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## **‘CONTINUOUS PROCESS IMPROVEMENT:’ REDUCING THE COSTS OF DOING BUSINESS IN FLORIDA BY CREATING ‘WORLD CLASS’ REGULATORY PROCESSES**

Making government run ‘more like a business’ means emphasizing quality. The quality standards we enforce today will determine Florida’s future competitiveness in attracting tourists, new businesses, and new residents who could easily choose to go to other states. The key is to make our regulatory processes “world class” ones, not abandon our quality standards. We must now do what Governor Scott has promised – “create a culture of constant improvement.”

### **At a Glance:**

- **Some Government Regulations Are Essential Quality Standards.**

Businesses can fail when they neglect quality – states and their economies can also fail if they neglect quality standards. **THOUGH NOT THE CAUSE OF OUR ECONOMIC CRISIS, FLORIDA’S REGULATIONS COULD HINDER RECOVERY BY IMPOSING UNNECESSARY COSTS.**

- **A Stewardship Obligation.**

Helping businesses reduce their costs -- without compromising quality standards or unduly burdening taxpayers -- is an obligation of each public servant.

- **‘Continuous Process Improvement’ Could Eliminate Unnecessary Costs.**

In his inaugural address, Governor Scott called for creating “a culture of constant improvement.” It is the best way to maintain our quality standards while also reducing the costs of regulation.

- **What is ‘Continuous Process Improvement?’**

Continuous Process Improvement includes several related management techniques to train and empower employees to carefully study and measure their work processes to continuously improve them.

- **Governments Can Do Continuous Process Improvement.**

Several states have reduced permit application backlogs, reduced lead times for permit reviews, simplified permit applications, and improved the quality of permit reviews.

- **Some in Florida’s Governments Are Exemplars in Saving Taxpayers’ Money by Creating a Culture of Continuous Improvement.**

Three units of state government and several local governments and public schools have earned the Governor’s Sterling Award. Governor Scott’s Good Government Transition Team commended the Florida Department of Revenue for using continuous process improvement since the mid-1990s to become what is likely the nation’s best DOR.

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*“Improving taxpayer value, citizen understanding, and government accountability.”*

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Florida now has the opportunity to become the first state in the nation to give its citizens the benefit of ‘world-class regulatory processes’ by applying the philosophy and methods of Continuous Process Improvement to the implementation of all of its regulations.

## **Next Steps:**

- **Build on Existing Expertise**

Productivity improvement leaders in Florida, especially the Governor’s Sterling Award winners, should be enlisted as trainers to share their management philosophies and lessons learned.

- **Land Use Development**

Development permitting is decentralized. Focus on a few local governments that are already among our best performers and enable them to become exemplars for the rest.

- **Accountability for Performance**

When a true culture of continuous improvement exists, all members of an organization feel a sense of personal responsibility to see that their organization is a high performing one. OPPAGA, the Auditor General, the Inspectors General, and other auditors should help the leaders of Florida’s governments by informing them about both successes and obstacles to achieving continuous improvement.

- **Sustained Leadership Commitment**

There are no examples of high performing corporations that frequently and constantly change their top leaders. It takes a minimum of 3-5 years to accomplish meaningful cultural change in organizations to sustain continuous improvement. Frequent turnover of top elected and appointed leaders in government is probably the greatest obstacle to transforming governments into high performing ones. What Florida’s taxpayers deserve is a continuing commitment to continuous process improvement, one that transcends parties and elections, to give Floridians the benefit of world class regulatory processes.

## INTRODUCTION

Government regulations place restrictions on how people behave. Consequently, regulations can become sources of friction. Some regulations are also essential. Without regulations, we would be unsure of the cleanliness of the food we eat or the qualifications of the people who teach our children or treat us when we become ill. With this in mind when speaking of his plan to review all regulations, Governor Rick Scott emphasized in his inaugural address that “there are some regulations that are essential for health and safety, and others that are essential to the protection of our priceless environment.”

Government regulations are quality standards. They typically state minimum levels of quality that must be met – by people who wish to develop land, to practice a profession, to catch fish, to operate a nursing home, to operate a vehicle, and so forth. Our quality of life can be impaired when people fail to meet these quality standards. The best businesses place great emphasis on their quality standards. If a business fails to adopt and implement high standards of quality, it is likely to lose sales to those whose products and services are of higher quality.

