

# Labor-Management Partnerships: A New Approach to Collaborative Management



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The PricewaterhouseCoopers Endowment for  
**The Business of Government**

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July 2001



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# Foreword

July 2001

On behalf of The PricewaterhouseCoopers Endowment for The Business of Government, we are pleased to present this report by Barry Rubin and Richard Rubin, "Labor Management Partnerships: A New Approach to Collaborative Management."

This report describes the collaborative labor-management approach that developed after the 1992 election of Stephen Goldsmith as mayor of Indianapolis, Indiana. The authors describe the development and impact of this partnership on city services, particularly within the city's Department of Public Works. In addition, they present a model for collaborative partnerships, with a quantitative and qualitative analysis of the factors that contributed to success in Indianapolis.

The report authors recommend that collaboration between management and labor act as a supplement to, rather than a replacement for, traditional collective bargaining. Also, the authors note that this model is predicated on a continuing management-labor partnership.

We believe that this report will provide organizations interested in developing a collaborative labor-management model with lessons learned from the Indianapolis experience and a model to emulate. Developing and institutionalizing a collaborative labor-management approach has been shown to improve operations and reduce costs in Indianapolis. There is clearly much to learn from their experience.

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# Executive Summary

The City of Indianapolis received significant national and international attention for its reinvention of the delivery of urban services and development of an envied system of municipal operations. Initially driven by the privatization efforts of Mayor Stephen Goldsmith in the early 1990s, a distinctive partnership has evolved between labor and management that encourages cooperation and competition between city departments and private contractors. Successful organizational reform prevented the massive shift to the private sector that was threatened by Goldsmith in the 1992 mayoral campaign.

Research initiatives about the city's success have been conducted by organizations with vested interests and have failed to connect inputs to outcomes. Likewise, methods used by the city to achieve successful reinvention of municipal service delivery have not been fully documented to facilitate replication by other communities.

This research comprehensively investigates Indianapolis' privatization initiatives and the resulting labor-management partnership experience in the Department of Public Works. The study differs from others in its unrestricted access to and cooperation of officials with the City of Indianapolis and the American Federation of State, County and Municipal Employees (AFSCME). Thus, the researchers were able to develop a truly comprehensive and unprecedented portrait of the contribution that labor-management collaboration made in Indianapolis to the cost and quality of municipal service delivery.

The research methodology included interviews with key participants, focus groups, survey research, and both qualitative and quantitative analytical techniques, leading to results that validate the success of the labor-management partnership in Indianapolis.

Historically, collective bargaining has been inadequate to address emerging issues that require cooperative rather than competitive postures. Much of the work of local government, and especially that which results from the devolution of federal responsibility to states and municipalities, requires cooperation. Quality enhancement, improvement of the cost-effectiveness of service delivery, customer relations, neighborhood development, and welfare reform are examples that require the cooperation of both municipal officials and labor leaders to work collaboratively. Yet, failure to consider the collective bargaining relationship already in place between labor and management constitutes a major deficiency in reinventing government initiatives.

Our conceptual model is based on the underlying principle that collaboration will exist as a supplement to, not a replacement for, traditional collective bargaining and is predicated on this continuing labor-management relationship. The model is comprised of five stages: impetus, initiation, implementation, integration, and institutionalization. Both our qualitative and quantitative research results indicate that the process by which the city implemented collaborative management directly reflects the various stages of this model. The model confirms that the linkage between this collaborative

approach and the existing collective bargaining relationship is critical to major organizational reform. The commitment of both labor and management, and the diffusion of this commitment throughout their respective constituencies, emerge as the next most critical factors in the success of the labor-management partnership. Other significant factors are the need for union representation in the collaborative process, the separation of the equally important processes of collaboration and collective bargaining, and common goals shared by both labor and management while still allowing for each side to address its own concerns.

The report concludes with five recommendations to other organizations considering the use of collaborative management:

- Don't force collaboration.
- Make sure that both labor and management share the primary reason for collaboration.
- Ensure that the traditional collective bargaining process is protected.
- Treat collaboration and collective bargaining as separate but equally important processes.
- Tie collaboration to the collective bargaining agreement.

# Introduction\*

The City of Indianapolis has received significant attention for its efforts in reinventing the delivery of many urban services. It developed a system of municipal operations that is the envy of many other cities, both in the United States and abroad. Initially driven by the privatization efforts of former Mayor Stephen Goldsmith, a unique partnership has evolved between labor and management, encouraging cooperation and competition between city departments and their represented employees with private contractors. Because of the city's approach to organizational reform, the massive shift to the private sector for the delivery of city services threatened in the 1992 mayoral campaign never materialized.

While the city's success in improving the delivery of municipal services is known anecdotally throughout the United States and many other countries, little validation of this success exists. Moreover, research that has been conducted has addressed only limited aspects of the city's efforts,

has been done by organizations with a vested interest in the outcome of the analysis, or has failed to connect inputs to outcomes. Thus, the reasons behind the city's success are not immediately obvious. Perhaps most importantly, the methods used to achieve successful reinvention of municipal service delivery in Indianapolis have not been fully documented to allow replication by other communities throughout the United States or the world.

Simultaneous with the privatization initiatives and development of the resulting labor-management partnership in Indianapolis, we were refining and testing a conceptual model of collaborative management in the public sector. This model was predicated on an ongoing labor-management relationship and a collective bargaining process that resulted in a jointly negotiated contract addressing all major work issues covered under wages, hours, and working conditions.

Historically, collective bargaining generally has not been adequate to address emerging issues that require cooperation rather than adversarial approaches. Many of the existing responsibilities of local government, and especially those resulting from the recent devolution of federal responsibility to states and municipalities, require cooperation. Quality enhancement, improved cost-effectiveness of service delivery, customer relations, neighborhood development, and welfare reform are just a few examples that require the cooperation of both municipal officials and labor leaders to work collaboratively. This need for cooperation is especially

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*\* We gratefully acknowledge the contributions of Michael Armstrong, Sandy Bate, Monica Boyd, and Aaron Sampson. We are especially grateful for the significant contribution of Courtney Sullivan. We also thank The PricewaterhouseCoopers Endowment for The Business of Government for its support of this study. And, we are deeply indebted to all the management of the City of Indianapolis (especially Mayor Stephen Goldsmith and Chuck Snyder) and all its employees represented by the American Federation of State, County and Municipal Employees (especially Steve Quick and Jerry Richmond).*

## Definition of Collaborative Management

Reform efforts, in both the public and private sectors, have made use of programs that focus on the increased involvement of employees. In those settings where unions and collective bargaining agreements are present, these programs are dependent on the joint collaboration between labor and management. The Indianapolis labor-management partnership is one example of successful collaboration. Other forms of collaboration—such as site-based management, participative management, and labor-management committees—have been utilized throughout the United States with varying degrees of success.

important in the public sector, where, according to the U.S. Bureau of Labor Statistics, unions currently represent 47.9 percent of local government workers in dramatic contrast to the 9.8 percent of union-represented private sector workers.<sup>1</sup>

Implementation of collaborative management—a joint process where both employees and their employer share in managerial decision making—has become a major topic of discussion among organizational reformers. Organization management theorists have documented that collaborative management improves labor-management relations in the public sector. When designed and implemented effectively, collaborative strategies satisfy both organizational and individual needs, and build lasting relationships between managers and employees.

Despite the currency of such collaborative efforts, little is understood about how such collaboration works. The existing literature on collaborative management is generally descriptive, impressionistic, and piecemeal in focus. Research has failed to reveal those factors that determine successful collaboration or induce the establishment of cooperative arrangements. While some researchers have

## Partnership Ground Rules

The essence of successful partnerships is a parallel structure that changes as a cooperative counterpart to the traditional union-management structure for collective bargaining. Ideally, this parallel structure involves union and management representatives in collaborative decision making at all levels of their respective organizations.

Ground Rule 1: Labor-management partnerships should be limited to those issues of mutual concern outside of the collective bargaining agreement.

Ground Rule 2: All involvement in labor-management partnerships should be voluntary.

Ground Rule 3: Improvements developed through labor-management Partnerships should not result in the loss of an individual's job.

*Woodworth, W. P. and C. B. Meek, Creating Labor-Management Partnerships, 1995. Reading, MA: Addison-Wesley (pp. 88-89).*

identified variants of collaborative management with organizational improvement, a conceptual understanding of the dynamics of collaborative management is generally lacking.

