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STRATEGIC MANAGEMENT FOR PEOPLE-CENTERED DEVELOPMENT[1]

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Management is a process of mobilizing resources toward a purpose. It is inevitably value driven with respect to the choice of both purpose and means. This reality--all too often neglected or even denied--becomes increasingly significant in the midst of current social, political, economic, and ecological forces which generate demands for redefinition of the purposes management serves and the method it applies.

This paper briefly examines: 1) the implications for management of the current period of global social transformation; 2) the emergence of the strategic organizational form among the largest and most successful corporate enterprises; 3) parallel advances in the theoretical and methodological bases of management for Third World development; and 4) the growing challenge within the broader field of public administration to conventional theory and organizational models. The basic argument to be developed is that while bureaucratic organizational forms provided the unifying model for management in the industrial era--within both public and private sectors--an alternative, the strategic organization, is emerging as the model of choice for the coming era. The strategic organization represents at once a response to necessity, and a proactive commitment to the ideal that the purpose of organization is to serve the needs of people, while facilitating the human growth of all participants.

THE SETTING: GLOBAL SOCIAL TRANSFORMATION

In an earlier day, to be developed was to be industrialized. Agrarian nations sought transformation in order to emulate those nations which served as the development models of the day. Then the beguiling simplicity of this idea was shattered by recognition that the model set forth for emulation, though an unprecedented success in the benefits it brought to a privileged segment of humanity, is unsustainable on a small planet and forever inaccessible to the masses of its population. Environmental necessity combined with technical and social opportunity to launch the industrial nations into a transformation of their own toward what some futurists are calling the

1. The assistance of Felipe Alfonso, Frances Korten, John Ickis, and Gabino Mendoza in providing useful critical comments on earlier drafts is gratefully acknowledged, as is the bibliographic assistance of Rudi Klaus and Beth Shields of the National Association of Schools of Public Affairs and Administration (NASPAA). Preparation of this paper was funded by the Agency for International Development under Cooperative Agreement No. AID/DSAN-CA-0180 between AID's Bureau of Science and Technology, Office of Rural and Institutional Development and NASPAA. It was originally prepared for presentation at the Fourth International Conference of the Management Institutes Working Group on Social Development at the Indian Institute of Management, Ahmedbad, January 22-28, 1984.

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"informational era." The "model" has faded as a mirage on the desert. For both industrial and agrarian nations development has become an act of collective creation.

Toward a Development Process Centered in People

While the presumed outcome of industrialization was a better life for people, the accomplishments of the industrial era were measured primarily in terms of growth in mass production and consumption. The worth of human beings was defined in terms of their ability to contribute to these processes. The search for productive efficiency through realization of economies of scale led to a central role for bureaucratic style organizations. The underlying value system was predominantly production-centered.

Early foreign assistance efforts assumed that if "underdeveloped" peoples and nations were to share in the bounty which industrialism promised they would have to emulate its technologies, institutions, and values. By the mid-1960's it was already evident that transplanting institutions, technologies, and capital to these countries was leading not to universal prosperity, but rather in many instances to a worsening economic dualism. Those who found a place in the modern sector benefited enormously--the majority were seldom so lucky.

By the 1970's more people-oriented perspectives were gaining ground. Policy commitments to participation and equity, sought largely through an expansion of services targeted to the poor, rapidly became the hallmark of development assistance efforts. This, however, proved to be a limited and therefore transitional strategy. The bureaucracies on which its implementation depended were unequal to the task, and the services themselves were expensive, often inappropriate, and dependency creating.

To achieve the desired improvements in human well-being, development would need to become not simply people-oriented. It would need to become truly people-centered, a creation of peoples' initiative, and based on the resources which they controlled. Development performance would be judged by its direct contributions to the enhancement of human well-being in its social and psychic, as well as its physical and economic dimensions.[2]

Industrialism as Underdevelopment

During the period in which development policies in the Third World were undergoing a basic re-examination, the industrial nations were themselves thrust into a social transformation induced by an encounter with the social and physical limits of the institutions and technologies that had been the basis of their prosperity.[3] To be industrialized, at least in the terms by which development had been defined in the

2. For further development of this argument see David C. Korten and Rudi Klaus (eds), People-Centered Development: Contributions Toward Theory and Planning Frameworks (West Hartford, Conn.: Kumarian Press, 1984).

3. Alvin Toffler, The Third Wave (New York: William Morrow and Company, Inc., 1980).

1950's, was coming to be seen as itself a form of underdevelopment! As summarized by Ansoff, the forces driving the transformation in these nations included:[4]

- Arrival of the age of affluence
- Escalation of social aspirations from "quantity to quality of life"
- Life-death potential of physical technology
- Ecological collision course
- Gap between physical and social technology
- Increasing inter-impact of organizations within society
- Decline of the growth ethic

These in turn had important impacts on dominant social structures, including:

- Loss of social centrality by the firm
- Pressures on the firm for social responsiveness
- Pressure on the public sector for efficiency and accountability
- Pressure on both for entrepreneurial response
- Convergence of challenges to private and public sector
- Search for new social architecture[5]

For the business enterprise accustomed modes of management brought the firm into conflict with its physical and social environment--creating demands for a redefinition of the firm's role in society. Most important have been demands that the firm become more accountable both to its own workers and to the broader society. As a consequence the firm has lost:

"...both its immunity from outside influence and its privileged position as the principal instrument of social progress...[A] redefinition of the firm's role in society is underway."[6]

For the public bureaucracies, growth in size, budgets, and scope of responsibility involved them ever deeper into spheres of activity once the responsibility of individual, family, and community. Yet their size and the rigidity of their control systems seriously limited their responsiveness to the diverse and changing values, needs, and settings of the people they are intended to serve. The result has been a loss of legitimacy and a growing demand for a restructuring to make government less intrusive, less expensive, and more locally accountable.

It seems evident in retrospect that the values, institutional systems, and management methods of the industrial era were geared to producing an ever increasing flow of

4. H. Igor Ansoff, "The Changing Manager," in H. Igor Ansoff, Roger P. Declerck, and Robert L. Hayes (eds), From Strategic Planning to Strategic Management (London: John Wiley and Sons, 1976), p. 183; and John Naisbitt, Megatrends: Ten New Directions Transforming Our Lives, (New York: Warner Books, Inc., 1982).

5. Ansoff, op. cit.

6. H. Igor Ansoff, Roger P. Declerck and Robert L. Hayes, "From Strategic Planning to Strategic Management," in Ansoff et al. loc. cit., p. 43.

standardized goods and services, and to the creation of a massified society to consume them. Efficiency was associated with size and reliability. These purposes were deeply imbedded in the theory and practice of management, as well as in its dominant methodologies.

As the organizations of the industrial era grew in size they sought reliability through managerial control. In the interests of efficiency, the individual was subordinated to the requirements of the system. In complex and rapidly changing settings, standardization becomes not only ineffective, but also inefficient. As the benefits of subordination have declined relative to its costs, the willingness to accept it has declined commensurately.

