personnel and management of the personnel system, Costle exercised considerable authority. While the United Auto Workers limited his authority over workers, at the management level he assigned people and reassigned responsibility consistent with his general plan. While others may have felt that his decisions to close down particular plants or to stop a particular product were mistaken, they complied. As George Shultz has observed: “One of the first lessons I learned in moving from government to business is that in business you must be very careful when you tell someone who is working for you to do something because the probability is high that he or she will do it.”

Costle faced a civil service system designed to prevent spoils as much as to promote productivity. The Civil Service Commission exercised much of the responsibility for the personnel function in his agency. Civil service rules severely restricted his discretion, took long periods to exhaust, and often required complex maneuvering in a specific case to achieve any results. Equal opportunity rules and their administration provided yet another framework of procedural and substantive inhibitions. In retrospect, Costle found the civil service system a much larger constraint on his actions and demand on his time than he had anticipated.

In controlling performance, Chapin was able to use measures like profit and market share, to decompose those objectives to sub-objectives for lower levels of the organization and to measure the performance of managers of particular models, areas, divisions. Cost accounting rules permitted him to compare plants within AMC and to compare AMC’s purchases, production, and even administration with the best practice in the industry.

Managing External Constituencies

As chief executive officer, Chapin had to deal only with the Board. For Costle, within the executive branch but beyond his agency lay many actors, Actions each could take, either independently or after a process of consultation in which they disagreed with him, could frustrate his agency’s achievement of its assigned mission. Consequently, he spent considerable time building his agency’s reputation and capital for interagency disputes.

Dealing with independent external organizations was a necessary and even larger part of Costle’s job. Since his agency, mission, strategy, authorizations, and appropriations emerged from the process of legislation, attention to congressional committees, congressmen, congressmen’s staff, and people who affect congressmen and congressional staffs rose to the top of Costle’s agenda. In the first year, top-level EPA officials appeared over 140 times before some 60 different committees and subcommittees.

Chapin’s ability to achieve AMC’s objectives could also be affected by independent external organizations: competitors, government (the Clean Air Act that was passed in 1970), consumer groups (recall Ralph Nader), and even suppliers of oil. More than most private managers, Chapin had to deal with more than just the press in attempting to change the image of AMC. Such occasions were primarily at Chapin’s initiative and around events that Chapin’s public affairs office orchestrated, for example, the announcement of a new racing car. Chapin also managed a marketing effort to persuade consumers that their tastes could best be satisfied by AMC products.

Costle’s work was suffused by the press: in the daily working of the organization, in the perception by key publics of the agency and thus the agency’s influence with relevant parties, and even in the setting of the agenda of issues to which the agency had to respond.

For Chapin, the bottom line was profit, market share, and the long-term competitive position of AMC. For Costle, what were the equivalent performance measures? Shultz does not provide a straightforward answer by exaggerating the difference between appearance and reality. “At Bendix, it was the reality of the situation that in the end determined whether we succeeded or not. In the crudest sense, this meant the bottom line. You can dress up profits only for so long—if you’re not successful, it’s going to be clear. In government there is no bottom line, and that is why you can be successful if you appear to be successful—though, of course, appearance is not the only ingredient of success.”

Rumsfeld says, “In business, you’re pretty much judged by results. I don’t think the American people judge government officials this way. . . . In government, too often you’re measured by how much you seem to care, how hard you seem to try—things that do not necessarily improve the human condition. . . . It’s a lot easier for a President to get into something and end up with a few days of good public reaction than it is to follow through, to pursue policies to a point where they have a beneficial effect on human lives.” As George Shultz says, “In government and politics, recognition and therefore incentives go to those who formulate policy and maneuver legislative compromise. By sharp contrast, the kudos and incentives in business go to the persons who can get something done. It is execution that counts. Who can get the plant built, who can bring home the sales contract, who can carry out the financing, and so on.”

This casual comparison of one public and one private manager suggests what could be done if the issue of comparisons were pursued systematically, horizontally across organizations and at various levels within organizations. While much can be learned by examining the chief executive officers of organizations, still more promising should be comparisons among the much larger number of middle managers.
equivalent plant managers, some functions would appear more similar, and other differences would stand out. The major barrier to such comparisons is the lack of cases describing problems and practices of middle-level managers. This should be a high priority in future research.

