

Statement of Bob Stone
Performance Advisor to the Deputy Mayor for Budget & Innovation
City of Los Angeles

Little Hoover Commission
Sacramento, California
January 22, 2015

Mr. Chairman and members of the Commission, thank you for the opportunity to testify today.

My name is Bob Stone. I am currently a dollar-a-year employee—that is, a volunteer—in the office of the Deputy Mayor for Budget & Innovation, City of Los Angeles. I am an engineer by education and early practice. I worked for 24 years at the Pentagon—my first twelve years trying to strengthen management, then the last twelve as a Deputy Assistant Secretary of Defense trying to weaken it.

I had discovered the truth in the writings of Peter Drucker, considered by many the very inventor of management:

“Ninety percent of what we call ‘management’ consists of making it difficult for people to get things done.”

I spent my last twelve years there trying to cut away management, for example by replacing a 450-page directive with one of four pages, and getting more authority into the hands of the people actually trying to get things done.

In Defense there was no conception of “customer.” The customer, if there was one, was the Congress, or the boss, or the American people. When the Secretary’s office began to delegate authority and to embrace the idea of soldier and sailor as customer, things began to change. The quality of aircraft maintenance and the quality of French fries in the dining halls both went up,

My work in the Pentagon ultimately led to Vice President Gore recruiting me to lead his National Performance Review, or NPR, the effort to reinvent the federal government.

I found—no surprise—that as in the Pentagon, so in the rest of the federal government: Customs had no customers, only suspects. EPA had no customers, only polluters, IRS had evaders. And managers everywhere had their hands tied by regulations and management practices dating from the days of Frederick Winslow Taylor and his 1910 masterwork, *The Principles of Scientific Management*, which called for managers to use their brains to tell unthinking workers how to use their hands.

At NPR we tried to implement the same three principles that had shown so much payoff in Defense:

- Put customers first
- Cut red tape
- Empower employees to get results

Of course there were some obvious things to do right away. It was almost a no-brainer to have agencies set standards of customer service, to make it easier for workers to get the tools they needed, and to cut layers of—I hesitate to call it management—central control and mistrust was the description we used, perhaps too provocatively, to describe the stifling hand of headquarters and supervisors.

But ironically here we were, people in headquarters telling other people in other headquarters how to fix things at the front lines. What's wrong with this picture? The real experts on front-line issues were the people at the front lines. To be sure, we had some front-line workers on the NPR staff, but not enough. The solution? Get more, and put them to work.

So we created customer service task forces, starting with IRS. It comprised people from the front lines (revenue agents, call center operators, and others), along with mid-level managers from IRS, with representatives of Treasury and NPR to steer the effort. The Task Force reviewed customer complaints and reports on the IRS, interviewed experts and employees, and above all, listened to the concerns of the American taxpayer. There was a [65-page report](#) with dozens of recommendations for change, from simplifying forms to improving telephone service to helping small business to radically reorganizing the agency. Most of the recommendations were implemented by a new commissioner.

The process was repeated in the Federal Student Aid agency of the Department of Education, and in OSHA, Customs, Immigration, and, I believe, in other agencies. These efforts led to radical improvements in customer service and in compliance.

This process has the magic touch, without which all reform efforts are bound to fail: pair the people who know what's wrong and how to fix it with people who are willing to listen and who have the power to change things.

Another way we applied the magic touch was to designate certain organizational elements as special, where workers and managers were allowed to do their work their own way, with the promise that top headquarters would waive rules or otherwise remove impediments. The model installation program at Defense and reinvention labs under NPR unleashed the enthusiasm of workers and managers while showing top management what rules needed to be changed for everyone.

For example, when the Marine Captain who ran food service for the troops at Camp Lejeune, NC, told us he could get a better deal on commercial deep-fat fryers himself, than could DOD's central purchasing authority, we gave him the go-ahead. The Marines loved the French fries that resulted—they were just like McDonald's fries, and why not? They were fried in the same model fryer. This success at one model installation led to allowing all bases to shop for the best deal they could make on kitchen equipment, no more mandating a single central source for all.