The pressures of transformation are being felt in many quarters. Specifically they are reshaping the face of enterprise management in the economically prosperous nations and that of development management in the Third World. They are creating calls for basic reform of the broader field of public administration as well; a topic to which we will return in a later section.

THE MODERN CORPORATION: FROM OPERATIONAL TO STRATEGIC MANAGEMENT

The industrialized countries were until the mid-1950's enjoying rapidly expanding markets. According to Ansoff, the most profitable enterprises were those which concentrated on operating efficiency and on the maintenance of price and market share in established markets. Change was achieved through adaptive learning, an organic process of trial and error leading to incremental adjustment. Two developments of the 50's began to weaken the position of firms which operated in this mode. First, demand in established markets began to stabilize. And second, technological innovation brought competition from a growing range of substitute products. Those firms which were proficient in a competitive or operating mode began to lose their advantage to those with a capacity for entrepreneurial or strategic behavior, i.e., which were able to establish and maintain new relationships to their environment.[7] These were the firms that recognized and acted on the potentials of new technologies and opportunities such as emerged in electronics and office information management; which redefined their roles as for example from lumber companies to resource managers and producers of wood products; which expanded into international markets; and which addressed changing social values, not as a threat, but as a challenging opportunity to redefine their roles in more humanly satisfying ways.

From Strategic Planning to the Strategic Organization[8]

As major firms came to terms with this new reality, they began to experiment with a new management concept--strategic planning. Generally this took the form of adding a special staff unit, responsible for providing top management with thorough situation analyses and competitive assessments intended not only to anticipate future threats, but also to identify new opportunities which might be matched with existing internal capabilities. By such action it was hoped to replace the inefficiencies of change

7. Ansoff, et. al., op. cit., pp. 39-77.

8. This section is based on Ansoff, et. al., Ibid.

through trial and error adjustments with the efficiency and rigor of rational analytical decision models. It was assumed that the logic of the plan based on such analysis would be sufficient to mobilize the energies of the firm toward a new strategic posture. Unfortunately, this seldom occurred. Strategic planning produced plans. Unless the requisite motivation and capacity were also present, it did not produce action!

Gradually it was recognized that changes in external linkages usually demanded corresponding realignment of internal structures and procedures. The scope of the required changes could be substantial--and they were not achieved through publication of planning documents. The trial and error processes of adaptive learning, inefficient as they may have been, led not only to change, but also to a working out of the interpersonal threats and conflicts which inevitably accompany such change.

The continued search for workable approaches to dealing with the strategic requirement led to the emergence of a complex of management styles and methods involving a sophisticated synthesis of the organic adaptation and the rational planning approaches to change--what Ansoff et. al. labelled a "planning-learning process." The result is accurately described as a "strategic organization," in which environmental surveillance and response capacities are linked and distributed throughout. Analytical and social processes are inter-related such that all levels and units of the organization assume a strategic orientation, interacting dynamically with their environment within the guidelines of central policy and the values of a strong organizational culture. Thus everyone from shop worker to company president becomes a contributor to a continuing process of strategic adaptation. Strategy development becomes a total organizational process.

The strategic organization is a product of action in response to necessity. Its development is documented in a growing number of studies of large corporations which have proven consistently to be the high performers by conventional criteria of sales, profit, and return on investment.[9]

Levels of Strategic Competence

Individual organizations, whether public or private, vary dramatically in their level of strategic competence, i.e., in their ability to relate dynamically with their environment. A simple classification scheme helps to highlight some of the

9. See for example Thomas Peters and Robert H. Waterman, Jr., In Search of Excellence: Lessons from America's Best Run Companies (New York: Harper & Row, Publishers, 1982); William G. Ouchi, Theory Z: How American Business can Meet the Japanese Challenge (Reading, Mass.: Addison-Wesley Publishing Co., 1981); and James Brian Quinn, Strategies for Change: Logical Incrementalism (Homewood, Illinois, 1980).

10. The following is adapted from Ansoff, et. al., loc. cit.; and Steven C. Brandt, Strategic Planning in Emerging Companies (Reading, Mass.: Addison-Wesley Publishing Co., 1981). These authors refer to "strategic management" rather than "strategic organization." The term strategic management is generally used in a broader sense referring to management of the strategic process, which may or may not involve a choice of what is referred to here as the strategic organizational form. The section on strategic organization also draws on Peters and Waterman, op. cit.

dimensions of this competence.[10]

Level 0: Bureaucratic Management. Pure bureaucratic management is distinguished by a near total absence of strategic competence. It characterizes organizations which actively resist change, taking a static or protected stance vis-a-vis their environment. Organizations managed in this mode normally have a monopolistic position in their particular market and actively resist client or other environmental pressures. They rely on mature technologies, and evaluate individual and unit performance against strict adherence to prescribed procedural routines. They have little or no environmental surveillance competence and reject risks. Management systems are compliance oriented. Organization is by function. They are managed against annual budgets allocated by functional unit according to traditional shares. The predominant value of the institutional culture is to "meet the budget."

Level 1: Forecast Based Planning. As an overlay to an otherwise bureaucratic management system, the Level 1 organization has added a capital budgeting system and possibly a capability to project historical trends. These provide it with elementary mechanisms for managing environmental relationships which the purely bureaucratic organization lacks. While it may not resist change, its strategic stance is predominantly reactive. Problem solving action is generally triggered by an unsatisfactory performance history--a substantial gap between actual and desired outcomes. Indeed, a primary concern of management is to identify and close such gaps, using multi-year capital development budgets as the primary mechanisms for inducing change. Once approved, capital budgets remain relatively static, reflecting an implicit presumption that the forecasts reflect reality. Investment alternatives are defined largely by past experience and existing technologies; and are assessed using standard capital budgeting tools, such as estimates of internal rates of return. Organization continues to be by function. A dominant value of the institutional culture is accuracy in prediction, i.e., meeting schedules, sales or service delivery targets, etc.

- Level 2: Strategic Planning. The Level 3 organization is distinguished by the addition of a strategic planning unit to help top management identify and evaluate strategic options through a well structured problem solving process. Planning analysis, while more externally oriented than in the Level 1 organization, is based largely on extrapolation of the past into the future. Prominent use is made of operational research technologies. Allocation of resources is relatively more dynamic in the sense of being more responsive to environmental realities. Normally the organization will be structured by product divisions. Strategic thinking is highly valued in the culture of top management, but this value seldom extends into middle or operating levels.