To achieve high quality, top performing businesses have adopted management practices that emphasize the continuous improvement of all of the processes involved in the production of their products and services. There is an international (ISO) system for certifying those businesses that have adopted effective quality assurance processes. It is now common for major corporations to require their suppliers to hold a quality assurance certification. Companies can be more certain of the quality of their products when they know that their suppliers also meet high quality standards. Several research studies have indicated that there are significant financial benefits for the businesses that become adept at continuously improving their work processes. Customers are attracted to businesses that are good at containing costs while also delivering high quality.

Market competition puts pressures on businesses to compete in both price and quality. Businesses that fail to emphasize quality and efficiency endanger their own survival. The best businesses do not sacrifice their quality standards when times get tough. Instead, they strive for greater efficiency in meeting those standards. As consumers, we all benefit when companies compete on the basis of quality as well as price.

We also benefit when governments assure that high quality standards are met. But the regulatory processes of government are not administered in a competitive environment. Consequently, the work processes behind most of the regulations administered by Florida’s governments have not been closely scrutinized. The public employees who administer those regulations have often not been trained, nor have their creative talents been tapped, to achieve real improvements to their work processes.

Our economy in Florida has recently undergone its greatest setback since the depression of the 1930s. Florida’s governments and businesses alike must now seek to become better at delivering both quality and efficiency. With this in mind, Governor Scott promised that in Florida’s government, “We’ll also apply some of the key tools that private businesses use to create a culture of constant improvement.”

This Florida TaxWatch “Ideas in Action” paper proposes that we use the tools and techniques that are now being used in top businesses to improve Florida’s regulatory processes -- to improve efficiency while attaining ever higher quality standards. Some of these advanced management tools are already being used in our government. Governor Scott’s Good Government Transition team, for example, commended the Florida Department of Revenue for becoming what is perhaps the nation’s best “DOR” by using the tools and techniques

of “continuous process improvement.” The challenge ahead now is to take what is known in some of the world’s best performing companies (and in parts of our own governments) to remake Florida’s regulatory processes into ‘world class’ ones.

## **FLORIDA’S REGULATORY DILEMMA**

Florida’s dilemma with respect to regulations can be stated succinctly: Present and future Floridians need the protection that effective regulations provide, but the costs of regulating businesses could hinder business expansion just when Floridians badly need jobs.

Florida’s regulatory processes, especially our processes for regulating land development, have undergone little change since the 1980s. Since that time, Florida has undergone rapid growth. From a population of just under 10 million in 1980, Florida today has nearly 19 million residents. Our state’s growth management regulations did not impede that dramatic growth very much, so why is there such concern that development regulations are impeding the economy today? The answer lies in Florida’s history. When our construction industry has imploded, our economy has historically been slow to recover.

For the rest of the nation, the Great Depression began with the collapse of the stock market in 1929. In Florida, that depression began with a precipitous collapse of our real estate market in 1926. Florida’s construction industry remained depressed for a decade and a half. The industry only began to come out of the depression when massive wartime spending turned Florida into a major military training center. Floridian’s cannot expect to again be rescued by massive federal spending. The size of the Federal deficit prevents that from happening. This time the reviving of our construction and other industries will be up to us.

The situation facing Florida today is similar to that faced in 1926 in one important respect. Both implosions of our construction industry were caused by collapses in real estate markets. This time the collapse was national and even international. A result has been large inventories of built construction that is going unused and is very difficult to sell. The sharp contraction of our construction industry has had dramatic ripple effects on other businesses in Florida.

Government regulations did not cause the current economic crisis. In fact, breakdowns in financial regulation were a cause of it. The U.S. Financial Crisis Inquiry Commission concluded that our economy’s crisis was caused by -- “widespread failures in financial regulation; dramatic breakdowns in corporate governance; excessive borrowing and risk-taking by households and Wall Street; policy makers who were ill prepared for the crisis; and systemic breaches in accountability and ethics at all levels (2011).” Regarding regulation, the commission concluded that “widespread failures in financial regulation and supervision proved devastating to the stability of the nation’s financial markets.”

If government regulations did not cause the “melt down,” why is it appropriate now to reform our regulatory processes? The answer is simple. Our economic crisis has made Florida’s businesses more sensitive than ever before to the costs of doing business. Complying with regulations is a cost of doing business. If regulations are not administered efficiently by Florida’s governments, then those governments are unduly increasing the costs of doing business.

Florida’s economy has been especially hard hit and our economic recovery could lag behind that of the rest of the nation, just as happened in the Great Depression. Regulation did not cause the economic crisis, over

speculation did, but regulatory costs could hinder our recovery. Under these exceptional circumstances, if Florida's governments can reduce the costs of doing business by improving the efficiency of our regulatory processes then they are morally obligated to do so.