When I came to work for the City of Los Angeles I wanted to replicate the model installation program and the reinvention labs that had produced early wins and showed what big reforms were needed. We established fifteen "innovation centers," where managers and workers are encouraged to do things differently and to challenge the status quo. It's early, but promising; One department is replacing navigation by Thomas Guide with navigation by smartphone; another is using the private sector to raise fire code compliance.

Reforming Los Angeles is a mountain to climb. The red tape and useless work of the Pentagon pale beside the practices of a city government that seems to be still living with the reforms of Hiram Johnson's time, a century ago. We still need authorization to make a phone call to the area code next door. We need approval of City Hall to hire a new elephant keeper for our zoo. We require a \$160,000-a-year senior manager every month to personally sign 120 Visa slips generated by his organization.

There's bad news: the city government is starved for funds. We're in one of the biggest economic booms in history, but city revenues don't come close to satisfying our needs. As a result our streets are in terrible shape, we can't afford to train our workers, and our records are kept with a mixture of modern computing along with stubby pencils and COBOL programs.

But there's also good news: Mayor Eric Garcetti is seriously working to take government "back to basics." His goal is to make Los Angeles the best-run big city in America, and I think he's got a real shot at it. He's hired Rick Cole, recognized as one of America's top public officials as Deputy Mayor for Budget **AND** Innovation—the only city leader in America with that pair of responsibilities. And Mayor Garcetti has been personally immersed in evaluating, hiring, and firing agency heads. As a result leadership of Los Angeles's departments is more capable and more aligned than any government I've ever been involved with.

So much for my experience and for the city of Los Angeles. Executive Director D'Elia asked me what I believe is needed for creating lasting reform in California state government. There are three steps that are absolutely necessary:

First, determine what reforms are needed. Employ the magic touch I mentioned earlier: pair the people who know what's wrong and how to fix it with people who are willing to

listen and who have the power to change things. This is how NPR started in the Clinton-Gore administration. We later dubbed the approach a “customer service task force,” or CSTF, and it was replicated in the IRS and other places, as I have mentioned.

This was the approach of the California Performance Review under Governor Schwarzenegger, but unfortunately there was no follow through. The CPR produced an excellent report that gathered dust. I recommend that California start by dusting it off and proceeding quickly to step two.

Second, get started implementing them. Give passionate fanatics the job. Bob Wenzel was a passionate fanatic who headed the IRS Fresno office. He joined NPR and helped demonstrate the need for an IRS CSTF. Gore appointed him to head the task force, then the new IRS Commissioner put Bob in charge of implementation as deputy commissioner. Education Secretary Dick Riley grabbed passionate fanatic Greg Woods from his position of NPR deputy director, appointed him Chief Operating Officer of the Federal Student Aid agency, and set him to reinvent. Similar actions were led by passionate reinventors at OSHA, Veterans Benefits, and Customs.

Third, make them last. This is the hard part. California state government employs over 200,000 people, trapped in the management systems and methods of old, and trying their best and often succeeding against all odds. They can’t just be told to do new things the new way. They—and their leaders—have to learn. That will take time and money.

But learning is way undervalued in government. The military believes deeply in spending for training. It’s near the last thing to be cut. That’s the culture, too, in police and firefighters. But hardly anywhere else. When money is tight training and education are the first to be cut.

If California succeeds in determining what reforms are needed, and starts implementing them, we still will fail unless we make the investment in the people who ARE the state government. To make the reforms last we’ll need an entire workforce that understands what needs to change and why, and a leadership that’s fanatically committed to the change. Washington hasn’t made the commitment, nor has Los Angeles, so far? Will California?

After World War II we Californians decided that education was our number one priority, and we funded the world’s best university and college system, and led the nation in investment in public schools. Now our universities are out of reach for most Californians without financial aid, and our schools are near the bottom. Our state government was tops then, as well, and now it’s not.

It can be tops again. All we have to do is follow the three steps and fund them.

Thank you. I’ll be glad to try to answer any questions you have.