The failure to consider the collective bargaining relationship already established between labor and management has been a major deficiency in the research on collaboration, especially since labor unions are likely to have a significant role in determining the initiation and outcomes of organizational improvement programs. Consideration of the pre-existing labor-management relationship must be a fundamental component of research investigating organizational reform and collaboration, especially for local governments.

<sup>1</sup> *Bureau of Labor Statistics. Union Affiliation of Employed Wage and Salary Workers by Occupation and Industry. Jan. 19, 2001. (<http://stats.bls.gov/news.release/union2.t03.htm>)*

This research utilizes a conceptual model for collaborative management in the public sector that is premised on the traditional labor-management process of collective bargaining and identifies the correlates of successful collaboration.<sup>2</sup> Then, using this model, the City of Indianapolis serves as a case study for the implementation of collaborative management. Initially driven by the privatization efforts of Mayor Stephen Goldsmith, a unique partnership has evolved between labor and management. This partnership encourages cooperation and competition between city departments and their represented employees with private contractors. Because of the city's approach to organizational reform, the mass privatization of city services threatened in the 1992 mayoral campaign never materialized.

## **Application to Other Levels of Government**

Our analysis of the Indianapolis experience provides prescriptive recommendations that can help labor and management initiate similar changes in other organizations. Indeed, these recommendations also are applicable to the federal sector as well as state government. In fact, the blueprint we provide can assist all organizations to implement collaborative management, and enable labor and management both to bargain competitively and to deliver services cooperatively. The following page provides a brief overview of labor relations in the federal government.

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<sup>2</sup> *The conceptual model and quantitative analysis are described in the two appendices.*

# Labor Relations in the Federal Government

## Key Events

- 1962 Executive Order 10988 was signed by President John F. Kennedy. The E.O. recognized the rights of federal employees to join unions, granted recognition to those unions, and allowed limited bargaining rights.
- 1970 The Postal Reorganizations Act was passed allowing postal workers to come under the National Labor Relations Act.
- 1978 The Civil Service Reform Act replaced previous executive orders concerning federal employee bargaining rights. Title VII of that act established the Federal Labor Relations Authority (NLRA) and modeled bargaining rights in the federal government after the NLRA.
- 1993 Executive Order 12871 was enacted by President Bill Clinton as part of the reinvention initiative, creating a National Partnership Council to change the way management and unions relate in the public sector.

## Background

In 1962, President John F. Kennedy signed Executive Order 10988, which recognized the rights of federal employees to join or to refrain from joining labor organizations, granted recognition to those labor organizations, and detailed bargaining subjects. Before 1962, only 26 union or association units in the executive branch of the federal government had union shops, and they represented only 19,000 workers. Six years after the Kennedy order, there were 2,305 bargaining units, with a total membership of 1.4 million employees. A number of different unions represented federal workers, the largest being the American Federation of Government Employees (AFGE).

Currently, federal employee labor relations are governed by the provisions of Title VII of the Civil Service Reform Act of 1978. Title VII, Federal Service Labor-Management Relations, is modeled after the National Labor Relations Act. Central authority was placed in a three-member panel, the Federal Labor Relations Authority. This panel oversees labor-management relations within the federal government; its three members are appointed by the president of the United States. The president also appoints a general counsel empowered to investigate alleged unfair labor practices and to file and prosecute complaints.

The Federal Labor Relations Authority oversees creation of bargaining units, conducts elections, decides representation cases, determines unfair labor practices, and seeks enforcement of its decisions in the federal courts. The Federal Service Impasse Panel was continued by the act and provides assistance in resolving negotiation impasses. Unlike private sector labor laws, Title VII mandates inclusion of a grievance procedure with binding arbitration as a final step in all federal collective bargaining agreements.

In 1993, President Bill Clinton enacted Executive Order 12871 as part of his reinvention initiative. It was hailed as a significant and fundamental change in federal sector labor-management relations. The goal was to change the relationship and alter the process by which the managers and unions reached decisions. A team of federal managers and union representatives worked on the plan. It created a National Partnership Council (NPC) to advise the president on labor-management issues. The NPC is made up of union leaders, representatives from the Federal Labor Relations Board, the Federal Mediation and Conciliation Service, and executive branch directors. The order directs each agency to establish labor-management partnerships at appropriate levels to change the way government operates.

*Carrell, M. R. and C. Heavrin, Labor Relations and Collective Bargaining (6E), 2001. Upper Saddle River, N.J.: Prentice Hall (pp. 34-37).*

# The Indianapolis Partnership: A Case Study

## Getting Started

During the 1992 mayoral election, the American Federation of State, County and Municipal Employees (AFSCME) campaigned aggressively against Republican candidate Stephen Goldsmith, who pledged to privatize a wide array of city services. According to the AFSCME state director, Steve Fantauzzo, every job of every AFSCME member was in jeopardy due to Goldsmith's strong privatization position. Fantauzzo also feared that Goldsmith then would have the ability to implement his plan, as the city council was more than two-thirds Republican. During the campaign, Fantauzzo said, "We threw everything we had at them. If we were going to go down, we would go down swinging." Despite the union's efforts, Goldsmith won the election and took over as mayor of the City of Indianapolis in January 1993. Once Goldsmith was elected, grievances within the city departments tripled to between 200 and 300 each year.

City departments also faced myriad internal problems that hindered their ability to fulfill their duties. For example, the procedure for purchasing equipment and materials required numerous signatures, and work crews often were left idle while waiting for necessary supplies. Moreover, workers had little opportunity to participate in requisitioning materials and equipment, which, as a result, often were inadequate. Instead of contributing to management decisions, workers felt as though they were expected to "park their brains at the door" the

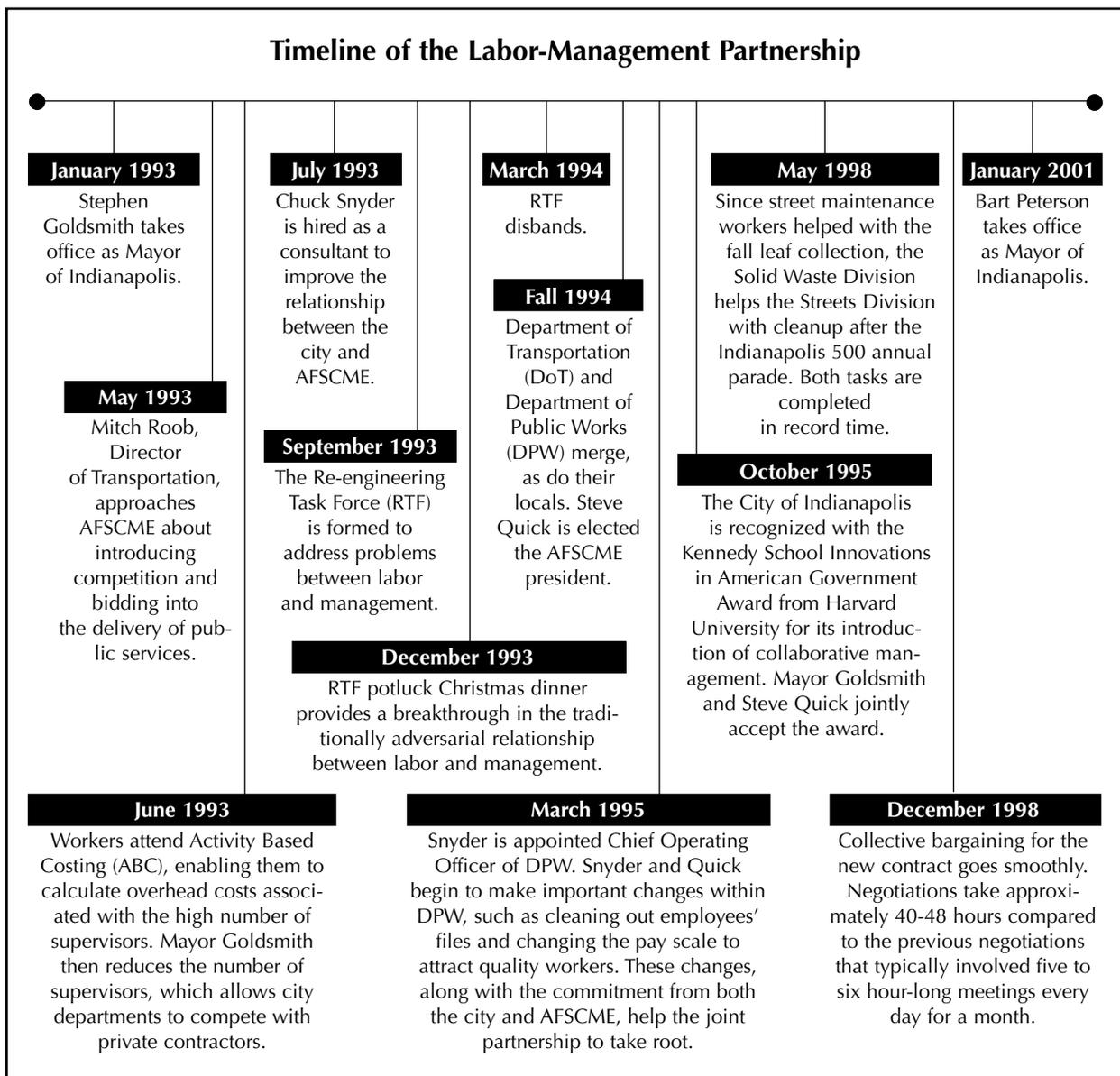
moment they arrived at work. These expectations—combined with racism, inconsistently applied discipline, and other forms of favoritism—resulted in low morale, high absenteeism, and inefficient work practices.