- Level 3: The Strategic Organization. The move to Level 3 goes well beyond the application of a management tool, as in Level 1, or introduction of a specialized organizational unit, as in Level 2. Indeed there is a basic discontinuity between organizations at Level 2 and those at Level 3. The core structures and orientation of organizations at Competence Levels 0, 1, and 2 are basically bureaucratic in nature. Those of the Level 3 organization are not--a condition achieved only through a total transformation of the institutional culture. The most important task of top management in a strategic organization is not the making of strategic decisions, but rather the development and maintenance of a total institutional capacity for strategic action. The strategic organization is

able to look beyond response to existing or forecast opportunities, to the creation of new opportunities which otherwise might not occur, i.e., it engages in the creation of its own future. Planning activities include "what if" modeling, scenario building, trend analysis, and techno-socio-demographic forecasting. At the same time they act to build diversity in their "strategic gene pool," by nurturing centers of creative deviance within their boundaries. The result is a reserve of alternative strategic capacities which may be called upon as needed. The dominant values are service and a belief in the creative potential of people.

A Strategic Culture

While management studies of the industrial era focused on organizational structure, systems, and analytical methodologies--studies of the strategic organization focus on institutional culture. Organizational structure, management systems, and analytic methods remain important management tools, but they are subordinated to the institutional culture as the dominant force driving the organization forward, maintaining commitment, and facilitating a continuing negotiation of objectives and review of progress toward their achievement.[11]

Recent studies indicate that commitment to quality and service is among the most important values supported by the strategic culture of successful contemporary enterprises. They go to great lengths to insure that operating personnel, as well as top executives, keep in close contact with the customer and the customer's needs. Where the choice is between quality and good service versus short term profits, the former is their consistent choice. Peters and Waterman found this value to be so strong that they refer to it as an "obsession." [12] The excellent companies listen to their customers.

Effective strategic organizations normally have excellent management information and control systems. But these systems are used as tools to better inform action, not as weapons to force compliance. Control systems provide rich and rapid performance feedback to all organizational levels in support of self-corrective action, while the institutional culture nurtures individual initiative in the pursuit of ideas and responses appropriate to new circumstances. Involved people, not rigid controls, are viewed as the key both to productivity and to strategic response. Based on his study of how large companies achieved successful strategic change Quinn noted that:

If it was an entirely new vector for the enterprise, top executives often wanted more than mere accountability for its success; they wanted genuine commitment from its leaders. [Emphasis added.][13]

The traditional management literature gives little attention to commitment, perhaps

11. Ouchi, op. cit., pp. 71-72. For additional analysis of corporate culture see Terrence E. Deal and Allan A. Kennedy, Corporate Cultures: The Rites and Rituals of Corporate Life (Reading, Mass.: Addison-Wesley Publishing Company, 1982).

12. Op. cit., pp. 156-199.

13. Op. cit., p. 132.

because it cannot be engineered. Yet it is the key to human progress.

Another feature of successful strategic organizations is a financial control system which is intentionally "leaky" to allow "bootlegging" for projects or ideas to which people are committed, but which may not have formal budgetary provision. Formal sponsorship is provided for non-conforming high performers known as "champions," who create their own following outside of formal channels and are allowed to create their own laboratories or "skunk works," in which they experiment with new ideas and new products relatively free of formal organizational constraints.[14]

One of the most critical challenges in managing a strategic organization is that of sustaining a creative tension between those forces which provide stability and those which drive change. The more effective the leadership in developing a culture supportive of teamwork, the more effective it must also be in nurturing champions and skunk works which are encouraged to depart from prevailing ideas and sow the seeds for change. Even as the strategic manager works to develop a cultural consensus, attention must be given to nurturing initiatives which may lead eventually to its dissolution in favor of an alternative better suited to a significant change in the circumstances of the organization.[15]

A Changing Definition of Social Role

Even more significant than changes in management style and systems is the changing definition of the economic and social role of the corporation, and the basis of its social legitimacy. This results in part from increasingly critical self-examination led by a new breed of managers who grew up in the socially conscious 1960's, and in part from the pressures of the political market place. The result is an increasingly complex view of corporate objectives.[16]

According to Ouchi, successful U. S. corporations practicing what he has popularized as Theory Z management look to profits neither as an end in themselves, nor as an indicator of the company's score in the competitive process, but rather as as "...the reward to the firm if it continues to provide true value to its customers, to help its employees to grow, and to behave responsibly as a corporate citizen." [17] Similarly, growing recognition of need for team work within the firm, and for a longer time horizon in decision making is calling into question decision-making based solely on the pursuit of short-term profits, and internal evaluations based on short term financial

14. Peters and Waterman, op. cit.

15. See Quinn, op. cit.

16. Neil W. Chamberlain, Social Strategy and Corporate Structure (New York: MacMillan Publishing Co., Inc., 1982) documents the changing values and objectives of U. S. business and examines a wide range of proposals for restructuring corporate authority to institutionalize increased public accountability.

17. Op. cit., pp. 34-5 & 63-64.

18. Such changes may still be incipient, but consciousness is growing rapidly. See Naisbitt, op. cit., pp. 79-96.

performance[18]

These changes are in part a response to new political realities. The long standing presumption that the managers of private firms enjoy nearly unrestrained freedom of action, has become largely a myth as top managers of large private corporations find themselves subject to growing demands of diverse interest groups, and the constraints of union imposed work rules and government regulations.[19]

Toffler sees pressures building on the corporation toward becoming a multipurpose institution, measuring and being held accountable for its performance on environmental, social, information, political, and moral, as well as its economic products. He documents the extent to which more progressive firms in the U. S. and Europe are assuming leadership in this direction.[20]

Peters and Waterman report that of the major corporations they studied, those with the most single minded focus on financial results did "less well financially than those with broader, less precise, more qualitative statements of corporate purpose." Most successful financially were those with a clear statement of corporate values. They conclude that while the very top corporate leadership may be motivated by financial results, the remaining thousands of corporate employees are not. They are effectively motivated primarily by corporate values which they find worthy of their commitment.[21] How ironic that poor performance in the public sector is sometimes excused on the grounds that its managers lack the advantage of being able to enforce performance through effective use of financial incentives and punitive personnel actions!

A People-Centered Synthesis of Management Theory and Practice

The current century has seen a spirited competition between a broad range of management theories and methods: Taylorism versus human relations; rational versus adaptive decision models; organizational development versus operations research; the inward looking perspectives of operations planning versus the external orientation of strategic planning. Reflective of the dominant values of the industrial era, each of the above ideas and techniques has been promoted and defended primarily against economic criteria--it would produce higher production and profits than would competing ideas and techniques. Thus the burden of proof for advocates of worker

19. Jeffrey Pfeffer and Gerald Salancik, The External Control of Organizations (New York: Harper and Row, 1978); and Joseph L. Bower, "Managing for Efficiency, Managing for Equity," Harvard Business Review, Vol. 61, No. 4, July-August 1983, pp. 83-90. Quinn reports that during the periods covered in his study:

Almost all companies cited government and other external activist groups as among the most important forces causing significant changes in their strategic postures...Op. cit., p. 34.

