



# **Why Public Leaders Need to Create Value!**

## **Bicentennial Colloquia**

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# Public Leaders

**“Elected chief executives, appointed officials, senior civil servants and key staff, officials who occupy oversight positions, and private and nonprofit sector managers and service providers who produce primarily for government”**



# Scope of Public and Non Profit Sectors

## Public (Government Sector)

- In 2002, **21,489,000** people worked for the government sector in the U.S.
- There are over **87,525** governmental units in the U.S. including counties, municipalities, townships, school districts and special districts

Source: U.S. Census Bureau, Statistical Abstract of the U.S. 2003



# Scope of Public and Nonprofit Sectors

## The nonprofit sector

- Employs 10.9 million people in the U.S.
- Represents 6% of all organizations in the U.S.
- Increased by 5.1% annually over the last decade, more than double the growth rate experienced in the business sector
- Had an estimated total annual revenue of \$665 billion

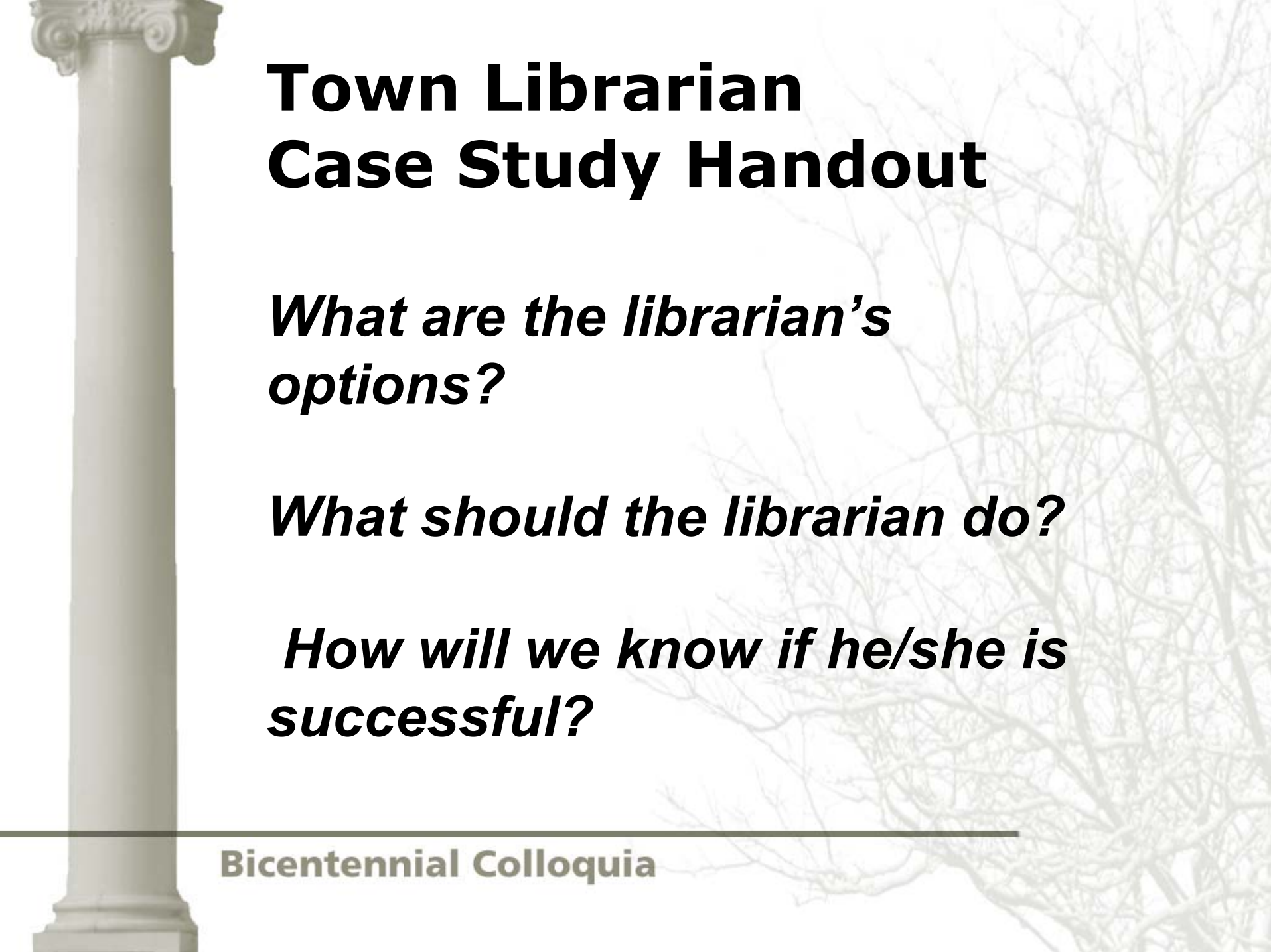
Independent Sector's 2002 Factsheet; 2001 *New Nonprofit Almanac in Brief*