Faced with deteriorating conditions, Mitch Roob, the mayor's new director of transportation (DoT), approached Fantauzzo with the idea of introducing competition and bidding into the delivery of public services. Presented with an opportunity to try a new approach in worker-management relations, AFSCME negotiated with the city to develop guidelines for the bidding that would allow public employees to compete on a level playing field. AFSCME members also received training, provided by the city, on Activity Based Costing (ABC), which allowed them to understand better the budgetary and bidding processes.

Seventy-five workers attended a two-day workshop in ABC. As a result of this training, Department of Public Works (DPW) employees realized the extent of their overhead costs and, in particular, the costs associated with management. As Fantauzzo said, "ABC allowed us to graphically verify that we had too many bosses and supervisors. There was no way we could compete with one supervisor for every four employees." Further, he challenged Mayor Goldsmith to cut supervisors to make the city departments more competitive with the private contractors. Though many of the supervisors were

strong Republican supporters, Goldsmith responded by cutting 32 supervisors, 18 in the Department of Transportation alone. These cuts dropped the employee-to-supervisor ratio down to 17 employees for every one supervisor. Goldsmith's willingness to reduce the number of management positions, typically held by political appointees, represented a substantial political sacrifice. AFSCME, recognizing this as a signal of Goldsmith's interest in exploring a new approach to labor-management relations, began to encourage and assist its members in preparing bids for DPW services.

To reinforce the administration's commitment to establish a new relationship with AFSCME, Mayor Goldsmith brought in a consultant, Chuck Snyder, to facilitate this relationship. Snyder previously had worked as chief operating officer for a \$100 million manufacturing company. During his tenure with that company, management and labor had developed a strong relationship based on open communication and trust. Mayor Goldsmith got a glimpse of what was to come when he indicated to Snyder that he never had asked AFSCME for suggestions to improve working conditions. To this, Snyder simply responded, "You are not going to get anything accomplished until you do."





In January 1994, Indianapolis was hit with a particularly nasty blizzard. One of the many benefits of cellular telephones, I discovered, was the increased speed and convenience with which citizens could complain about the city's snowplowing effort. During morning drive-time, my phone and those of the morning news programs rang incessantly as motorists enthusiastically expressed their opinions from their cars. Throughout the day the dissatisfaction grew.

Snow can ruin political careers, so the next morning I visited a city garage where workers were beginning a shift. I asked the snowplow drivers to gather in one room while I first spoke with the managers in another. I told the 15 or so managers that I was puzzled by the unusually high number of complaints, and asked their view. One after another volunteered that the plan had been well executed, that everyone was working diligently, and that without vast new resources, the city was already doing the best it could do.

Moments later, I asked the snowplow drivers the same question. Hands shot up. City mechanics should be out on the streets repairing trucks as soon as they broke, they said. Some of the trucks' blades were operated by a hydraulic

system that broke frequently and needed immediate maintenance. Route maps were hard to read and did not reflect current rush-hour traffic patterns, so some busy streets were placed low on the priority list. To save money, the city no longer used salt with blue dye in it, which had helped snowplow drivers see where they had been and allowed them to notice immediately if their equipment malfunctioned. The new salt came in chunks that were often too big to go through the spreaders. On and on it went.

These employees did the work, knew the problems, and had workable solutions. It's funny how few mayors see it that way. Many of us view unions as the very embodiment of government inefficiency, keeping costs high and quality low. Everyone knows, after all, that public employees are lazy and incompetent—why else would they work for the government, right?

Wrong. The unions often have little to do with the problem. Public employees are an easy scapegoat, but when union workers are given the freedom to put their own ideas into action, they can be as innovative, effective, and cost-conscious as their private-sector counterparts—and they can prove it in the marketplace.

— Mayor Stephen Goldsmith  
*"Can-Do Unions: Competition Brings Out the Best in Government Workers,"* The Journal of American Citizenship Policy Review, March/April, 1998, p. 24.

Chuck Snyder began working within DPW to build trust and confidence with both AFSCME and the city. As Snyder explained, “Persuading workers of my good intentions was a real sales job.” To the union, Snyder initially was just a consultant, which was nothing special to the workers. “If we’ve seen one consultant,” said DPW AFSCME President Steve Quick, “we’ve seen a hundred.” For Snyder, selling himself to DPW employees meant meeting personally with every employee and seeking their ideas. He attended midnight meetings and accompanied street repair crews at three o’clock in the morning. Snyder also told Mayor Goldsmith that he would not support any layoffs or job loss. Mayor Goldsmith agreed and kept his promise.

Snyder’s dedication to the process became even more apparent in September 1993 when a Reengineering Task Force (RTF) was formed. It was comprised of 12 people from both labor and management, plus Chuck Snyder. The initial task for the RTF was to identify the problems between labor and management. “There were 500 different things wrong with this city that we listed on the walls. The whole room was wallpapered with problems. And 99 percent of it was bad management and poor communication,” Snyder explained.

Steve Quick, who at that time was the union steward in the Streets Division, walked into the RTF room, looked at all of the problems listed on the walls, and said, “The biggest problem isn’t even listed—it’s racism.” At the time, the Streets Division was predominantly black while the Department of Transportation was mostly white. To further amplify the racial division, of the seven city garages, some were almost all white while others were almost all black. While the city had already formed a committee to address affirmative action and cultural diversity, Snyder preferred to “get down in the trenches, deal with it, and break down walls.” This attitude led to the reduction of the seven city garages down to three, which forced integration and compelled people to work together. By easing the racial tensions in its departments, the city could work more efficiently while treating everyone equally.

Through his conversations with DPW employees, Snyder realized that many problems lay within management. In his opinion, there were too many

middle managers who emphasized the distinction between managers and labor. “What’s the difference,” Chuck Snyder asked, “... between the blue collar workers and someone who works in an office?” Snyder also found a wide range of favoritism within middle management, as well as resentment toward the RTF process. To allow the RTF process to move forward, Goldsmith responded to Snyder’s concerns by downsizing the number of middle managers within that department.

The RTF continued to consolidate, rearrange, and retrain throughout this process. One key result of the RTF was to reduce the number of job classifications from more than 100 in 1993 down to 12 by 1998. While reducing job classifications, employees were retrained so that they could be assigned to a much wider range of tasks. In addition, the RTF developed a Second Chance Program, through which city commercial driver’s license holders who tested positive for drugs could go through rehabilitation and retain their jobs. While Mayor Goldsmith supported this program, other city departments, including Human Resources and Risk Management, strongly opposed it. However, with the insistence of Snyder and the RTF, the program finally was established, and has had much success. Twenty people had gone through the program by the end of 1998, with 17 people successfully completing rehabilitation and retaining their jobs.