### **A STEWARDSHIP OBLIGATION**

In the Askew School of Public Administration and Policy of the Florida State University, we teach our students to think of themselves as stewards – as citizens of a democracy who are entrusted by their fellow citizens with special authority and commensurate responsibilities. Every public servant has a stewardship responsibility to serve their fellow citizens well and respectfully. A police officer, for example, has the authority to restrict the behaviors of fellow citizens and even investigate their private lives on occasion. For our democracy to be safe, such extraordinary authority must be exercised by people who, as public servants, deeply respect the rights and dignity of their fellow citizens, even under trying circumstances.

Public servants who enforce regulations have special obligations to their fellow citizens. Every regulation is a restriction on someone's behavior. Public employees who regulate entry into the regulated professions in Florida, for example, are obligated as stewards to assure that their fellow Floridians are served only by qualified professionals. Those who regulate food processors and preparers are stewards who work on behalf of all of us who eat food. Those who issue permits to develop land are obligated to their fellow citizens to assure that the laws which have been adopted to protect the future appearance and livability of our communities are followed. Each of us is a beneficiary of regulations.

But the stewardship obligation does not end with the beneficiaries of regulations. The stewardship obligation of public employees who are regulators extends to the people and businesses that are being regulated. The people who are being regulated deserve to be treated fairly, efficiently, respectfully, and promptly. When a regulation is applied to a business, it becomes a cost of doing business. Anything a public employee can do to help a businessperson to reduce their costs of doing business -- without compromising the law or unduly burdening taxpayers -- is something that public servant is obligated to try to do.

In recent years, evidence has emerged that public employees can help regulated businesses to reduce their costs associated with being regulated. Applying sound management techniques to regulatory processes is being shown to make regulation less costly to both taxpayers and to the businesses that are regulated. These techniques have different labels but they generally have one thing in common – they are ways to get both management and line employees to work together in actively seeking to improve their ways of doing things. Collectively these techniques are methods for “continuous process improvement.” These are the techniques to which Governor Scott was referring when, in his inaugural address, he said, “We’ll also apply some of the key tools that private businesses use to create a culture of constant improvement.

### **WHAT IS “CONTINUOUS PROCESS IMPROVEMENT?”**

The term “continuous process improvement” is widely used among business leaders around the world. A Google search using the term produced over 4 million responses. The web sites of some of the world's most successful companies detail how they use continuous process improvement techniques. Continuous process improvement is also used in some government agencies, as in the US Air Force to reduce errors in aircraft maintenance. These techniques, however, have only occasionally been used to improve a government's regulatory processes.

Continuous process improvement is grounded in the realization that even a great workforce is likely to produce mediocre results if it is hobbled by outmoded ways of doing things. Continuous process improvement is grounded in a philosophy – that high quality is best achieved when all who are involved in producing something are encouraged and enabled to continuously look for ways to improve quality and reduce costs. The need to get all employees, not just a few managers, committed to the continuous improvement of quality is what Governor Scott was referring to when he called in his inaugural address for creating “a culture of constant improvement.”

A process in a business is any set of activities that go into producing a final good or service. A work process is the activities that are involved in converting inputs (such as raw materials, labor, knowledge, and technology) into outputs. Continuous process improvement efforts are directed at improving those activities by simplifying them, reducing waste and redundancies or bottlenecks that delay production. Any alteration of those activities that results in cost savings, sustains higher quality, or improves customer satisfaction is considered to be an improvement of the process.

In short, continuous process improvement is an ongoing effort to reduce unnecessary activity while also reducing errors. Though its results can be so substantial that it seems “revolutionary,” it is best thought of as evolutionary. Success is more likely to be obtained through incremental, continuous steps rather than giant leaps. The experiences of successful businesses have made it clear that it takes time to develop an effective “culture of constant improvement.” When everyone, from top managers to custodians, is looking for ways to make their organization better, then it can be truly said that such a culture has been successfully rooted.

Every process results in outputs. In the business sector of our economy, outputs are highly diverse, ranging from the burritos of Taco Bell to the aircraft of Boeing or the consultants’ reports of McKinsey and Company. In businesses, continuous process improvement initiatives require both employees and managers to regularly focus on their outputs. They measure them, study them, and obtain customers opinions about them. In the government sector of our economy, outputs are also diverse. They range from the prevention of crimes, to lessons learned by children or to the diseases averted by public health workers. All of these outputs, in both sectors of our economy, are the results of work processes that are likely candidates for improvement through careful study and continuous, creative effort.