# Town Librarian Case Study



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# **Town Librarian Case Study Handout**

***What are the librarian's options?***

***What should the librarian do?***

***How will we know if he/she is successful?***



# **Business Entrepreneurs and The Creation of Private Value**

## **Bill Gates and Microsoft Corporation**

- **Create value for customers and shareholders**
- **Formulate and implement strategy to create value**
- **Market is testing ground for strategic success – value creation**

# Create Value For Customers and Shareholders



**“William (Bill) H. Gates is chairman and chief software architect of Microsoft Corporation, the worldwide leader in software, services and Internet technologies for personal and business computing. Microsoft had revenues of US\$32.19 billion for the fiscal year ending June 2003, and employs more than 55,000 people in 85 countries and regions.”**

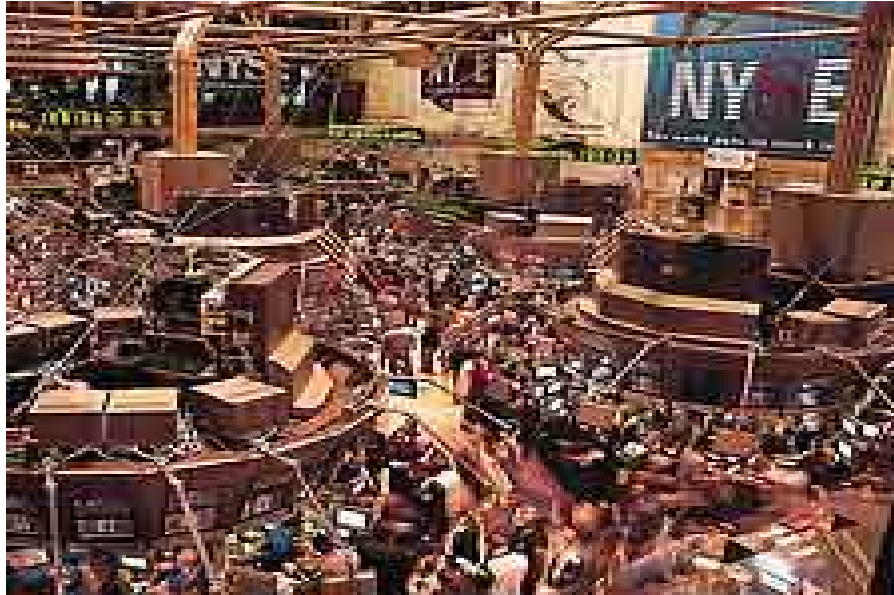




# **Bill Gates - Formulate and Implement Strategy to Create Value**

**Provide individuals and businesses software solutions to meet their business and personal needs in the areas of communication, use of information and entertainment.**

# Market Is Testing Ground for Strategic Success



**Hubbub at New  
York Stock  
Exchange**

Photograph © Pete Souza



# **Bill Gates and the Town Librarian**

## **Town Librarian**

- **Create value for clients, beneficiaries and overseers**
- **Formulate and implement strategy to create value**
- **Politics is testing ground for strategic success - creation of value**



# **Case Lessons for Leaders of Public and Nonprofit Organizations**

## **Same entrepreneurial role**

- **Public leaders need to be entrepreneurs who seek opportunities to use the assets of their organizations to create additional value for citizens, clients and the community.**



# **Case Lessons for Leaders of Public and Nonprofit Organizations**

## **Same need for strategy**

- **Public leaders must craft strategies to create value – what to do and how to do it?**





# **Case Lessons for Leaders of Public and Nonprofit Organizations**

## **Settling questions of *Public Value***

- **In the public sector, leaders create value in the act of *governing*, so *politics* is the forum for deciding questions of value**

# One of my favorites: Ohio State House



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# **So We Need a Strategic Framework for Public Value Creation Where:**