The Second Chance Program was not the only example of opposition from lower-level management. Many departments felt threatened by the power base they saw forming in the RTF. In an unsuccessful effort to diffuse this opposition, Snyder talked with them. He also worked to fight rumors within the workforce by maintaining a continuous dialogue with all DPW employees. As a result, union laborers began to see Snyder as a “straight-shooter” and began to trust both him and the RTF. According to Snyder, “I moved around here pretty much like I owned the place.” While this approach potentially could have caused Snyder problems, Mayor Goldsmith and the other members of the RTF did not object to Snyder’s activities, because they felt sure that he could make this emerging partnership a success from the city’s perspective.

An RTF potluck Christmas dinner proved to be a turning point in solidifying the rapport between

When Stephen Goldsmith ran for Mayor of Indianapolis in 1992, he vowed to cut the size of the city government by 25 percent in his first year without touching police or fire. He intended to reach his goals by privatizing a great majority of city services. Mayor Goldsmith invoked the “Yellow Pages” test to determine which operations should be contracted out. As Goldsmith aide John Hatfield explained, “The rule was that if you could thumb through the phone book and find three or more companies that provide a service that government is producing, then government is probably not the best at providing that service.” In light of this test, only police, fire, and zoning operations were exempt from the city’s bidding wars. Virtually all other municipal functions—such as trash collection, window-washing of city-owned buildings, copying services, and management of the Indianapolis International Airport—were to be awarded to the provider that would deliver the service at the lowest cost to the city. However, Mayor Goldsmith did recognize that there might be times when city workers could provide the best and most cost-effective service. To allow for this, the mayor’s focus turned toward competition rather than privatization. City employees would be able to compete and submit bids for jobs, including those jobs which had been slated for privatization before Mayor Goldsmith took office. According to Jerry Richmond, vice president of AFSCME, Mayor Goldsmith basically told the union, “If you can do it, we’ll let you do it.”

— Jon Jeter

*“A Winning Combination in Indianapolis: Competitive Bidding for City Services Creates Public-Private Success Story,”* Washington Post, Sept. 21, 1997, p. A-3.

“Our goal was not to use privatization as an end, but to use it as a means to an end. We started with a privatization strategy which assumed that the private sector was more efficient than the public employees. We shifted to a competition model which said it is monopolies and bureaucracies that are inefficient.

Public employees are not inherently inferior to private employees—the systems are inherently inferior. So if we compete out public services, we’ll be able to save a significant amount of money and at the same time improve the quality of city services.”

— Mayor Stephen Goldsmith in an interview with staff writer Bill Steigerwald  
*“Saving the City from Itself,”*  
Pittsburgh Post-Gazette  
March 22, 1998, p. C-4.

To allow union workers to compete on a level playing field with private contractors, the city provided training in Activity Based Costing for 75 workers. Understanding job-related costs was a necessary first step in implementing competition. “We have great employees trapped in bad systems,” said Skipp Stitt, former deputy mayor of the City of Indianapolis. “Once the system changes and workers know the costs involved with their jobs and are rewarded for holding them down, guys start to see it. They’re not bad people.” Making workers responsible for obtaining and keeping contracts also sent a message to management that the men and women doing the job know better than anyone what it takes to get it done well. Mayor Goldsmith understands this more than most, as he would join a crew of city employees on the job once a week. “Nobody knows better than the worker how the job can be done more efficiently,” he said. “You spend an hour with a guy filling potholes, and he can give you a dozen good ideas about ways to make the service more efficient.”

— Dirk Johnson

*“In Privatizing City Services, It’s Now ‘Indy-a-First-Place,’”*  
New York Times, March 2, 1995, p. A-14.

Before competition was introduced, the Department of Public Works (DPW) did only 30 percent of all trash collection. Since the introduction of competition, DPW won 70 percent of the trash collection contracts. This competition has cut annual trash collection costs per household from \$85 to \$68, for a total savings over the three-year contract of \$15 million. The department also has reorganized from 27 trash collection crews to 17 while increasing the number of homes served per crew by 78 percent over the 1992 level. Absenteeism and worker’s compensation claims also have decreased. These gains in productivity allowed DPW to beat their bid price by \$2.1 million in 1994, resulting in incentive pay averaging \$1,750 per worker.

— Mayor Stephen Goldsmith

*“Can-Do Unions: Competition Brings Out the Best in Government Workers,”*  
The Journal of American Citizenship Policy Review, March/April, 1998, p. 24.



*Jerry Richmond, Chuck Snyder, and Steve Quick.*

labor and management. Snyder, assigned with the responsibility of bringing meat trays to the dinner, appeared with two platters. The first was piled high with an impressive assortment of food, complete with a label entitled “Management.” The second, labeled “Union,” had a few pieces of bologna, toothpicks, and some carrots. The labels amused both labor and management, and brought an informal, human element to what typically was an impersonal, adversarial relationship.

With an easing of the traditional schism between labor and management, the members of the RTF were able to spend the next three months implementing a number of the solutions they had developed. One such solution was to combine the two AFSCME locals (from DoT and DPW) into one. This move helped unify the employees and made it easier for management to work with AFSCME. However, while these plans were being implemented successfully, people outside of the RTF still were suspicious, believing both management and union leaders had sold out.

These rumors ultimately brought the RTF to an end. Under pressure and allegations that they had sold out, union leaders needed to pull themselves out of the negotiations as a demonstration of commitment to their members. Changes in the upper levels of management also impeded the ability of the RTF to accomplish its goals. In March 1994, the RTF was disbanded. To Chuck Snyder, the close of the negotiations came too early for the relationship between labor and management to truly change. “There was not enough buy-in from people outside that room,”

Snyder explained. “Either you believe in this partnership and you’re in it all the way, or you’re out. There’s no one foot in, one foot out in this deal.”

In the months following the end of the RTF, the relationship between labor and management further deteriorated. During this time, the Department of Transportation and the Department of Public Works merged, causing tension within the union. Communication between management and AFSCME was by appointment only. Racism and grievances again were increasing, while the amount of work being accomplished was decreasing.

### **Snyder Becomes COO**

Concerned with the situation, Mayor Goldsmith asked Steve Quick, now AFSCME president of the combined DoT-DPW union, who could take over the position of chief operating officer of DPW and help fix the situation. Quick recommended Snyder for the position. What sold the union on Snyder was trust. According to Quick, “What DPW needed was someone’s word that was good.” Snyder assumed that position in March 1995.

As the new chief operating officer, Snyder, working together with Quick, made many critical decisions that reversed existing city policies and helped solidify the standing of AFSCME in DPW. To provide everyone with a fresh start within the department, all old files were cleaned out, eliminating prior employee disciplinary records. Given this clean slate, Snyder and Quick also improved the grievance system. Management became more accountable as they now were subject to being “written up,” with copies of the write-ups being provided to the union. This increased accountability within DPW and allowed the department to clean out those workers who were not producing their best work, but the old pay scale made it difficult to attract better candidates. Quick convinced Snyder that to obtain quality workers, they would have to offer competitive market salaries, which Snyder implemented. Many of these changes faced strong opposition from both lower-level management and people outside DPW.

Snyder and Quick had to demonstrate a united front to quell opposition to their new working relationship and to gain the trust and confidence of

both labor and management. To do this, the two held meetings in the city garage that provided workers the opportunity to address both their union leadership and management. Snyder and Quick, working as a team, constituted the nucleus of the new partnership. They met with each other daily and talked on the phone several times each day. Many of these conversations involved decisions that easily could have been made without union involvement, but Snyder preferred to involve the union in everything. To Snyder, this was a strategic effort to strengthen the partnership. In his words, “No matter how small or insignificant the decision, bounce it off the people you are trying to partner with.” Snyder felt that doing this ensured open communication between the parties and prevented both rumors and ill will from forming within the partnership.

Mayor Goldsmith also played a vital role in advancing the partnership. Because of his aggressive campaign promises for privatization, many union workers distrusted Mayor Goldsmith’s support of the partnership. To combat this, monthly meetings were convened that involved just the mayor and workers. Mayor Goldsmith also encouraged all employees to communicate with him via e-mail, and he guaranteed a response. With a means through which they could speak directly with the mayor, and without having to go through middle management, union workers were able to see the mayor as “more human” and as a valuable supporter of the partnership. This open communication worked in both directions, for it proved to Mayor Goldsmith that union workers could make a significant contribution to improving the city.