20. The Third Wave, op. cit., pp. 243-260.

21. Op. cit., p. 281.

satisfaction, employee benefits, education, and even health and safety expenditures was not whether they would benefit people, but rather whether they would benefit production. In many respects the strategic organization seems to be achieving a sophisticated synthesis of the disparate schools of management, and to be doing so within the context of a people-centered value system.

A realization that the purpose of work is to benefit people--both in its doing and in its product--has been a long time in coming. But we now have major and successful corporations which have learned to achieve productivity through people, not through pampering them, but through challenging them to fully develop and utilize their abilities. Their secret is to provide people with the opportunity to assume valued and socially useful roles which allow them to apply their creative intellect toward creating a better future for themselves and their society. Should the public service not be able to provide similar opportunities with similar results?

THE NEW DEVELOPMENT MANAGEMENT: A STRATEGIC PERSPECTIVE

In its own search for a solution to the strategic problem, development management has experienced an evolutionary process roughly parallel to that of enterprise management.

Central Planning: Search for a Strategic Capacity

Widespread interest in the idea of comprehensive national planning as a means of accelerating rates of economic growth in the less developed nations emerged only after World War II, spurred in part by its apparent success in the rebuilding of Europe. By 1951 most of the major nations of Asia had long term development plans.[22]

Poverty and basic needs were commonly focal concerns of these early plans. But the complexities of dealing with multiple objectives and the interlocking forces sustaining conditions of poverty soon led to a search for simplifying assumptions that would allow for greater focus. Morawetz credits Lewis with providing the "grand simplification" that appeared to many to break the impasse.[23] In the Theory of Economic Growth, Lewis set forth the argument that policy makers should focus on growth alone, and let distribution take care of itself.[24] This formulation of the problem provided a focus for action against a single criterion function, and reduced development to something akin to the firm's capital budgeting problem--a relatively simple matter of comparing investment options on the basis of expected rate of return on capital.

Many early national planning efforts produced little more than collections of unrelated

22. Albert Waterston, Development Planning: Lessons of Experience (Baltimore: The Johns Hopkins Press, 1965), pp. 28-4.

23. David Morawetz, Twenty-five Years of Economic Development 1950 to 1975 (Baltimore: The Johns Hopkins University Press), p. 2.

24. Arthur Lewis, The Theory of Economic Growth (London: George Allen and Unwin, Ltd., 1955), as cited by Morawetz, op. cit.

public investment projects listed in a single budget document. Gradually more sophisticated efforts emerged, involving what Waterston calls "comprehensive planning." Using sophisticated econometric models, teams of econometricians located in central planning offices attempted to determine specific investment requirements and formulated integrated public investment plans, which by the assumptions of the models would produce the projected rate of growth selected as the policy target. These models involved application of linear and curvilinear programming, the construction of input-output matrices, shadow-pricing methodologies, simulation techniques, operations research, and the theory of games.[25] Special development budgets, managed separately from operating budgets; the use of capital budgeting techniques; and the creation of national planning agencies--development management's equivalent of the strategic planning unit--had come into their own, products of the same fascination with rational decision models and strategic plans which characterized the management field generally during that period.

In his epic study of development planning experience, Waterston concludes that these sophisticated centralized approaches to planning:

...proved to be of little practical use. This is only partly because of a dearth of reliable statistics without which refined technique cannot work, an absence of technicians capable of joining in the formulation of an econometrically based comprehensive plan, or a failure of government leaders to understand what planning is all about. Of far greater importance is the fact that in most less developed countries the major unresolved planning problems are primarily political and administrative instead of economic.[26]

It is striking the extent to which Quinn's description of weaknesses in the practice of formal planning in major American enterprises almost perfectly characterizes the experience with introduction of capital budgeting and development planning systems into Third World development agencies.

First, planning activities...often become bureaucratized, rigid, and costly paper-shuffling exercises divorced from actual decision processes. In many organizations their primary impacts have been: (a) to expand the scope of capital and operational budgeting procedures, (b) to extend formal performance measurements to new activity areas, and thus (c) to achieve greater central control over operations. Instead of stimulating creative options, innovation, or entrepreneurship, formal planning often has become just another aspect of controllership--and another weapon in organizational politics.

Second, most important strategic decisions seem to be made outside the formal planning structure, even in organizations with well-accepted planning cultures. ... However, as one closely observes well-managed

25. Waterston, op. cit., pp. 61-68.

26. Ibid., p. 3.

[organizations]...over extensive time periods, it becomes increasingly apparent that this might well be a characteristic of good management practice and not an abrogation of some immutable principle.

Third, much of the management literature and technique associated with planning has concentrated on developing more sophisticated models of a system that is not working the way the model builders think it is--or should be--operating.[27]

In Third World development, as in American enterprise, plan implementation depended on requisite capabilities and motivations which were not present. The results were so disappointing that by 1964 a meeting of UN experts concluded that national development planning was in a state of crisis.[28]

There followed for development management a period of disillusionment: with central planning, with single-minded growth strategies, and even with institution-building efforts more generally--the later being attacked as creating professional elites who constituted little more than a costly and unproductive form of social overhead.

Recognizing the Importance of Structure

In the 1970's equity and participation became once again key words in the development lexicon. There was bold talk of getting development benefits directly to the people through improvements in social and extension services. But the responsible agencies often proved unequal to the task. Dependent on bureaucratic structures with a limited capacity to respond to local diversity, they expected clients to tailor their needs to what the agency found it convenient to offer. Nor did they have the capacity to elicit meaningful participation or to respond to beneficiary feedback regarding the inappropriateness of what was offered.

Gradually a basic idea from the literature of strategic management found its way into development management: Administrative systems are not strategy (or policy) neutral. There must be a fit between the development strategy, in this instance a participation and equity strategy, and institutional and administrative structures

27. Quinn, op. cit., p. ix

28. Waterston, op. cit., p 4.

29. The idea emerged in a variety of studies including John D. Montgomery and Milton J. Esman, "Popular Participation in Development Administration," Journal of Comparative Administration, Vol. 3, No. 3, November 1971, pp. 358-382; and William Siffin, "Two Decades of Development Administration in Developing Countries," Public Administration Review, Vol. 36, No. 1 (January-February, 1976). A significant advance occurred in the late 1970's in an AID funded study carried out by the Central American Institute of Enterprise Administration (INCAE). John C. Ickis, "Rural Development Management: Strategy, Structure, and Managerial Roles," in David C. Korten (ed.), Population and Social Development Management (Caracas: IESA, 1979), pp. 113-126; and John C. Ickis, "Structural Responses to New Rural Development Strategies," in David C. Korten and Felipe B. Alfonso (eds), Bureaucracy and the Poor: Closing the Gap (New Hartford, Conn.: Kumarian Press, 1983), pp. 4-32. Drawing on

through which it is implemented.[29]

This was one of several critical steps leading to the emergence of a new development management, based on new intellectual and methodological foundations, which sought not the strengthening of development bureaucracies, but rather the de-bureaucratization of development.