The outputs of a government’s regulatory work processes are decisions. These decisions affect a great many different economic activities -- whether a person is qualified to practice a profession, whether a restaurant should remain open or be closed for disinfecting, or whether to grant a building permit to a builder. Applying continuous process improvement techniques to our regulatory processes will require managers and employees to be trained to closely study the often complex processes that lead to the making of those decisions.

Continuous process improvement will also require the regulators to become much more aware of the effects of their decisions on those who are being regulated. They need to be very aware that their work processes affect the costs of doing business. When applied to regulation processes, continuous process improvement should be used to improve the quality and consistency of decisions while also reducing the delays and uncertainties that increase the costs of doing business.

The basic concepts behind continuous process improvement are not new. It requires the kind of detailed examination of work processes that was pioneered by Frederick Taylor a century ago. Taylor emphasized that improving work processes was never a “one shot” deal, but that work processes needed constant scrutiny and creative effort. He also stressed that managers were obligated to listen to workers and to give their best ideas a try. Around World War I, Mary Parker Follet, also a major pioneer in management improvement, pointed out that the

best way to improve work processes was not to simply hire some management specialists but to use the ability of the workers themselves to discover and make changes. She pioneered management techniques that enabled work groups to continuously strive to improve work processes. Since these pioneers, many others have contributed to doing continuous process improvement.

In the mid-20th century, the American statistician and management consultant W. Edwards Deming found a receptive audience among the managers of Japanese enterprises. They then applied his ideas in ways that helped propel that nation's economy to become the world's 2nd largest. Like Taylor, Deming advocated the close scrutiny of work processes and careful measurement to identify problems such as costly delays and bottlenecks. Like Follett, Deming advocated the use of well trained groups of workers to discover problems and to take the initiative in resolving them. Deming's ideas are behind what has been called the Toyota approach to management that in recent years has become known as "Lean" manufacturing. A closely related approach, from the Motorola Corporation in the 1980s, is called "Six Sigma" which refers to a statistic that denotes the attainment of extremely high quality.

Modern continuous process improvement initiatives seek to make effective use of electronic computing and communications technology. Smart use of technology has become a defining feature of continuous process improvement today. The term "business process engineering (BPR)" describes a fundamental rethinking of work processes from "scratch." Rather than simply using the technology to speed up existing processes (sometimes derisively referred to as 'paving cow paths'), BPR involves the redesign of a work process to best use the capabilities of electronic technology. A distinct advantage of electronic technology is that it enables people to share information simultaneously. When work is done on paper, often one worker must complete a task and then forward the paperwork on to another person before the next step can be accomplished. Electronically sharing information enables multiple workers to do their tasks simultaneously, thereby reducing delays and speeding the final delivery of the output.

The work processes of different organizations often have similarities, even when the missions of those organizations are quite different. Consequently, organizations can benefit from "benchmarking." This involves studying other organizations that have achieved success to seek ideas from their "best practices." Benchmarking has proven successful in government. When the U.S. Social Security Administration sought to use electronic technology to improve the efficiency of its telephone services for its "customers," it looked to companies like LL. Bean, which was considered a leader in telephone services for its catalog sales. Today, businesses sometimes look to the Social Security Administration as a source of best practices. When the Social Security Administration began its benchmarking, it had already achieved an admirable efficiency ratio – its operations then cost 2% of each tax dollar paid in to the trust fund. The agency improved on that to where its administrative costs are now below 1%. For every \$10 paid into the SS Trust Fund, the agency only takes 9¢ to fund its operations; \$9.91 is paid out to beneficiaries.

There are many ways to summarize the essential features of continuous process improvement initiatives. The following list of features is borrowed and adapted from the State of New York's Office of Mental Health.

- Customer Focus. High quality organizations focus on their internal and external customers and on meeting or exceeding needs and expectations.
- Outcome Oriented. Everyone involved is committed to producing efficient, high quality outputs that meet the needs of the fellow citizens who are being served.

- **Employee Empowerment.** Effective programs involve people at all levels of the organization in improving quality.
- **Leadership Involvement.** Strong leadership, direction, and support by the governing body and CEO are crucial to making performance improvement happen.
- **Data Informed Practice.** Successful quality improvement processes create feedback loops, using data to inform practice and measure results. Fact-based decisions are more likely to be correct decisions.
- **Statistical Tools.** Tested methods are used to foster knowledge and understanding. Continuous process improvement organizations use a defined set of analytic tools such as run charts, cause and effect diagrams, flowcharts, Pareto charts, histograms, and control charts to turn data into information.
- **Prevention over Correction.** Successful organizations design good processes to achieve excellent outcomes rather than fix processes after the fact.
- **Continuous Improvement.** Processes must be continually reviewed and improved. Small incremental changes do make an impact, and providers can almost always find an opportunity to make things better.