Maintaining the partnership required great dedication. It was criticized from all sides. Internally, some workers and lower-level management were still trying to undermine Snyder and Quick, while externally the local media were attempting to discredit them. However, Snyder chose to “live or die” by the partnership. “There was never a time I quit believing in what I was doing,” said Snyder. “I felt I was improving the workplace and helping city employees. But there were days ...” By working together, Snyder and Quick depended on each other for support. Their teamwork eventually would affect the working atmosphere in DPW as well as the lives of its employees.

For some employees, the partnership resulted in increased responsibility. The managers who remained after Mayor Goldsmith RIFed (Reduction-in-Force) some supervisors were relatively amenable to cooperating with the union. This, combined with the increased job responsibilities of the workers, forced management to depend on union workers as crew supervisors. The crew supervisors assumed some of the management paperwork, while management became more focused on ensuring the availability of proper equipment and material. The new arrangement also allowed DPW managers to widen their perspective on the abilities of union workers. As Todd Durnil, the deputy administrator of street maintenance, observed, “We took the shackles off the guys. We tapped their knowledge and experience instead of telling them what to do.”

## **Partnership Takes Hold**

As the partnership took hold, the department as a whole began to come together as a team. “Before [the partnership], you didn’t care about your fellow employee. You were your own entity,” AFSCME Vice President Jerry Richmond explained. “When people saw how the department came together as a group, they started to care about their fellow employees.” This attitude also seemed to permeate the employees’ home lives. Prior to the partnership, marital problems and alcohol problems were common among DPW workers. Through training and recognition for their knowledge, the partnership allowed workers to grow as individuals and increase their sense of self-worth. As a result, such personal problems became less troublesome within the department. As Richmond stated, “For many, their life had turned around.”

As employees became more involved in the decision-making process, they suggested new work practices to improve quality and efficiency within DPW. For example, trash collection required three people to be on the truck. In the past, all three workers would go with the full truck to the trash dump. Under the partnership, when a truck was full, a different driver would arrive with an empty truck and exchange it for the full one. The new driver then would take the full truck to the dump, while the other three workers were able to continue their route.

## Potholes

When Mayor Goldsmith took office, one of the first questions he asked was how much it costs to fill a pothole. At first, no one could tell him, though city officials eventually came up with a price of \$425 per ton of asphalt. Mayor Goldsmith and other city officials considered this cost to be too high. They put the job of street maintenance up for possible privatization but invited the Department of Public Works to bid as well. In the end, DPW was able to win the contract for street maintenance by submitting a bid of \$307 per ton of asphalt, a 28 percent reduction over those costs before competition was introduced. When the work actually was completed, DPW not only met the overall bid price, but they beat it by \$20,000. They also increased the average production of a work crew from 3.1 to 5.2 lane miles per day, a 68 percent increase.

This greater efficiency, combined with increased job training, allowed workers to be shifted to whatever task needed immediate attention. For example, starting in 1998, street maintenance workers began helping with leaf pickup, formerly a job solely within the jurisdiction of the Solid Waste Division. By employing this procedure, both leaf collection and trash collection were accomplished in record time with no delays in service. Similarly, the Streets Division always had cleaned up after the Indianapolis 500 parade. In 1998, the Solid Waste Division assisted, resulting in an unprecedented, quick cleanup. This was critical because an NBA playoff basketball game was scheduled later that same evening.

For such special circumstances, DPW and AFSCME implemented an automated callup system which offered overtime work to employees according to their seniority. This eliminated both favoritism and the labor-intensive task of calling and locating off-duty employees. With the automated system, employees were paged and given a number to call for recorded details. After listening to the possible assignment, the employee accepted or

declined the offer by pressing a key on the telephone. This process continued until all needed spots were filled.

Improvements like these, however, would not be possible without the proper equipment for the delivery of these city services. Before the partnership, money was spent on equipment simply to spend out the budget. Much of this equipment was inadequate or inappropriate for the duties of the department, and workers were left to complete their jobs without the proper tools. Under the partnership, workers were given a voice in the type of equipment that was purchased. By understanding the costs of service delivery through their training with Activity Based Costing, workers had the necessary knowledge to select the best equipment. Purchasing rules also were changed to improve the speed with which new equipment could be obtained. While supervisors were allowed to approve purchases of \$1,000 or less, a manager still was required to approve any expenditure above \$1,000. However, since managers were generally located in the same building, obtaining these signatures was not a lengthy process.

From 1993 to 1998, over \$5 million was spent on new equipment, including 40 trucks for snow plowing. This equipment, when combined with the new operating procedures, allowed DPW to remain competitive with private contractors. Prior to the implementation of ABC and the partnership, half of the snow removal responsibilities were contracted out. DPW has since regained all snow removal contracts, thanks to the many improvements realized with the help of the employees.

As these examples demonstrate, the partnership clearly improved the delivery of public services by generating a more efficient and cohesive team of workers. The union also benefited. Typically, union meetings used to be held off-the-clock and were attended by only four or five workers. That changed dramatically when monthly meetings were held on-site and on-the-clock, and attendance rose to between 50 and 80 workers. The meetings ran in an orderly fashion by following a posted agenda so that all labor issues were addressed. In addition, the union now had its own office and vehicles, while previously it simply had "access" to these

resources. By providing the union time to organize and meet with its members, management has been able to respond better to employees' needs.

The union, better to meet the needs of its members, shifted its focus. Previously, it had spent large amounts of time and money defending those 5 percent of its members who did a poor job. Now the partnership enabled the union to focus on securing improvements for the other 95 percent who did their job well. These improvements included an incentive program that put \$1 of every \$4 saved into the pockets of city workers. "Our folks have averaged 5 to 6 percent raises per year," Steve Fantauzzo said. "I'd challenge you to find any place in the country to match." In addition, the gains that the union achieved have spilled over to nonunion employees. Quick said he did not mind the spillover, since "we're all in this together."

The relationship between labor and management that originated during the partnership also impacted Mayor Goldsmith's competition plans. As the employees demonstrated that they could best complete the work, the percentage of the DPW budget that was bid out significantly decreased. In 1993,

20 percent of the DPW budget was bid out, with this percentage dropping to 3 percent by 1998. Within DPW, consensus was reached about what the department was good at and what would be better left to private contractors. In addition, contracts that DPW typically won were no longer bid out each year, but instead had longer contractual intervals to ensure continued efficiency.

Management also benefited from the partnership in other ways. Formal grievances declined significantly in number, freeing up both time and resources. Approximately 250 grievances were filed in 1993, while only one was filed in both 1997 and 1998. Issues still arose between workers and management, but these were resolved within DPW, often informally. In other cases, concerns were resolved by negotiating Side Agreements, supplemental documents agreed to by labor and management that specified DPW policy. These Side Agreements allowed for the immediate resolution of those problems that typically were handled only during regular contract negotiations, such as policy for tardy workers. Between March 1995 and October 1998, 23 such Side Agreements were signed.

### Side Agreements

The Side Agreements, reached jointly by AFSCME and the City of Indianapolis between March 1995 and October 1998, were reduced to writing, signed by both parties, and were considered supplements to their regular collective bargaining contract. These are a few examples of their 23 Side Agreements:

| Issue            | Agreement   |
|------------------|---|
| Black Expo       | To promote community awareness, DPW agrees to allow employees to attend Black Expo luncheons, set up Black Expo booths on city time, and be compensated at their regular wage.                                  |
| Accountability   | DPW management will be held to a higher level of accountability than will bargaining unit employees.  |
| Accidents        | All accidents will go before the union-management accident review board. If the board determines that the accident was preventable, the employee will be required to attend a defensive-driving training class. |
| Paycheck Privacy | All paychecks will be placed in a sealed envelope, done by the payroll coordinators, prior to checks being picked up by the employees' area representatives.  |
| Compensatory Pay | Bargaining unit members may use compensatory time in the same week it is earned, but compensatory time cannot be used prior to it being earned.   |

The influence of the partnership also improved the collective bargaining process. During the 1998 contract negotiations, the City of Indianapolis brought in an outside labor negotiator accustomed to the traditional, adversarial labor-management relationship. During an initial meeting, the negotiator's uncompromising stance prompted Quick to explain, "That's not the way we do things here. This is a partnership." Quick then called Mayor Goldsmith, who contacted the city's negotiator. At the next meeting, the negotiator apologized and maintained a low profile throughout the remainder of the negotiations, allowing Snyder, Quick, and others familiar with the partnership to work through the contract. Participants estimated that the entire contract was negotiated in 40 hours, much faster than the usual month-long, six-hours-per-day process.