New Intellectual and Methodological Foundations

As of the early 1970's development administration had become a dying field occupied primarily with the development and dissemination of limited and often inappropriate techniques of project management. In the rush to get development benefits directly to the poor, both the administrative and institutional dimensions of development were for a time neglected. But good intentions alone do not get benefits to the poor. And management problems are not resolved simply by ignoring them. Management was critical to achieving the objectives of participation and equity, but it had to be a management based on new values and concepts.

In the mid-1970's work began toward building the foundation for a new development management more responsive to this need.[30] By the early 1980's the field of development management was in a state of intellectual ferment, preparing the way for new approaches with radical implications for the management of development agencies.

Critical progress has been made toward withdrawal of intellectual legitimacy from obsolete frameworks on which prevailing practice is based. The myopia of the project management perspective has been demonstrated, and attention directed to more

the strategy structure fit model from business policy developed by Alfred D. Chandler, Strategy and Structure: Chapters in the History of the Industrial Enterprise (Cambridge, Mass.: M.I.T. Press, 1962) Ickis documented the relationship between the failure of Central American rural development programs and a lack of fit between participatory program strategies and implementing agency structures which did not allow for participatory action. Samuel Paul, Managing Development Programs: The Lessons of Success (Boulder, Colorado: Westview Press, 1982) later confirmed and expanded on these findings in a world-wide study.

30. See George Honadle, "Development Administration in the Eighties: New Agendas or Old Perspectives?" Public Administration Review, Vol. 42, No. 2, March/April 1982, pp.174-9; and Coralie Bryant and Louise G. White, Managing Development in the Third World (Boulder, Colorado: Westview Press, 1982). For an overview of the concepts which provide the basis for the new development management see Theodore Thomas, "Reorienting Bureaucratic Performance: A Social Learning Approach to Development Action," NASPAA Working Paper No. 8, Washington, D. C., 1983; and Jon R. Moris, Managing Induced Rural Development, (Bloomington, Ind.: International Development Institute, Indiana University, 1981.)

31. Paul, op. cit.; Ickis, "Structural Responses" op. cit., pp. 4-32; Edilberto de Jesus, "Local Linkage Building in a Small Farmer Development Program," in Korten and Alfonso, op. cit., pp. 62-75; and E. Philip Morgan, "The Project Orthodoxy in Development: Reevaluating the Cutting Edge," presented at the National Conference of the American Society for Public Administration, New York City, April 18, 1983.

powerful strategic frameworks for managing programs, systems, and institutions.[31] Advocacy of rigid blueprinted planning methodologies and control systems has given way to a search for methodologies which facilitate social learning processes.[32] The assumption that public policy is an outcome of expert analysis and precedes action has been challenged, and the significance of social interaction as the basis for evolving new policy directions demonstrated.[33] The view of participation as something people do in support of government sponsored projects has given way to the concept of community resource management--which calls on the external development agent to contribute toward building the capacity of individual, family, and community to manage local resources more effectively to meet locally defined needs.[34] Resource management as exploitation is giving way to resource management as the enhancement and preservation of the productive potentials of natural eco-systems.[35]

32. John Friedmann, Retracking America: A Theory of Transactive Planning (Emmaus, Pa.: Rodale Press, 1981) (Originally published in 1973); David C. Korten, "Community Organization and Rural Development: A Learning Process Approach," Public Administration Review, Vol. 40, No. 5, Sept-Oct. 1980, pp. 480-511; Elliott R. Morss, John K. Hatch, Donald R. Mickelwait, and Charles F. Sweet, Strategies for Small Farmer Development: An Empirical Study of Rural Development Projects, (Boulder, Colo.: Westview Press, 1976); George Honadle and Rudi Klaus (eds.), International Development Administration: Implementation Analysis for Development Projects, (New York: Praeger publishers, 1979); Dennis A. Rondinelli, Development Projects as Policy Experiments: An Adaptive Approach to Development Administration (London: Methuen, 1983); Dennis A. Rondinelli, "The Dilemma of Development Administration: Coping with Complexity and Uncertainty in Control-Oriented Bureaucracies," World Politics, Vol. 24, No. 4, October 1982; and World Bank, World Development Report 1983 (Washington, D. C.: The World Bank, 1983). See also a series of articles by Dunn, Korten, Friedmann, and Ackoff in Korten and Klaus, op. cit.

33. Bruce F. Johnston and William C. Clark, Redesigning Rural Development: A Strategic Perspective (Baltimore: Johns Hopkins University Press, 1982.)

34. Frances F. Korten, Building National Capacity to Develop Water User Associations, World Bank Staff Working Paper No. 528, Washington, D. C., July 1982; Robert Y. Siy, Jr., Community Resource Management: Lessons from the Zanjera (Quezon City, Phil.: University of the Philippines Press, 1982); William Foote Whyte and Damon Boynton (eds), Higher-Yielding Human Systems for Agriculture (Ithaca: Cornell University Press, 1983); Mary Hollnsteiner, "Mobilizing the Rural Poor Through Community Organization," Philippine Studies, 27, 1978, pp. 387-416; Norman T. Uphoff, John M. Cohen, and Arthur A. Goldsmith, Feasibility and Application of Rural Development Participation: A State-of-the-Art Paper, Monograph Series No. 3, Rural Development Committee, Cornell University, Ithaca, New York, January 1979; Coralee Bryant and Louise G. White, Managing Rural Development: Peasant Participation in Rural Development (New Hartford, Conn.: Kumarian Press, 1980); and George Honadle, "Fishing for Sustainability: The Role of Capacity Building in Development Administration," IRD Working Paper #8, Washington, D. C.: Development Alternatives, 1981.

35. Elizabeth Dodson Gray, Green Paradise Lost (Wellesley, Mass.: Roundtable Press, 1979).

Empowerment of people and the reorientation or de-bureaucratization of development bureaucracies to support that empowerment have become central themes.[36] Development agencies are being called upon to establish their own field based learning laboratories to serve as their equivalent of the enterprises' "skunk works" for development of participatory modes of working with communities. Work is progressing on development of planning frameworks which analyze relationships between poor rural households and the land and water resources on which they depend as the basis for planning public development action.[37] Increasing recognition is being given to human creativity as a critical development resource and to human well-being as the prime indicator of development performance.[38]

Social learning theory provides the theoretical foundation on which the approaches and methods of the new development management are being built. Thus rather than seeking to transplant the institutions of industrial society, its focus is on facilitating institutional learning processes by which Third World development institutions can use their own experience to drive a capacity building process involving iterative cycles of action and reflection. Community management and local self-reliance are key organizing themes--recognizing that development is ultimately achieved by individuals, families, and communities who have the freedom and opportunity to create a new future of their own choosing through a melding of local and external knowledge and resources.