### **SOME EXAMPLES OF CONTINUOUS PROCESS IMPROVEMENT IN GOVERNMENTS**

The basic ideas about continuous process improvement are not new to public administration. Frederick Taylor and Mary Parker Follett were teaching public administrators how to improve work processes a century ago. Why, then, have governments not adopted continuous process improvement ideas as readily as in business? The answer is that competitive pressures have not forced them to do so and, most importantly, top leaders have seldom put forth the sustained leadership efforts that are necessary to make continuous process improvement work. Where talented leaders have sought to make continuous process improvement work in governments, public employees have responded. Here are a few examples of where that has happened.

**Louisiana's Medicaid Eligibility Process.** A recent report from the IBM Center for the Business of Government describes how the State of Louisiana has used continuous process improvement methods to enhance both the efficiency and effectiveness of its work processes that determine who is eligible for Medicaid in that state (Grant, 2010). Following Hurricane Katrina, the state reached a critical point in its processes for determining Medicaid eligibility. The state's economy had suffered a deep and lasting blow which cut into revenues and, at the same time, more people were in need of assistance to pay for their health care needs. Staff and clients were scattered and records had been lost.

Prior to the hurricane, the state had already shifted from pencil and paper processes to computer based processes. The problem was, however, that their computerized systems were largely designed on top of the older work processes that were used when the system was still paper-based. The director of the Medicaid process decided that the crisis presented an opportunity to design better work processes rather than just resurrect the old ones. To improve its processes, the state contracted with the Southern Institute on Children and Families, a non-profit organization that was created to promote the well-being of children and families. The Institute uses its "Process Improvement Center" to help government agencies and nonprofit organizations to improve their

efficiency and effectiveness through the use of continuous process improvement techniques.

Using the methods developed by W. Edwards Deming (specifically Lean Six Sigma methods), the Institute trained nearly two dozen local teams as well as two state-level teams to gather and analyze performance data over time and to use that data to make improvements in their work processes. Collaboration among supervisors and employees was stressed as a key to making improvements in work processes. What resulted is that Louisiana designed a new caseload management system. The old system worked on a “push” basis in which supervisors first handled all applications and then assigned batches of them to individual employees. That system was scrapped in favor of a “pull” system.

Today, caseworkers pull pending applications from a queue. This has apparently helped to develop a shared sense of responsibility among teams of employees for getting all of the needed work done, not merely doing what a supervisor has assigned to an individual. The development of a sense of shared responsibility for accomplishing all pending work is an example of the emergence of “a culture of constant improvement.” The Medicaid eligibility team members now apparently share a sense of responsibility for solving problems and for doing quality work. Performance measures indicate that a smaller staff has successfully processed more applications while also apparently improving the quality of work. The number of days needed to determine eligibility has been reduced and Louisiana’s client retention rate has been improved. Fewer clients have been dropped due to glitches in the eligibility process.

Environmental Council of the States and the U.S. Environmental Protection Agency (EPA). The Environmental Council of the States is a non-profit, non-partisan association of the leaders of state and territorial environmental agencies. For several years the Council has collaborated with the U.S. EPA to help state environmental agencies learn to use methods of continuous process improvement. The methods used are those that are rooted in the teachings of W. Edwards Deming. They report that the environmental agencies in 15 states have participated in their initiative. The participation of some of those states has apparently been modest, but others report significant results. (US EPA/ECOS, 2008). Florida’s Department of Environmental Protection has been a participant and has reported substantial reductions in the processing of submerged lands permits (for report summary, see web address in references below).

According to a report issued by the U.S. EPA and the Council, “Within a few months of implementation, Delaware, Iowa, Michigan, Minnesota, and Nebraska agencies have drastically reduced permit application backlogs, reduced lead times for permit reviews by more than 50 percent, decreased the complexity of permit application forms, improved the consistency of permit reviews, and made more staff time available for “mission critical” work. They did all of this while improving staff morale and increasing the transparency of their processes to stakeholders (US EPA/ECOS, 2006, p. i).”

The Delaware Department of Natural Resources and Environmental Control used a continuous process improvement technique called “Value Stream Mapping” to study its permitting processes for construction projects to build facilities that affect air quality. Value Stream Mapping results in a detailed visual description of all steps in a process. Delaware reported reducing its backlog of air construction permits from 199 to 25, while reducing the average permit processing time. Emphasizing training and on-going process reviews, Nebraska’s Department of Environmental Quality reported a reduction in review time for all air construction permits of almost 50 percent and a 55 percent reduction in its backlog of air construction permits. They also reported that empowering employees to address and identify process improvement opportunities resulted in a greater sense of ownership the process.