Notes

1. To reiterate: this is not a report of a major research project or systematic study. Rather, it is a response to a request for a brief summary of reflections of a dean of a school of government who now spends his time doing a form of public management—managing what Jim March has labeled an "organized anarchy"—rather than thinking, much less writing. Moreover, the speculation here will appear to reflect a characteristic Harvard presumption that Cambridge either is the world or is an adequate sample of the world. I say "appear" since as a North Carolinian, I am self-conscious about this parochialism. Nevertheless, I have concluded that the purposes of this conference may be better served by providing a deliberately parochial perspective on these issues—and thereby presenting a clear target for others to shoot at. Finally, I must acknowledge that this article plagiarizes freely from a continuing discussion among my colleagues at Harvard about the development of the field of public management, especially Joe Bower, Hale Champion, Gordon Chase, Charles Christenson, Richard Darman, John Dunlop, Phil Heymann, Larry Lynn, Mark Moore, Dick Neustadt, Roger Porter, and Don Price. Since my colleagues have not had the benefit of commenting on this presentation, I suspect I have some points wrong, or out of context, or without appropriate subtlety or amendment. Thus I assume full liability for the works that follow.


3. Ibid., p. 11.

4. Though frequently identified as the author who established the complete separation between "policy" and "administration," Woodrow Wilson has in fact been unjustly accused. "It is the object of administrative study to discover, first, what government can properly and successfully do, and, secondly, how it can do these proper things with the utmost possible efficiency. ..." (Wilson, "The Study of Public Administration," published as an essay in 1888 and reprinted in Political Science Quarterly, December 1941, p. 481). For another statement of the same point, see Brooks Adams, The Theory of Social Revolution (Macmillan, 1913), pp. 207-208.

5. See Dwight Waldo, "Organization Theory: Revisiting the Elephant," PAR (November-December 1978). Reviewing the growing volume of books and articles on organization theory, Waldo notes that "growth in the volume of the literature is not to be equated with growth in knowledge."


8. See, for example, Chester I. Barnard, The Functions of the Executive (Cambridge, MA: Harvard University Press, 1938).


12. Clinton Rossiter, ed., The Federalist Papers (New York: New American Library, 1961), No. 51. The word department has been replaced by branch, which was its meaning in the original papers.

13. Failure to recognize the fact of distributions has led some observers to leap from one instance of similarity between public and private to general propositions about similarities between public and private institutions or management. See, for example, Michael M. McCarty, "Comparing Public and Private Management: An Exploratory Essay," Public Administration Review (July-August, 1975).

14. These examples are taken from Bruce Scott, "American Motors Corporation" (Intercollegiate Case Clearing House #9-364-001); Charles B. Wachtel with the collaboration of C. Roland Christensen, "American Motors Corporation II" (Intercollegiate Case Clearing House #9-372-559); Thomas R. Hitchner and Jacob Lew under the supervision of Philip B. Heymann and Stephen B. Hitchner, "Douglas Coste and the E.P.A. (A)" (Kennedy School of Government Case #C04-78-216), and Jacob Lew and Stephen B. Hitchner, "Douglas Coste and the E.P.A. (B)" (Kennedy School of Government Case #C06-78-217). For an earlier exploration of a similar comparison, see Joseph Bower, "Effective Public Management," Harvard Business Review (March-April, 1977).


23. The cases developed by Boston University's Public Management Program offer a promising start in this direction.

24. The differences noted in this comparison, for example, in the personnel area, have already changed with the Civil Service Reform Act of 1978 and the creation of the Senior Executive Service. Significant changes have also occurred in the automobile industry. Under current circumstances, the CEO of Chrysler may seem much more like the Administrator of EPA. More precise comparison of different levels of management in both organizations, for example, accounting procedures used by Chapin to cut costs significantly as compared to equivalent procedures for judging the costs of EPA-mandated pollution control devices, would be instructive.