The purely pragmatic, as contrasted the the humanistic, logic of the approach is expressed by Pierre Landell-Mills):

Management skills are scarce, but not uniformly so. In countries where high-level management capacity is particularly limited, lower-level management skills are often under used. Governments tend to establish large organizations that demand scarce high-level skills--for example, replacing small rural traders with large agricultural marketing monopolies or private truckers by state transport companies. Least successful of all are the large state farms that in some countries have replaced individual peasant farmers. Thus, frequently, small can be optimal; it makes

36. Frances F. Korten, "Community Participation: A Management Perspective on Obstacles and Options," in Korten and Alfonso, loc. cit., pp. 181-200; Derick W. Brinkerhoff, "Inside Public Bureaucracy: Empowering Managers to Empower Clients," Rural Development Participation Review, Vol. 1, No. 1, 1979, pp. 7-9; Robert Chambers, Rural Development: Putting the Last First (London: Longman, 1983); David C. Korten and Norman T. Uphoff, "Bureaucratic Reorientation for Participatory Rural Development," NASPAA Working Paper No. 1, Washington, D. C., 1981; David C. Korten, "The Management of Social Transformation," Public Administration Review, Vol. 41, No. 6, Nov.-Dec., 1981, pp. 609-618.

37. Ranjit Gupta, "The Poverty Trap: Lessons from Dharampur," in Korten and Alfonso, loc. cit., pp. 111-113. Articles on this theme by Iman, Carner, Fass, and Korten and Carner appear in Korten and Klaus op. cit.

38. Guy Gran, Development by People: Citizen Construction of a Just World (New York: Praeger, 1983).

enterprises more responsive to client pressure and it limits bureaucratic overhead. On the same principle, where a large organization is deemed necessary, great benefits may be derived from delegating responsibility for day-to-day decision making to the various operating units, provided control of policy is maintained.[39]

The concern of the new development management goes beyond the creation of strategic organizations, also critically important to Third World development, to the creation of strategic societies. Both ideas concern a style of organizing centered in people, their creativity and motivation. Both are critical to achieving the de-bureaucratization of development.

Though the administrative settings of most public organizations pose substantial barriers to the application of such concepts, these barriers are likely to come under increasing pressure as resource constraints and the obvious limits of bureaucratized development become more evident.[40]

TOWARD A NEW PUBLIC MANAGEMENT

The pressures for de-bureaucratization of public agencies are not limited to Third World countries. They are being felt as well in countries in which the concept of the modern bureaucracy originated. They are manifest in powerful social and political forces and in a growing body of critical writing within the field of public management. Together they pose a forceful challenge to conventional practice and theory.

Among industrialized societies indicators suggest an important reversal of previous trends toward centralization of public structures and services is already underway, the U.S. being a prime example.[41] The basic forces involved are those noted earlier by Ansoff. And they are leading toward creation of a new public management attuned to the needs of the information age, based on people-centered values, systems theory, and political philosophies at once conservative in their commitments to individual rights and liberal with respect to their social awareness.

Challenging Basic Precepts

Two ideas have for many years provided the foundation for much of American public administration theory, i.e., that:

1. It is the job of government to provide for those needs which cannot be adequately serviced through the market; and

39. "Management: A Limiting Factor in Development," Finance and Development, Vol. 20, No. 3, Sept. 1983, p. 12.

40. See World Development Report 1983, op. cit.; and G. Shabbir Cheema and Dennis A. Rondinelli, Decentralization and Development: Policy Implementation in Developing Countries (Beverly Hills, California: Sage Publications, 1983).

41. See Naisbitt, op. cit.

2. Bureaucratic forms of organization are the only forms appropriate for use by government in dealing with non-market situations.[42]

When bureaucratic organizations have failed to meet a given set of needs at an acceptable cost, administrative theorists have commonly concluded that it was because available control systems were inadequate to insure accountability to policy making authorities. An alternative--or perhaps complimentary explanation--has been that the openness of the public bureaucracy to external pressures or influence from external interest groups has created an internal demand for elaborate hierarchies, rules, and clearance requirements as protective devices--resulting in a degree of rigidity which largely defies attempts at redirection, even by its own leadership. Yet, ironically, the tighter the control systems, and the more effective the insulation from constituent groups, the more limited the agency's strategic capacity and the less effective it is likely to be in relating to a dynamic environment.

The underlying dilemma is, however, a product of the two premises articulated above and is readily resolved by rejecting them. This is exactly what a substantial portion of the American electorate is doing--having grown impatient with government bureaucracies assuming too many functions which they cannot and should not be expected to perform. This conclusion is reflected not only in political expression, but also in the broadly based re-emergence of individual, family, and community self-help action to meet a range of social needs.[43]

In a recent review of theoretical and philosophical challenges to the conventional premises of American public administration, Scott calls attention to what he calls the "Unfinished American Revolution." He argues that the American Revolution attempted to establish a system of government intended to defend:

...the right of all individuals to grow in their capacity for making moral judgements....The health of the nation depended on the well-being of its small-cell units: the family, independent businesses, autonomous school systems, private universities, small towns, local religious congregations, agricultural cooperatives, voluntary fraternal associations, and so on. These institutions not only protected the citizen from importunities of governing authorities, they were the places where the virtues of good citizenship were imparted--where moral judgements were heightened.

Thus, government insured that the national interests were served and,

42. See Anthony Downs, Inside Bureaucracy (Boston: Little Brown and Company, 1967); and Laurence E. Lynn, Jr., Managing the Public Business: The Job of The Government Executive (New York: Basic Books, 1981).

43. Diane L. Pancoast, Paul Parker, and Charles Froland (eds.), Rediscovering Self-Help: Its Role in Social Care (Beverly Hills, Calif.: Sage Publications, 1983); Bruce Stokes, Helping ourselves: Local Solutions to Global Problems (New York: W. W. Norton, 1981); Jessica Lipnack and Jeffrey Stamps, Networking: People Connecting with People, Linking Ideas and Resources (New York: Doubleday & Company, Inc., 1982); and Naisbitt, op. cit., see especially Chapter six on Institutional Help to Self-Help, pp. 131-158. Articles on this theme by Toffler, Berger and Neuhaus, Nelson, Goodell, and Lipnack and Stamp appear in Korten and Klauss, op. cit.

simultaneously, furthered the integrating and socializing functions of the Republic's subsidiary institutions. The result was to turn outward the latent energies of the people toward the development of their new land, and to the improvement of their local circumstances.