The uniqueness of the partnership that developed in the City of Indianapolis has been acknowledged in many ways. Since the introduction of competition into the delivery of public services and the establishment of the partnership, Indianapolis has served as a model for other municipalities looking to achieve similar gains. The City of Indianapolis has been recognized through numerous awards, including the Kennedy School Innovations in American Government Award from Harvard University in 1995. Of the 1,500 applicants, only 15 awards are given each year. The City of Indianapolis submitted a joint labor-management application, the only application of its kind in 1995. When Vice President Al Gore presented the award, Mayor Goldsmith waited for Steve Quick to reach the podium before accepting the award. Mayor Goldsmith's actions emphasized that the receipt of the award, as well as the existence of the partnership, was in large part due to the willingness of both city management and the union members to break from their traditional adversarial roles and foster a new working relationship.

# Findings and Recommendations

While our case study of the Indianapolis labor-management partnership reveals a number of lessons for those organizations interested in implementing collaborative management, it is only through a structured qualitative and quantitative analysis that a complete set of recommendations and findings can emerge. We conducted a qualitative analysis by interpreting the Indianapolis case study with respect to a conceptual model of labor-management collaboration. This model (presented in detail in Appendix A) is based on the underlying principle that collaboration will exist as a supplement to, not a replacement for, traditional collective bargaining and is predicated on this continuing labor-management relationship.

The model identifies the major components of successful collaboration and is comprised of five stages: impetus, initiation, implementation, integration, and institutionalization. First, for collaborative management to be effective, the present collective bargaining process must prove inadequate to address the increasing internal and external pressures on both parties. This constitutes the *impetus* stage. Second, the *initiation* stage is reached when both labor and management develop shared objectives to address these pressures without infringing on their traditional collective bargaining relationship. Third, the *implementation* stage occurs when collaboration develops in conjunction with, not in opposition to, the collective bargaining process. Fourth, the *integration* stage is reached when both

the representatives and their constituents are fully committed to collaboration. And, fifth, for collaborative management to be successful over the long term, it must be formalized as a supplement to the collective bargaining process and addressed in the labor-management contract, thus comprising the *institutionalization* stage.

In addition to the qualitative analysis of the case study, we conducted a quantitative analysis utilizing survey research and multivariate regression. This quantitative assessment (which is presented in detail in Appendix B) was used to validate and extend the qualitative results. Through the use of data collected from a survey completed by both labor and management, the model of collaboration was applied to determine those underlying factors that contributed to the success of the partnership. The results provide statistical confirmation of the partnership's success and identify the antecedents of that success.

Based on both the qualitative and quantitative analyses, one of the most fundamental determinants of successful labor-management collaboration is the infrastructure of an existing collective bargaining relationship. Because cooperation is historically counter-intuitive for labor unions, the competition of collective bargaining is critical for their survival. Unionism in government continues to grow throughout the United States and, therefore, any initiative to "reinvent government" must

recognize and accept this fact. Any reform in the delivery of public services must be based on the traditional collective bargaining relationship, which in turn becomes the infrastructure for the parallel process of collaboration. Collective bargaining traditionally addresses wages, hours, and working conditions; building upon this infrastructure, labor-management partnerships address the higher-level concerns of both parties. The implication for organizations interested in a collaborative relationship with labor is not to change the collective bargaining process, but to ensure a parallel process for dealing with those issues outside the traditional scope of wages, hours, and working conditions.

## Findings

### **Finding 1: Initiating collaboration requires a defining event for which traditional collective bargaining is inadequate.**

This event or situation must generate sufficient internal and external pressure on both parties to force them to recognize that their traditional way of dealing with each other (collective bargaining) is inadequate. In Indianapolis, this event was the mayor's campaign platform to privatize the delivery of city services and the potential loss of union jobs. Simultaneously, racial tensions within city departments had reached critical levels, and collective bargaining had not been adequate to resolve them.

### **Finding 2: Organizations that are interested in exploring collaborative approaches, without external and internal pressures, need to separate collaboration from collective bargaining.**

In terms of a hierarchy, collective bargaining addresses one set of organizational needs, while collaboration addresses another. By protecting the collective bargaining process, the risk of collaboration to labor and management is reduced and the probability of successful collaboration is increased. Moreover, the infrastructure upon which their collaboration is built will be sustained.

### **Finding 3: Both parties must perceive significant benefits from their collaboration before they will be willing to engage in a joint partnership.**

While labor and management may have different reasons to collaborate, both parties must share a common goal for their collaboration to be success-

ful. For example, this shared goal in Indianapolis was the protection of city services and the simultaneous protection of city jobs. Organizations interested in fostering collaboration cannot do so unless *both* labor and management recognize the advantages of cooperation.

### **Finding 4: Training is a critical factor in implementing collaborative management.**

This does not necessarily refer just to training on process skills (e.g., effective listening), but rather to training, as well, on content skills (e.g., cost estimation). In Indianapolis, this took the form of workshops on such topics as bid preparation and budgeting. Since the voice of employees is through their union, collaboration will not occur without the active support of both the local labor union and its affiliate. Thus, an organization wishing to bring about such collaboration must recognize that the collaboration is with the union, not with individual employees. Moreover, based on the importance of parallelism, collaboration must remain a distinct and separate decision-making process from that of collective bargaining, yet can take place concurrently.

### **Finding 5: Commitment to the partnership and diffusion of this commitment throughout the constituencies of both labor and management are the most critical factors in the success of collaborative management.**

This commitment must not be restricted solely to the leadership, but must pervade both organizations. Without the commitment of both parties and acceptance within both organizations, the Indianapolis collaboration effort would have been thwarted, and the traditional adversarial relationship would have recurred. In Indianapolis, both labor and management repeatedly demonstrated this commitment, thus increasing the level of trust between the participants. This suggests that those organizations wanting to emulate the Indianapolis partnership must have a continuing and sustained commitment to the collaborative process from both labor and management.

### **Finding 6: Individual personalities play an important role in any organizational reform.**

The continuing importance of both trust and open communication emerged consistently throughout our research interviews. The initial willingness to

explore alternative ways to deliver municipal services incurred significant political risk for Steve Goldsmith, Chuck Snyder, Steve Quick, and Jerry Richmond. But for their personal and sustained commitment to trust and open communication on behalf of their constituents, the Indianapolis partnership would not be the exemplar of success that it has become.

**Finding 7: Once collaboration is established, it must be incorporated into the day-to-day operations of the organization.**

Even though individual personalities did play a dominant role in the creation and success of the Indianapolis partnership, the process of collaboration, once established, must not remain dependent on individuals. Therefore, we strongly urge those organizations that want to pursue collaboration between labor and management to institutionalize this process by incorporating it within their labor agreement. This not only legitimizes and strengthens the collaborative process, but also assures its survival.

## Recommendations

**Recommendation 1: Don't force collaboration.**

The *impetus* for collaboration should emerge naturally when both labor and management recognize that their traditional collective bargaining process is not able to address those internal and external pressures demanding change. Artificially forcing collaboration, without legitimate threats perceived by both parties, is unlikely to result in a self-sustaining process.

**Recommendation 2: Make sure that both labor and management share the primary reason for collaboration.**

The primary reason to *initiate* joint collaboration must be clear and accepted by both sides. However, each side can have other, secondary reasons to collaborate, and both parties must accept these different agendas.

**Recommendation 3: Ensure that the traditional collective bargaining process is protected.**

The process of collaboration must remain separate from the collective bargaining process. Yet collaboration also must involve the same parties, since the

union already is the designated representative of the workforce. Additionally, training becomes critical in both collaboration skills (e.g., effective listening) and problem-solving skills (e.g., Activity Based Costing) to help labor and management *implement* this parallel decision-making process.

**Recommendation 4: Treat collaboration and collective bargaining as separate but equally important processes.**

Since the collective bargaining process already is well *integrated* in government, labor and management also must commit to collaboration and develop this commitment throughout their constituencies. This is critical so that collaboration also becomes well *integrated* in government.