North Carolina's National Benchmarking Study of Land Development Permitting Practices. Accomplishing continuous process improvement in the arena of land use development regulation is complicated by the fact that permitting decisions are highly decentralized. Literally hundreds of local governments in a state individually issue permits to build things – things as small as an addition to a single dwelling or as large as a shopping center. The right to decide land uses is dear to local governments. The fact is that many municipalities created themselves primarily because their residents wanted the right to guide development decisions in their own communities. This does not mean, however, that the methods of continuous process improvement cannot be used to improve local permitting processes. Recent research shows that quality improvement methods can be effectively used to improve the permitting processes of local governments.

Since the mid-1990s, scholars at the University of North Carolina's School of Government have conducted a series of benchmarking studies on behalf of local governments in that state. In 2008, they completed a national benchmarking study that looked for best practices in local government permitting processes. They asked a panel of 103 experts to nominate the names of those local governments across the USA where permitting was done especially well. From an initial list of 161 nominees, the researchers narrowed the list down to the top performers. In doing this they used the following criteria:

The qualities among development review processes sought for this project were these attributes: fast, thorough, and fair. Fast implies promptness and the avoidance of unnecessary delays. A thorough process is one that minimizes false steps and errors, complies with all regulations, and monitors its products and results carefully. The attribute of fairness, as interpreted for this project, applies not only to applicants for development but also to other citizens of the community and even to future citizens who also will live with the development decisions being made today (Ammons, et. al., 2008, p. 4).

Following field visits to three of the top performing cities, the researchers then combined their findings to reveal the best practices that could be shared with other local governments. Several practices of the top performers stood out.

- Focus on Work Processes. Each of the top performing cities had focused on development regulation as a set of processes that can be studied and improved. Each of these local governments assigned a process manager to oversee their on-going efforts for continuous improvement.
- Worked with Stakeholders. The top performers consistently worked closely with neighborhood groups and with those whom they serve in the development industry. Emphasis was placed on training contractors to reduce errors in the permit requests that they submit. Some assigned staff members to serve as liaison/ombudspersons to help resolve problems.
- One-Stop Shop Approach. Land use permitting decisions require the input of several departments in local governments – from public works departments to police, health, and recreation departments. The top performers all brought together employees from various departments to one central location so that permit seekers would not be told to run back and forth between different offices. This also meant that their process improvement teams could benefit from the perspectives of different departments.
- Effective Use of Technology. Each of the top performers has switched from paper-oriented processes to computer-based processes. This facilitates the sharing of information among employees so that different steps can be accomplished simultaneously. In some cities, developers

can go on-line to check the status of their applications. Each top performer has either a dedicated IT staff or has developed close working relations with their IT departments.

- **Predictability and Accountability.** Nearly all permit decisions are made within specified periods of time. This predictability helps businesspersons to plan with greater certainty and thereby manage their own costs more effectively. The top performers regularly report their performance data and are held accountable accordingly.
- **Effective Cost Management.** The top performers use time-and-motion studies to identify the costs of their services as a basis for establishing the fees charged to those who seek permits. Their operations are transparent so their work processes must be efficient in order to hold costs down and keep fees reasonable. Two of the top performing cities use “enterprise funds” to enable their permitting departments to operate on a business-like basis – they are funded entirely from the fees charged for their services. In one of the top performing cities, developers agreed to support a sizable fee increase in return for “a commitment to aggressive service targets and a pledge to achieve those targets at least 90 percent of the time (Ammons, et. al., 2008, p. 24).”

## **FLORIDA’S GOVERNMENTS INCLUDE SOME EXEMPLARS OF CONTINUOUS PROCESS IMPROVEMENT**

It is very difficult to introduce continuous process improvement where there are no examples of success to build upon. Fortunately, several of our local governments and a few state government units have demonstrated that continuous process improvement initiatives can take root and succeed in Florida’s governments.

**Malcolm Baldrige National Quality Award.** In 2007, the City of Coral Springs, a municipality in Broward County with over 100,000 residents, achieved the remarkable distinction of being only one of seven organizations of all types in the nation to receive a Malcolm Baldrige National Quality Award.