Drawing on works of a number of contemporary scholars, Scott concludes that relying on hierarchical bureaucratic organizational forms as a means of solving social problems is contrary to the basic social and political principles on which America was founded.[44]

Similarly, use of the concept of instrumental rationality to provide a theoretical and philosophical rationale for the bureaucratic form has been discredited by some of the most effective criticism which the field of public policy and administration has produced. The bottom line is it doesn't work, and therefore, as Wildavsky has noted, is irrational.[45]

Variety and change are defining characteristics of modern society. Learning to deal with this variety is one of the fundamental challenges facing public systems. Drawing on general systems theory Gawthrop observes that there are two basic choices--either attempt to limit the variety, or increase the internal capacity of the system to absorb it.[46] Solutions of the logical positivist and bureaucratic traditions tend to be on the side of reducing the variety rather than increasing absorptive capacities. As noted by Gawthrop, the substitution of efficiency for purpose as the principle measure of performance in public organizations has led to acceptance of the stable state as a convenient ideal.[47]

44. "Administrative Reform: The Revolutionary Renewal of America," Comparative Administration Review, Vol. 43, No 2, March/April 1983, pp. 182-190. The books reviewed are Terry L. Cooper, The Responsible Administrator (Port Washington, N.Y.: The Kennikat Press, 1982); Robert B. Denhardt, In the Shadow of Organization (Lawrence: The Regents Press of Kansas, 1981); Michael M. Harmon, Action Theory for Public Administration (New York: Longman, 1981); Alberto Buerreiro Ramos, The New Science of Organization (Toronto: The University of Toronto Press, 1981); and Frederick C. Thayer, An End to Hierarchy and Competition (New York: New Viewpoints, second edition, 1981).

45. The following are notable examples: Charles E. Lindblom, Politics and Markets (New York: Basic Books, 1977); John D. Steinbruner, The Cybernetic Theory of Decisions: New Dimensions of Political Analysis (Princeton, N. J.: Princeton University Press, 1974); David Braybrooke and Charles E. Lindblom, A Strategy of Decision: Policy Evaluation as a Social Process (New York: The Free Press, 1963); and Aaron Wildavsky, Speaking Truth to Power: The Art and Craft of Policy Analysis (Boston: Little Brown, 1979).

46. Louis C. Gawthrop, Public Sector Management, Systems, and Ethics (Bloomington: Indiana University Press, 1984), pp. 82-86. For development of the related argument that exercising control should not be confused with managing see Russell Stout, Jr., Management or Control? (Bloomington, Ind.: Indiana University Press, 1980).

47. Op. cit., pp. 124-5.

The problem, as seen by Gawthrop, is not simply the bureaucratic form, but as well the values which have sustained it, particularly the perverse value logic by which simple avoidance of doing wrong has come to be equated with doing right.

...public management ethics in the United States reflects a mechanistic rigidity that reduces the notions of administrative accountability, responsibility, and responsiveness to concepts that are virtually devoid of any personal relevance.

The techno-scientific, systems environment that currently pervades public sector agencies steadily is becoming institutionalized in a manner that is the antithesis of the critical freedom of the individual. The task of public managers in this context is to preserve and enhance the critical freedom of others, but this can only be accomplished if public managers are capable of preserving and enhancing a critical freedom for themselves.[48]

Gawthrop calls for a public administration in which the individual administrator exhibits a critical consciousness based on an openness to the conflicts, processes, and values which shape societal growth--in order to infuse public management with a clear sense of purpose.[49]

Similar challenges to orthodox theory and practice in public administration have recently come from Luther Gulick and Donald Stone, two of the field's most respected practitioner-teachers. Both call for a re-examination of the assumptions underlying military style hierarchical structures as the organizational form of choice in conducting society's public affairs. Gulick believes that government agencies can become truly democratic and participatory systems, conceived not as impersonal hierarchies driven by a budget imperative, but rather as:

...a group of human beings working together responsibly, using public authority to accomplish human purposes, primarily with human efforts for human welfare.[50]

Stone develops a similar line of argument, calling on public executives to work from within the system to transform their agencies from conventional bureaucracies to "resilient and entrepreneurial organizations" featuring "consultative and participatory processes." [51]

The changes called for by Gawthrop, Gulick, and Stone have much in common with the strategic organizational models gaining currency in enterprise management, which

48. Ibid., pp. 144 & 153.

49. Ibid., pp. 137-162.

50. "The Dynamics of Public Administration Today as Guidelines for the Future," Public Administration Review, Vol. 43, No. 3, May/June 1983, pp. 193-198.

51. "Innovative Organizations Require Innovative Managers," Public Administration Review, Vol. 41, No. 5, September/October 1981, pp. 507-513.

also hold substantial promise in development management. These are men of substantial experience and reputation in the field of public administration. Their call for de-bureaucratization of public agencies cannot be lightly dismissed.

Public Accountability is No Excuse for Poor Performance

Yet a substantial portion of the literature in public administration would seem to deny the possibility of reforms in public management based on application of concepts and methods of the type being demonstrated private enterprise. A common theme of this literature is the argument that public management is inherently and eternally different from enterprise management. Specifically, it is argued that the private sector manager has much greater control over organizational structure and decisions relating to staffing and reward structures, is relatively insulated from the conflicting demands of diverse publics, is expected to focus only on a single objective--profit--and is accountable only to the forces of the market and the corporate shareholders.

Prevalent as this image may be within the public administration profession, it is not an accurate representation of the current context of enterprise management--as was elaborated and documented in an earlier section. While there are undoubtedly real differences between the settings of public and private management, they have often been exaggerated and used as the basis of erroneous conclusions.

It is noteworthy that the uniqueness argument is commonly based on studies of bureaupathology--a fairly popular research topic in the field of public administration. While understanding the dynamics of failure is useful in knowing what to avoid, a theory of public organization grounded on the study of pathology seems more useful in contributing to a fatalistic acceptance of failure than in providing a normative guide to effective action.[52] As noted by Samuel Paul, significant contributions to improved performance are more likely to result from study of positive deviance--those discontinuities in practice which prove to be the basis of unusual success.[53]

Enterprise managers are by no means exempt from the forces commonly cited to excuse managerial failure in the public sector. But rather than choosing to dwell on them, the more influential research literature of business management--as exemplified by the landmark studies of Peters and Waterman, and Ouchi--has focused instead on illuminating the bases of success--thereby contributing to a positive sense of managerial efficacy. This may be one reason why business schools seem on the whole to be more effective than schools of public administration in attracting able and

52. Donald P. Warwick, A Theory of Public Bureaucracy: Politics, Personality, and Organization in the State Department (Cambridge, Mass.: Harvard University Press, 1975), which derives a "theory" of public bureaucracy from study of a single case of a failed attempt at administrative reform is a leading example. See also Allen H. Barton, "A Diagnosis of Bureaucratic Maladies," in Carol H. Weiss and Allen H. Barton (eds.), Making Bureaucracies Work (Beverly Hills, California: Sage, 1980); Lynn, op. cit. Hal G. Rainey, "Public Organization Theory: The Rising Challenge," Public Administration Review, Vol. 43, No. 2, March/April 1983, pp. 176-181 provides a review of this literature.

53. op. cit., pp. 4-5

motivated students.