**Recommendation 5: Tie collaboration to the collective bargaining agreement.**

In order to *institutionalize* and sustain collaboration, labor and management must link collaboration to collective bargaining by incorporating it in their contract. Failure to do this is likely to place the collaborative process at great risk from changes in politics and personality.

# Appendix A

## Labor-Management Collaboration: A Qualitative Model<sup>3</sup>

Organizational behavior can be viewed as aggregated individual behavior. Therefore, understanding an individual's motivation can be useful in understanding organizational behavior. Motivation theory historically has centered on the notion of a needs hierarchy. Maslow, for example, argued that individuals satisfy lower-order needs before focusing their attention on higher-order needs. Adlerfer reconfigured this notion of a hierarchy into three clusters: existence, relatedness, and growth, and applied his theory to groups as well as to individuals.

Recent theorists provide a link between motivation and the relationship between collective bargaining and collaboration. For example, Trist defined the extrinsic characteristics of work as a desire for fair wages, job security, and safe working conditions, which are analogous to those needs satisfied through collective bargaining. He further defined the intrinsic characteristics of work as a desire for autonomy and professional discretion, which are analogous to those needs satisfied through collaboration. Cutcher-Gershenfeld observed that traditional collective bargaining addresses the lower-order concerns by routinely dealing with issues of wages, hours, and working conditions. Similarly, Lawler and Herrick cited the higher-order concerns of control, competence, and achievement as those usually satisfied by collaboration.

If traditional collective bargaining, as described by the classic Walton-McKersie framework of distributive bargaining, is a precondition for collaboration, any model that predicts success in collaborative management must incorporate the principle that collaboration will exist as a supplement to, not a replacement for, traditional collective bargaining. Consequently, the success of collaborative management will be dependent upon the effectiveness of the collective bargaining relationship.

The model utilized in this research demonstrates how collaborative management structures are implemented. It is predicated on a preexisting collective bargaining relationship between labor and management, identifies the major components of successful collaboration, and encompasses five critical stages. First, for collaborative management to be effective, the present collective bargaining process must prove inadequate to address the increasing internal and external pressures on both parties. Second, both labor and management must develop shared objectives to address these pressures without infringing on their traditional collective bargaining relationship. Third, successful collaboration must develop in conjunction with, not in opposition to, their collective bargaining process. Fourth, successful collaboration requires a full commitment by both the representatives and their constituents. And, fifth, for collaborative management to be successful over the long term, it must be formalized as a supplement to the collective bargaining process and addressed in the labor-management contract.

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<sup>3</sup> This section is adapted from our recent article, "Successful Collaborative Management and Collective Bargaining in the Public Sector: An Empirical Analysis," that appeared in Vol. 22, No. 4 (1999), of *Public Productivity and Management Review*, pp. 517-536.

These five stages contain 11 variables that are used to measure the success of collaborative management. The stages represent the development of collaborative management and describe the antecedents that must exist when implementing a labor-management partnership. The variables within these stages are those dimensions that shape the process. Table 1 summarizes the variables that lie within each stage and provides a brief description of each variable.

**Impetus Stage**

External and internal pressures force employees and managers to seek resolutions. If both parties can reach reasonable solutions through traditional collective bargaining, they will continue to invest in the process. However, if collective bargaining proves to be inadequate, the parties will seek alternative solutions through other mechanisms. Thus, for collaborative management to be explored within an organization, the present collective

**Table 1: Stages and Variables for a Model of Labor-Management Collaboration**

| Stage                | Variable                       | Description  |
|----------------------|--------------------------------|--|
| Impetus              | External pressure              | External pressure includes demands for change from the business and civic communities, regulatory offices, the courts, or other interest groups.   |
|                      | Internal pressure              | Internal pressure is defined as intraorganizational demands from labor union constituents or management officials desiring change.   |
|                      | Collective bargaining adequacy | The existing means of joint decision making must be found inadequate before labor and management will explore alternative problem-solving methods.   |
| Initiation           | Goal congruence                | The need for shared goals to address initial pressures requires a clarification of the shared goals and mutual agreements to achieve them.   |
|                      | Goal differentiation           | Both respective parties must have enough goal differentiation to maintain their credibility and cooperate with each other while dutifully representing their constituencies.                           |
| Implementation       | Need for representation        | Unions serve as a unifying mechanism that provide credibility to the collaborative management process by encouraging labor’s participation while continuing to offer the benefits of union membership. |
|                      | Parallelism                    | Parallelism describes the degree to which the collaboration process operates simultaneously with collective bargaining.  |
|                      | Training                       | Training is the amount of educational programs and skills development for labor representatives and management.  |
| Integration          | Commitment                     | Mutual commitment to change is required from both labor and management to achieve collaboration while maintaining their established collective bargaining relationship.                                |
|                      | Diffusion                      | Diffusion is the capacity of labor and management to spread its commitment to collaboration throughout their constituencies.   |
| Institutionalization | Collective bargaining linkage  | The collective bargaining linkage refers to the direct tie between collaborative management and the collective bargaining agreement.   |

bargaining process must prove to be inadequate to address the increasing internal and external pressures on both parties. The impetus stage contains three variables: external pressure, internal pressure, and collective bargaining adequacy.

### **Initiation Stage**

Represented employees and their managers must develop congruent organizational objectives to work together effectively. While there must be agreement regarding joint objectives, a simultaneous differentiation of goals must also exist to satisfy both parties' respective constituencies. Successful collaboration requires the congruence of goals only as far as such agreement relates to relieving those individual pressures identified in the impetus stage. Both labor and management must develop shared goals to address the pressures placed upon them without jeopardizing their continuing collective bargaining process. The initiation stage contains two variables: goal congruence and goal differentiation.

### **Implementation Stage**

During the developmental stages of collaborative management, union representation provides credibility to organizational change by encouraging employee participation while continuing to offer the protection of union membership. This protection allows the collaborative management process to develop in conjunction with, not in opposition to, the current collective bargaining process. As the collaborative management process continues to develop, training programs for both employees and their managers become necessary to sustain the change. The implementation stage contains three variables: need for representation, parallelism of collaboration to collective bargaining, and need for training.

### **Integration Stage**

Once the leadership of both labor and management have agreed to implement collaborative management strategies, there must be a commitment to, and a diffusion of, collaboration throughout both organizations. Without the support of both labor and management, participative decision making is likely to fail. To increase the level of commitment, labor and management must foster support for the collaborative management programs within their respective memberships. Sustaining high levels of

both commitment and diffusion is critical for full implementation to occur. This stage contains two independent variables: commitment and diffusion.

### **Institutionalization Stage**

Institutionalization is the process of formally negotiating collaborative management into the union contract as an integral component of the traditional collective bargaining relationship. The Dunlop Commission found that the way in which labor leaders view future power relationships determines their willingness to participate in collaborative decision making. Therefore, formalization of collaborative management is required to provide a concrete statement of both labor and management's long-term commitment to collaboration. While collaboration remains a separate and parallel process to collective bargaining, it nevertheless should be formalized and included in the labor-management contract. In this stage, the variable is the collective bargaining linkage.

# Appendix B

## The Indianapolis Partnership: A Quantitative Analysis<sup>4</sup>

Together, the case study and our model of collaboration provide a qualitative approach to understand the City of Indianapolis' labor-management partnership. In addition, a quantitative analysis, utilizing survey research and a multivariate regression, was used to validate and extend these qualitative results. Through the use of data collected from a survey completed by both labor and management in the Department of Public Works, the model of collaboration was applied to determine those underlying factors that contributed to the success of the partnership. The following provides a detailed description of the results of this analysis and its statistical support of the model of labor-management collaboration.

The 11 independent variables, sorted among the five developmental stages, provide a quantitative method to analyze the success of the Indianapolis labor-management partnership. To gather data for this largely attitudinal analysis, focus groups and interviews were conducted to refine the survey questionnaire. The resulting five-page questionnaire was distributed to all 445 DPW employees, including both labor and management. Of these 445 workers, 330 were in the bargaining unit and were represented by AFSCME. The others were managers, supervisors, or clerical staff. The questionnaire

had a 53 percent response rate, with 237 surveys returned. By eliminating the incomplete or perfunctorily completed surveys, and surveys from individuals with less than a high school education, 110 questionnaires were available for the final data set.

This final data set was analyzed using multiple linear regression. Regression analysis indicates whether or not each independent variable is statistically related to the dependent variable, and provides information on the nature and extent of these relationships. A statistical significance level of 0.05 was established as the minimum to retain independent variables in the regression equation.