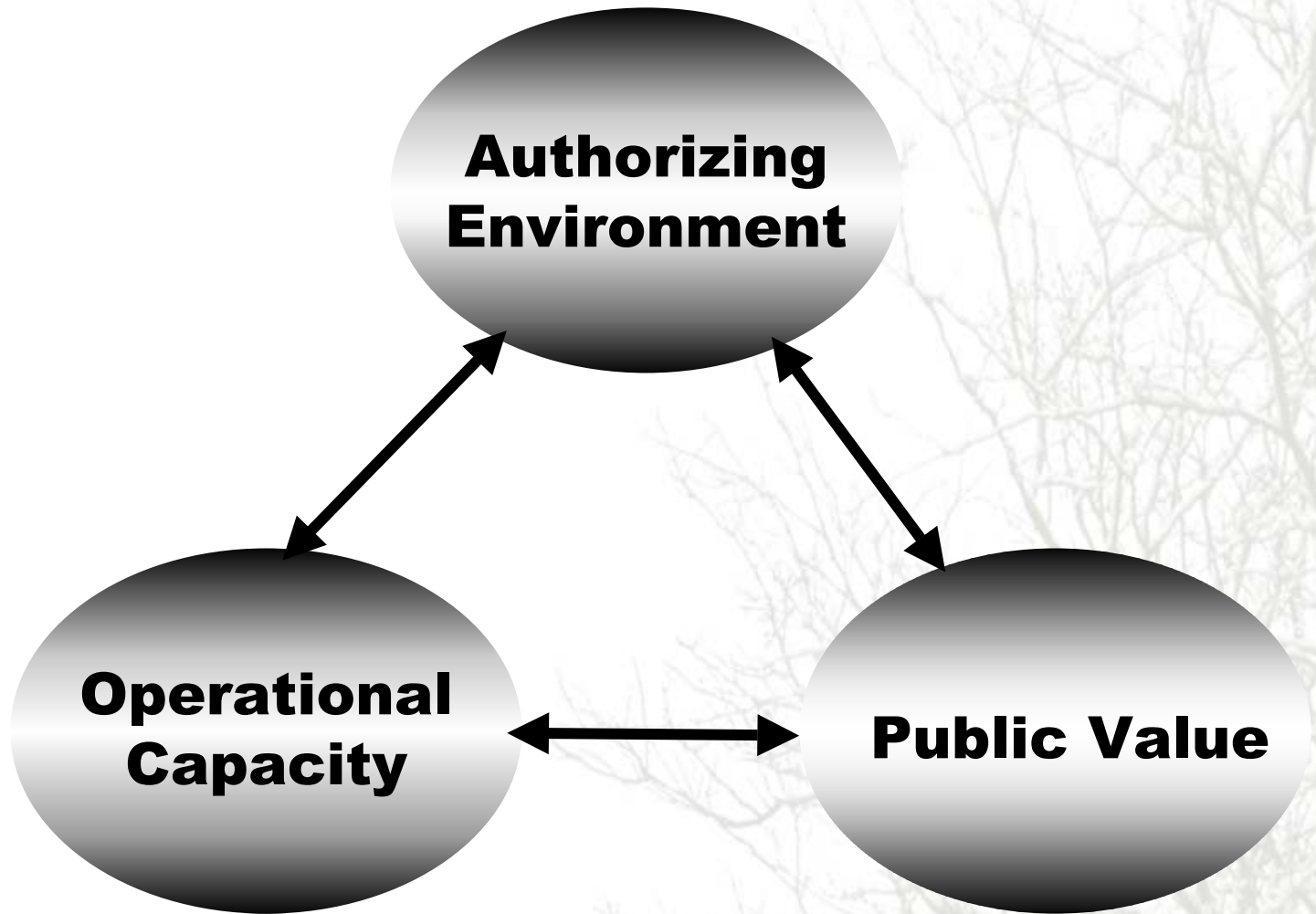
- **Public leaders act as entrepreneurs seeking opportunities to create value – value for latchkey kids**
- **Public leaders craft strategy to create value – what to do and how to do it?**
- **Strategic choices about what value to create are determined through politics – council, constituency groups, parents, taxpayers, voters, patrons**



# Public Leader (Librarian's) Organizational Strategy Must:

- Provide substantive *value* to overseers, clients and beneficiaries
- Be *operationally* and administratively feasible
- Be *legitimate and politically sustainable*
- “Useful to have a strategic design that is both simple and complex.”

# Mark Moore's Strategic Triangle







# **Normative and Empirical Leadership Framework**

**This *normative* approach to strategic leadership in the public sector dates to 1995 with the publication of *Creating Public Value* by Mark Moore, a professor at the JFK School of Government at Harvard.**



# Normative and Empirical Leadership Framework

- The framework is *normative* in that it suggests what public leaders *should do*, and
- The entrepreneurial and strategic decisions of public leaders are decisions about what is publicly valuable.