The Baldrige Award competition was created during President Reagan’s administration to encourage productivity in the nation’s businesses. The year 2007 was the first in which nonprofit and government organizations could compete. “To receive the Baldrige Award, an organization must have a role-model organizational management system that ensures continuous improvement in the delivery of products and/or services, demonstrates efficient and effective operations, and provides a way of engaging and responding to customers and other stakeholders (NIST, 2011).” The City of Coral Springs’ list of core values underscores what continuous process improvement is about in governments:

Customer Focus  
Leadership  
Empowered Employees  
Continuous Quality Improvement  
Sustainability

**The Governor’s Sterling Award and the Sterling Management Model.** Coral Springs is also a two time recipient of The Governor’s Sterling Award, the highest award bestowed by the Florida Sterling Council. Supported by the Executive office of the Governor, the Florida Sterling Council is a public/private not-for-profit corporation that encourages continuous process improvement in Florida’s businesses, non-profits, and government organizations. A number of Florida’s local governments, public schools, and nonprofit organizations have been

recipients since the program began in 1993. Three units of state government have received the Sterling Award – the Department of Revenue (DOR), the Department of Labor’s Division of Unemployment Compensation, and the Department of Education’s Division of Blind Services.

Gov. Scott’s Good Government Transition Team studied the Florida DOR and concluded: “The DOR has a reputation as being amongst the most efficient and effective agencies in Florida state government.... In addition, they compare favorably to their peer agencies in other states. ‘Continuous process improvement’ is a key element of their SOP and they are reasonably customer centric in their approach. Their automated systems are relatively modern.” If Florida’s top officials will lead other state agencies and local governments to emulate innovators like Florida’s DOR and Coral Springs, the productivity of Florida’s governments will improve and the costs to businesses and to all taxpayers will diminish.

Here are some of the reasons behind the DOR’s success in becoming an exemplar of continuous process improvement in government.

- Talented Leaders Sustain Top Level Commitment. Secretary David Wilkins, a member of the Good Government Transition Team who was recently appointed Secretary of the Department of Children and Families, indicated in a presentation to public administrators in Tallahassee that a key reason behind DOR’s success is that it had the benefit of two talented top administrators who, as cabinet appointees, were allowed to remain in office for the better part of two decades. The improvement processes were started by a career public administrator who, as Executive Director of the DOR, was named a Public Official of the Year by Governing Magazine. Continuous improvement initiatives were continued by his deputy, also an award winning career administrator, who became director upon the former’s retirement.

That tradition continues today as noted by the Governor’s transition team, “We were very impressed with the Executive Director and also felt that she had a solid management team. They all appear to be experienced, capable and focused on priorities like customer service, process management, efficiency and effectiveness.” Research in private businesses across the world, such as in the Honda Corporation, has repeatedly shown that continuous process improvement requires sustained leadership from the top and that it is not likely to succeed where top leaders are replaced frequently.

- Recognized and Responded to Potential Competition. The agency’s leaders recognized that some of their operations might be outsourced if the agency did not become an exemplar of quality and efficiency. Research in the USA and elsewhere has shown that public employees do respond well when faced with competition, to the point that public employees sometimes are able to outbid private competition for work. When that happens, keeping work in the hands of public employees delivers more value for taxpayers.
- Focus on Work Processes and Benchmark. The agency recognized that its diverse activities were actually work processes that could be carefully studied and improved. DOR personnel studied and visited organizations that were world class in the performance of similar work processes. The DOR’s leaders benchmarked their work processes against those of such companies as Federal Express, Motorola, and American Express. The agency was reorganized to make its organizational structure fit its redesigned core work processes. Measurement of performance is emphasized to enable managers to identify and resolve problem areas.

- **Effective Use of Technology.** The DOR has reengineered numerous separate and incompatible legacy computer systems to create a single integrated tax-administration system. The financial results far exceeded the costs of technology investments. Technology was especially important in making major improvements in the state's child support collections. Technology also enabled the agency to develop "one-stop" service, helping taxpayers resolve tax issues across a range of tax obligations in a single contact.
- **Emphasis on Training and Tapping Employees' Talents.** "A strong culture has emerged in DOR in which managers learn from best-in-class models and adapt the lessons to improve DOR results. Now DOR has created a formal training initiative that promises to build the process management skills of nearly all DOR managers, most supervisors, and many employees (Weeks and Brun, 2005.)"

## **NEXT STEPS**

Florida now has the opportunity to become the first state in the nation to give its citizens the benefit of 'world-class regulatory processes' by applying the philosophy and methods of Continuous Process Improvement to the implementation of all of its regulations.