The qualitative analysis addressed the historical perspective of the partnership and supported all five stages and the 11 variables of the model. However, the data collection occurred recently, and therefore, the quantitative analysis did not reflect the significance of the impetus stage (external pressure, internal pressure, and bargaining adequacy). In addition, since training on Activity Based Costing took place early in the partnership's development, the training variable also did not prove significant. And, because of the partnership's maturity at the time data were collected, commitment and diffusion were so organizationally entrenched that these variables emerged as a single, combined variable. This combined variable was a stronger statistical indicator than the two variables separately, and also was consistent with the evolutionary stage of the Indianapolis partnership during which the

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<sup>4</sup> This section is adapted from our recent article, "A Heuristic Model of Collaboration Within Labor-Management Relations: Part II, The Indianapolis Experience," that appeared in Vol. 29, No. 2 (2000), of *Journal of Collective Negotiations in the Public Sector*, pp. 139-151.

survey was administered. Thus, the final quantitative model incorporated six independent variables representing the four stages from initiation through institutionalization.

An F-statistic and an adjusted R-Squared value are generally utilized with regression analysis to establish the statistical validity of the entire equation, as well as the strength of the relationship between the dependent and independent variables. The F-statistic and its p-value give the overall statistical significance of all of the independent variables acting simultaneously on the success of the partnership. The adjusted R-Square value indicates how much of the total change in the dependent variable can

be explained by or associated with the independent variables as causal factors.

Table 2 presents the detailed regression analysis results. For this regression equation, an F-statistic of 127.9 and an adjusted R-Squared of 0.872 were obtained. This unusually high F-statistic unequivocally indicates a very strong statistical relationship between the success of the partnership and the independent variables. The p-value of .0001 indicates the probability that this relationship is a chance result is less than 1 in 10,000. The adjusted R-Square value indicates that 87.2 percent of the success of the partnership is attributed to these independent variables.

**Table 2: Multiple Regression Analysis of Conceptual Variables Estimating Success of the Indianapolis Labor-Management Partnership**

| Independent Variables  | Parameter Estimate | Standardized Estimate | t-statistic | Prob >   t |
|--|--------------------|-----------------------|-------------|------------|
| Goal Congruence*   | 0.6887             | 0.2357                | 2.923       | 0.0042     |
| Goal Differentiation*  | -1.0433            | -0.1287               | -3.619      | 0.0005     |
| Need for Representation*   | 1.1175             | 0.2013                | 3.390       | 0.0010     |
| Parallelism**  | 0.9217             | 0.1245                | 2.423       | 0.0171     |
| Commitment/Diffusion*  | 0.4406             | 0.2619                | 3.424       | 0.0009     |
| Collective Bargaining Linkage*                                   | 1.1864             | 0.2497                | 4.624       | 0.0001     |
| Intercept  | 0.0570             | 0.0000                | 0.019       | 0.9850     |
| F-Value  |                    |                       | 127.936     |            |
| Probability > F  |                    |                       | 0.0001      |            |
| R Square   |                    |                       | 0.8787      |            |
| Adjusted R-Square  |                    |                       | 0.8718      |            |
| * Denotes statistical significance at the 0.01 level or better.  |                    |                       |             |            |
| ** Denotes statistical significance at the 0.05 level or better. |                    |                       |             |            |

The regression results are summarized below by presenting the regression equation using standardized coefficients or multipliers for each of the independent variables. They show the relative importance of each of the independent variables, while holding the effects of the other independent variables constant. The higher the standardized parameter estimate, the greater will be the relative impact of the respective independent variable on the partnership. The single asterisks in this equation indicate those variables that have the highest degree of statistical confidence, whereas the double asterisk shows a slightly lower but still very strong degree of statistical confidence.<sup>5</sup>

The final regression equation resulting from the quantitative analysis was:

$$\begin{aligned}
 \text{Success of the Partnership} = & \\
 & \mathbf{0.06 + 0.24 \textit{ Goal Congruence}^*} \\
 & \mathbf{- 0.13 \textit{ Goal Differentiation}^* +} \\
 & \quad \mathbf{0.20 \textit{ Need for Representation}^*} \\
 & \mathbf{+ 0.12 \textit{ Parallelism}^{**} +} \\
 & \quad \mathbf{0.26 \textit{ Commitment/Diffusion}^*} \\
 & \mathbf{+ 0.25 \textit{ Collective Bargaining Linkage}^*}
 \end{aligned}$$

With respect to the detailed presentation of the final regression model in Table 2, high t-statistics (generally in excess of 2.0) and low p-values (generally lower than 0.05) indicate high statistical significance and the presence of a relationship that is unlikely to occur by chance. All six variables proved to be statistically significant at the 0.05 level, with five of the six significant at the 0.01 level or better. These are excellent statistical results that verify both strong relationships between the independent variables and the success of the partnership, as well as the validity of the conceptual model of collaborative management.

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<sup>5</sup> Single asterisks represent a significance level of 0.01, which indicates that the respective relationships are likely due to chance only 1 percent of the time. The double asterisk represents a significance level of 0.05, which indicates that the respective relationship is likely due to chance only 5 percent of the time. Both of these levels are indicative of strong statistical relationships between the dependent and independent variables of a regression equation.

In summary, the regression results indicate that five of the six independent variables are highly significant and have the expected sign. These variables are *goal congruence*, which represents the initiation stage of the model; *parallelism* and the *need for representation*, which together represent the implementation stage; *commitment/diffusion*, which represents the Integration Stage; and *collective bargaining linkage*, which represents the institutionalization stage. The negative sign on *goal differentiation* is not surprising given that seven years had elapsed between the formation of the partnership and the administration of the survey.

These results are consistent with the conceptual model of collaboration, provide statistical confirmation of the partnership's success, and identify the antecedents of that success. These antecedents are *commitment/diffusion*, *collective bargaining linkage*, *goal congruence*, the *need for representation*, *parallelism*, and *goal differentiation*. All of these variables are identified within the regression equation as highly significant, and each has a major impact on the partnership. This analysis, coupled with the case study, provides critical insight into how successful labor-management collaboration evolves in the public sector.

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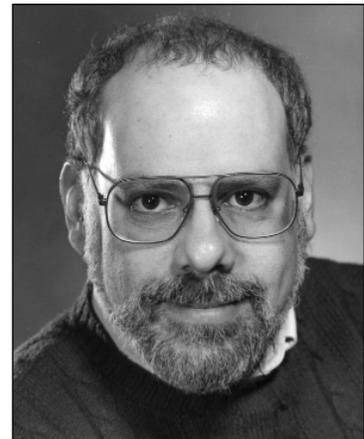
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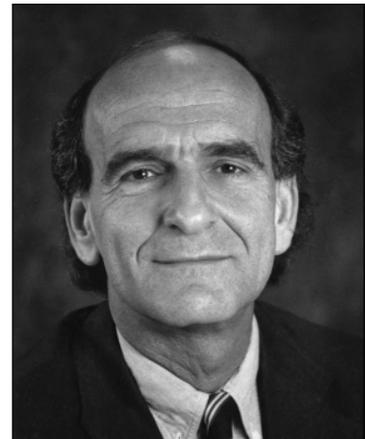
**Barry M. Rubin** is a Professor in the School of Public and Environmental Affairs (SPEA) at Indiana University in Bloomington. He has been a member of the School's faculty since 1979. His B.S. degree is from the Florida State University, and his M.A. and Ph.D. degrees are from the University of Wisconsin – Madison.

Professor Rubin's research has focused on public and environmental policy issues at local and regional levels, and on the application of statistical and quantitative analysis tools to policy and management. He has done extensive work on the effectiveness of urban enterprise zones as local and regional economic development tools, on the regional economic development impacts of global climate change, and on the effectiveness of strategic planning and management in local government. Over the past five years, his research has turned to the question of applying quantitative tools to assess and improve the delivery of local public services through new management structures. His work has been published in *Public Administration Review*, the *Journal of the American Planning Association*, *Public Productivity and Management Review*, the *Journal of Collective Negotiations in the Public Sector*, *Urban Affairs*, *Economic Development Quarterly*, the *Transportation Journal*, *Land Economics*, and the *Journal of Regional Science*, among others.

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