

## **PARTNERSHIPS PANEL:**

### **THE USE OF CONTRACTORS AND**

### **PARTNERSHIPS IN PUBLIC FOREST**

### **RECREATION: SOME CONSIDERATIONS**

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This paper argues that short term competitive contracting and "partnerships" with low bidders cannot produce the quality or efficiency that highly socialized normatively guided career organizations, both public and private, can produce. High quality maximum efficiency production requires highly socialized primary group types of organizations, guided by a moral rather than a calculative or alienated involvement with the organization. Only an organization which gives the ownership of the work process to the workers, creating a sense of "family", can produce an occupational group which socializes both on and off the job. This type of social group can provide the pure moral or social moral involvement in the organization necessary to achieve both high quality and efficiency. The Japanese management style developed by W. Edward Deming's *Total Quality Management* is one of the best ways to develop work ownership by the occupational group, and provides the pure moral or social moral involvement in the organization necessary for both high quality and efficiency.

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#### **Introduction**

Public recreation agencies must face smaller budgets yet greater demand for certain services, even some unique services. This has led to a reliance on more and more contracted for services provided by private business such as general contractors, concessionaires and more recently relationships called "partnerships." (Dulac USFS, 1987).

These private services, contracted for by federal and state recreation agencies, presumably supply a public recreation need at a cost less than that which would be incurred if the service was provided by career and seasonal government agency employees. Savings are said to be obtained by avoiding the costs of health insurance, retirement, end-of-the-fiscal-year spending sprees, classified salary scales, and so forth, by hiring contractors who bid competitively for the right to provide a service.

Selin has argued from a selected sample of three National Forest *partnerships*, that "successful" relationships were "...marked by the following characteristics: a shared vision; be realistic (sic); have the right people; have support from the boss; plan continuously; meet often; share information and ideas; never say die; give a little; and set new goals" (Chavez 1993). However, to this writer, conceiving of shared vision and goals between a government bureaucracy and an entrepreneurial firm is oxymoronic.

#### **Motives of "Partners"**

On the one hand, a "partner" is a private firm with a long term government contract, and thus is a temporary monopolist. This firm has no fear of competition until its contract is up for renewal. Therefore, it necessarily must seek to maximize its net worth constrained by the limits on its prices and services set by the contract. It can make a maximum profit only by charging as much as possible while providing the minimum service possible short of sanctions decided on by the government. (And those can often be avoided by bringing social or political pressure on the agency).

It has no incentive to produce quality other than the threat of penalties under the contract, and the threat of non-renewal of the contract (after the contract period of from sometimes ten to thirty years). And it is probably not operating under a performance bond, as required of most construction contractors doing work for the government. Furthermore, in order to help out or maintain the welfare of a financially weak contractor, or because of other types of collusion, the "partner" firm may even be allowed or encouraged, by the contracting agency, to deviate from applicable federal criminal law.

The firm under contract thus has considerable incentive to "meet often" with contract compliance inspectors, in order to develop personal relationships with them, and in order to apply social or political pressure to encourage the agency inspectors to be "realistic" and to "give a little."

Indeed, such a firm has an incentive not only to cut corners wherever possible (as shown recently in the timber theft and fraud cases in Oregon), it may begin to "stretch" the contract a little at first, and if not penalized by the agency, it may use its working relationship with the agency inspectors to illegally but significantly add to its profits. Of course, if the agency inspectors do become *that* "realistic" and continue to "give a little," the quality of public service provided by the contractor is bound to suffer. (see Turner, Charles H.; U.S. Attorney, Oregon [ret.], 1993)

#### **Public Support**

On the other hand, a government bureau is competing each year with other public agencies for Congressional appropriations, which hopefully constitute an increasing (but at least a stable) share of the public treasury. Thus, the bureau must maximize all possible public support *every* year. It cannot risk having one part of its clientele happy with its services and its other clientele unhappy. It cannot risk having its clientele numbers decline. And in order to avoid unhappiness and decline in its appropriations, staffing and authority, it must provide a unique, identifiable and memorable service or product to all its clientele publics. It can ill afford to share its political image and support with private firms acting on behalf of the agency.

However, the primary motivation of contractors with natural resource agencies is not public support. It is to make a profit on their investment (normally more than 10%). Quality service to agency publics (which might help the agency maximize public support) is a lower priority with a contractor. A contractor's profit often does require "cutting corners" on what is provided. And this is achieved many times by adhering to the minimum (or less) in contract established standards, by cost saving measures in the quality and quantity of personnel providing services, and by savings in product quantities and quality.