World Class Regulatory Processes. Florida's economic crisis is real and its governments share a stewardship obligation to do all that they can to constrain costs while maintaining quality service. Florida cannot abandon its quality standards any more than a business can abandon quality standards when it faces a crisis. We still need to assure that we are served by people who are well qualified to practice a profession, that only qualified people operate a nursing home, and so forth. We certainly need to make sure that our land use decisions today will not make Florida a more unpleasant place for future tourists and new residents to come to --- if we do that, they will not come. Florida, too, has to compete with other states.

Making government run "more like a business" means emphasizing quality in what government does. The quality standards we enforce today will determine our future competitiveness in attracting tourists and potential residents who could easily choose to go to other states. The key is to make our regulatory processes "world class" ones, not abandon our quality standards. We must now implement ways to do what Governor Scott has promised, "to create a culture of constant improvement."

Build on Existing Expertise. Fortunately, Florida has much expertise to build on. Already supported by the Executive Office of the Governor, the Florida Sterling Council is doing the right things. The lessons learned by recipients of the Governor's Sterling Awards need to be widely publicized and shared with those who administer Florida's regulatory processes. Outside consultants can be of some help in getting continuing process improvement initiatives underway, particularly in the initial training stages. Continuous process improvement, however, is not something that can be done by outside consultants and then imposed on people who have little understanding and no sense of ownership for the new processes that they are expected to thereafter improve on. For continuous improvement to become a reality, managers and employees must be well trained and then be empowered to make improvements. Leaders of successful productivity improvement initiatives in Florida, especially the Governor's Sterling Award winners, should be enlisted as trainers to share their management philosophies and lessons learned.

Land Use Development. Establishing a culture of continuous improvement in Florida's land use regulatory system will be a major challenge. The right of local governments to make land use decisions at the community

level is fundamental in our society. Consequently, land use and permitting decisions are made by hundreds of local governments in Florida. Probably the best approach to introduce continuous improvement in such a decentralized system is to focus on a few local governments that are already our best performers and enable them to become exemplars for the rest. Fortunately, we already have some exemplars. The national panel of experts in the North Carolina study, for example, identified the City of Tallahassee's Growth Management Department as one of the nation's best. They emphasize continuous improvement, created a one stop center with Leon County, and do things like use technology wisely to speed work processes and let applicants check the status of their applications on-line. In Florida, we already have people who know how to do things right. The real challenge is to enable them to share what they know with others.

Accountability for Performance. The best performing organizations, those with cultures of continuous improvement, hold their members accountable for performance. When a true culture of continuous improvement exists, all members of an organization feel a sense of personal responsibility to see that their organization is a high performing one. In this, our state's auditors can help greatly. The Inspectors General and other internal auditors need to be participants in developing effective performance measures and to help top leaders keep abreast of accomplishments and problems. Florida is also fortunate to have one of the nation's premier productivity monitoring organizations in the Legislature's oversight office, its Office of Program Policy Analysis and Government Accountability. OPPAGA and the Auditor General need to inform legislators and agency leaders about both successes and obstacles to achieving continuous improvement.

Sustained Leadership Commitment. There are no examples of high performing business corporations that frequently and constantly change their top leaders. One of the pioneers of creating organizational cultures to achieve high performance, Rensis Likert (1967) concluded nearly a half century ago that it takes a minimum of 3-5 years to accomplish meaningful lasting change in organizations to sustain continuous improvement. The Governor's Good Government Transition Team noted that sustained leadership commitment was a key to transforming the Department of Revenue.

Frequent turnover of top elected and appointed leaders in government is probably the greatest obstacle to transforming governments into sustained high performing ones. With alarming frequency, newly elected or appointed officials look with disdain on the management initiatives of their predecessors and move to scuttle those as quickly as they can. Fortunately, Florida already has the beginnings of a bipartisan commitment to continuous productivity improvement.

The Florida Sterling Council was begun in 1992. It was created when Florida had a Democrat Governor and a Republican Senate President. The Sterling Council was modeled on the Malcolm Baldrige National Quality Improvement Act that was signed into law in 1987 by a Republican President. Housed in the Executive Office of the Governor, the Sterling Council has a history of support from governors and legislators of both parties. It regularly offers training in continuous process improvement. In short, Florida does not have to look elsewhere for a model to adopt to promote continuous process improvement in our regulatory processes.

What is now needed is a continuing commitment from the top officials in our state to lead in the development and application of continuous improvement methods throughout our governments. What Florida's taxpayers deserve is a continuing commitment to continuous process improvement, one that transcends parties and elections, to give Floridians the benefit of 'world class regulatory processes'.

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