Significantly, those studies of public sector management which do focus on success, seldom dwell on differences between the roles and settings of public and private sector managers. To the contrary they commonly conclude that skilled and motivated managers of public agencies can be effective in bringing about performance improvement, and that the practices which bring success are generally similar, if not identical, to successful practice in private business.[54]

THE FUTURE: BEYOND BUREAUCRACY

Contrary to popular mythology, the bureaucratic organizational form is not exclusive to the public sector. In fact organizational forms based on formal hierarchy, rules, central authority, elaborate control systems, and impersonality have been the dominant organizational form in both public and private sectors throughout the industrial era. But human society is now perched on the brink of a new era which presents new imperatives and opportunities.

There is a growing demand for an alternative to the bureaucratic form, and evidence that, especially in some of the more successful of large corporate enterprises, an alternative strategic organizational form is already proving its superiority. The evidence suggests that it offers substantial advantages over the bureaucratic form, both with respect to its ability to contribute to realization of human potentials, and its ability to achieve high levels of economic and social performance in diverse and rapidly changing environments. Furthermore, there is reason to believe that it may prove to be the form of choice for most private and public sector organizations irrespective of the current level of development of the country in which they are based.

Defining characteristics of the strategic organizational form appear to include:

- Reliance on networks over hierarchy.
- Emphasis on people and their capacity for commitment and creative initiative as the organization's most important resource.
- Strong institutional cultures which maintain a coherence of purpose and operating style, while using internal motivation and informal social processes as the

54. For examples see Ronald Contino and Robert M. Lorusso, "The Theory Z Turnaround of a Public Agency," Public Administration Review, Vol. 42, Number 1, January/February 1982, pp. 66-72; Kenneth A. Gold, "Managing for Success: A Comparison of the Private and Public Sectors," Public Administration Review, Vol. 42, No. 6, November/December 1982, pp. 568-576; Samuel Paul, op. cit.; J. Richard Casey, "Reorganizing in the Eighties: An Internal Participatory Model," Public Administration Review, Vol. 42, No. 6, November/December 1982; Rensis Likert, "System 4: A Resource for Improving Public Administration," Public Administration Review, Vol. 41, No. 6, November/December 1981, 674-678; and Robert T. Golembiewski, Carl W. Proehl, Jr., and David Sink, "Success of OD Applications in the Public Sector: Toting Up the Score for a Decade, More or Less," Public Administration Review, Vol 41, No. 6, November/December 1981, pp. 679-682.

primary means of maintaining performance standards.

Open boundary relationships thru which the organization engages in intensive interaction with its environment at both policy and operating levels.

One rationale for the bureaucratic form has been to preserve accountability to legitimate authority: private ownership in the case of the private enterprise, and duly constituted political authority in the case of the public sector. It was assumed that legitimate lines of accountability were exclusively hierarchical, with only the top level being accountable externally. But in contemporary society such accountability is little more than a myth, sustained by a rather desperate need to maintain a semblance of legitimacy for these central institutions.

Institutional legitimacy in the new era will more likely be grounded in the concept of social utility: Does the organization in question serve a useful social function relative to its costs? The answer must rest with the organization's various stake holders and their determination of whether the services being provided to them by that organization are worth the demands extracted from them in return.[55] The strategic organization deals with accountability in ways more consistent with this concept. Its lines of accountability look more like networks than hierarchies and link the organization to its environment at many points and levels, thus facilitating access by numerous constituencies--a concept ultimately more consistent with the concepts of a Democratic society than that of the impermeable hierarchy.[56] Though important progress is being made toward dealing with such issues in the private sector, much remains to be done--especially with respect to potential application of the new concepts in public sector organizations.

In development management recent innovative work has focused on realigning the relationship between the development agency and its client groups such that actions of the former contribute to the empowerment of the latter. This in turn defines needs for realignment of internal structures of the development agency in ways supportive of its new external relationships. Work in this area remains an important frontier in development management. We are at an even earlier stage, however, in understanding the potentials for de-bureaucratizing the internal structures and processes of the development agency. This seems an essential part of the overall de-bureaucratization process, so as to release more fully the creative potentials of the agency's own members--thus contributing to internal as well as external empowerment.

55. Boris Yavitz and William H. Newman, Strategy in Action: The Execution, Politics, and Payoff of Business Planning (New York: The Free Press, 1982), especially pp. 11-16, provide a useful conceptual framework.

56. For recent reviews of the accountability issue in relation to public management see Richard C. Elling, "Bureaucratic Accountability: Problems and Paradoxes; Panaceas and (Occasionally) Palliatives," Public Administration Review, Vol 43, No. 1, January/February 1983, pp. 82-89; and Harvey C. Mansfield, Sr., "The Quest for Accountability," Public Administration Review, Vol. 41, No. 3, May/June 1981, pp.397-401. See Chamberlain, op. cit. for a discussion of related issues from the perspective of the private enterprise.

Perhaps the greatest challenge of all in preparing for the new era comes in the area of teaching. Peters and Waterman suggest that American business schools teach very little about those things which make the critical difference in the highest performing American corporations.[57] Similarly, little of what is critical to successful Third World development efforts is taught in the conventional courses on development management.[58] Most likely the same is true for public administration more generally. For the most part we are preparing the managers of tomorrow with the tools of yesterday.

Certainly the strategic managers of the future will need to have an excellent command of the basic techniques of management. But real leadership must come from those individuals whose command of technique is sufficient to allow them to transcend the limits of method in their commitment to creating a new and more human future. They must have an ability to take the available management techniques apart, examine their inner assumptions and external implications, and put them back together again in ways which serve new definitions of purpose. A combination of personal values and learning skills will be among the most valuable assets they can bring to their jobs. Training such managers poses a challenge of substantial magnitude. Teachers who are themselves little more than technicians will have a limited role.

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Management, as a profession and a social technology, is at a fundamental turning point, well into a period of transformation still only dimly recognized even within the profession itself. While the basic outlines of the strategic organizational form, which is emerging as a product of this transformation, are already becoming evident, we may assume that we are still in the early stages of recognizing its potentials and of defining its ultimate form. The opening of a new organizational frontier makes the present decade an important and exciting period of experimentation for all fields of management. Realizing the potentials of this frontier will depend on our ability to accept the magnitude of the changes we face, and thereby to openly embrace the opportunities presented by this particular period of history--focusing our creative energies on creating the organizational forms of our future rather than on repairing those which survive as relics of our past.

57. Op. cit., pp. 29-30 & 35-36.

58. Several institutions are committed to offering programs in development management which will be exceptions to this rule. These include the Indian Institute of Management at Ahmedabad, the Asian Institute of Management in Manila, the Central American Management Institute (INCAE), the Institute of Higher Studies in Administration (IESA) in Caracas, American University in Washington, D. C., and Indiana University. The International Association of Schools and Institutes of Administration (IASIA) is providing guidance to its members on the introduction of the new perspectives into their teaching. Development Management Report, an occasional newsletter published by the National Association of Schools of Public Affairs and Administration (NASPAA) lists relevant current materials available for use in such teaching. For information write NASPAA, 1120 G. Street, NW., Suite 520, Washington, D. C. 20005, U. S. A.