# Normative and Empirical Leadership Model

Empirical model to test Moore's Framework

$$O_t = \beta_1(S+M_1)O_{t-1} + \beta_2(X_t/S)(M_2) + \epsilon_t \quad [2]$$

From: Laurence J. O'Toole, Jr. and Kenneth J. Meier Managing Upward, Downward, and Outward: Networks, Hierarchical Relationships and Performance



# Evidence and Improvement

- Evidence is that public leaders/managers who follow this framework are more successful at creating valued outcomes and organizations
- Worked with modified framework for 7-8 years - Increasing strategic success by building “strategic performance” measures into the framework to reduce “strategic failure”



# Sources of Failure of Strategic Leadership

## 1. Bad strategy!

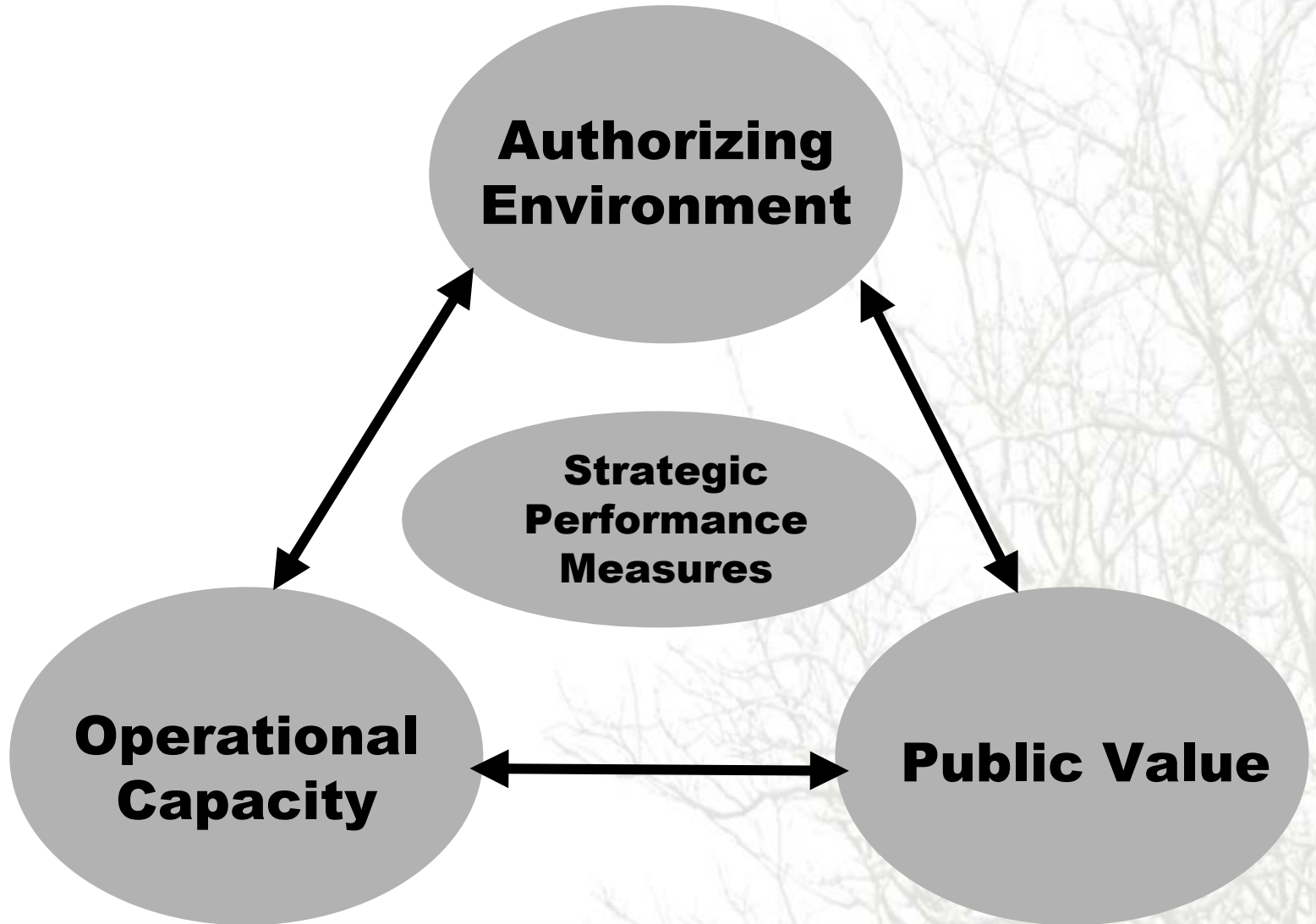
- Not what community wants
- Organization can't produce
- No long-term value

## 2. Good strategy, poorly implemented!

- Lack of data about strategic component's success
- Lack of acceptance of strategy
- Elements aren't connected



# Strategic Triangle and Performance Measurement



# Why Public Leaders Need to Create Value!



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## Buckner Children & Family Services



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**Public Children Services Association of Ohio**

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## Monday Creek Restoration Project



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