In addition, contractor personnel may be less than good ambassadors for the contracting government agency, and by not having the motivation for maximizing public support they may even behave so as to alienate potential agency supporters. This occurs not only because of different motivations, but because of a climate of fear created in the contracted for service organization. This fear stems from the contracted firm members' desires to protect their jobs by saving money, rather than providing complete production of the contracted services. And the problem of fear is compounded by employees who fear job loss because tenure or civil service fails to protect them from profit enhancing cutbacks by their firms. No matter, we have been told a "shared vision" between government officials and a contractor constitutes "success," and thus is both a possible and viable goal for each.

#### **The Public Interest**

In the Oregon experience with agency contractors mentioned above, the "shared vision" became one of seeing major fraud and theft of public property and funds as merely "mistakes" by contractors and agency officials. Rather than enforce the contract or the public law, the agency argued that "anyone can make a mistake" (Turner, Charles; U.S. Attorney, Oregon [ret.], Testimony before House Subcommittee on Civil Service, October

19, 1993.) There, one to one contracting relationships became more important than protecting the public welfare. According to Turner's testimony (further substantiated through a personal interview with the author 12/1/93), this kind of "shared vision" behavior on the part of federal agency contract inspectors (and their supervisors), being "realistic," having "the right people," and giving "a little" may not constitute success for the public welfare. On the contrary, it can lead to biasing agency management programs in favor of one particular clientele group (the contractors), violation of the public trust, and considerable loss of funds to the federal treasury.

And acknowledgment of this biasing does not even begin to deal with the problem created by fear within the contractor's organization.

### Fear

The problem of fear in the loss of quality has been noted by total quality management specialist W. Edward Deming, who has observed that fear impairs performance and fear generates inaccurate data (see Walton, 1990). He observed that fear makes workers do what is necessary to protect their jobs, not what is in the organization's long term best interest or mission statement. Deming also noted that fear exists at all levels of such organizations, and may be greatest at the top of the management structure. He felt that fear in an organization that is trying to implement quality improvement is disastrous. Generating fear in an organization can cause executives to make the wrong choices based on erroneous data because employees are afraid to report the truth.

Absent or erroneous feedback from within an organization's management structure can obscure much about the quality of service an organization is producing. No one really knows what the current quality of service is except the clientele, and only the workers are in touch with them. The top management in an organization tends to make operational decisions by looking at profit or production data. If such decisions improve the quality of a system it is usually coincidental (Lyden 1992). Lyden observes that health care organizations still don't make decisions based on quality data. That kind of data, he points out, includes why former clients stopped using the organization's services, what jobs in the organization have the highest turnover and why; which work processes have the greatest amount of rework, delay and waste; what are the most frequent complaints of current customers; what aspects of the service that most clients would like to see improved; and how the organization's services compare to others providing the same service (1992). Hence, the importance of driving out fear in any service organization and giving the worker the ownership of the work process as part of driving out such fear.

### Other Costs Of Contracting

Other costs of contracting that are not often considered include those of drafting detailed enough standards and provisions in the contract to insure that a minimum quality of service is prescribed and ensured. Ensuring contract compliance requires enforcement, regular inspections, shopping yourself, and immediate follow-up on user complaints. This policing requires costly numbers of well trained and well paid incorruptible inspectors, in order to assure that contract requirements are strictly complied with (Jubenville & Twight 1993). Contract inspectors must be highly loyal government employees who don't overlook deviations from compliance with specifications because of fear or favor. They must be well paid so that they have no incentive to accept bribes and they must be transferred at regular intervals so that personal relationships with contractors are not developed.

Turner points out the importance of contract inspectors and their supervisors not being residents of the communities depending on continued contracts with the government agency. He also points up the necessity of these personnel not having close personal relationships with members of the contractor firms, or any relationships founded on blood or marriage. Turner also discusses the conflicts of interest which occur when inspectors or their supervisors bowl with or attend church with contractor personnel

who may have incentives to behave in an unethical or criminal fashion (Turner 1993, 9-10).

Recent reports by the U.S. Office of Management and Budget have pointed out that a goodly number of private firms, contracted with to replace services formerly provided by career government employees, have paid for unauthorized and at times illegal expenses. These included "tickets to sporting events, lavish cruises, and excessive salaries for executives" (Schneider 1992). Such skimming of profits must have resulted in both poorer quality service to agency clientele and excessive charges to the government.

Reiterating again, even in existing agency operations, no one (except the customer) really knows what the current quality of service is. Senior management is generally making operational decisions based on financial or productivity data. As W. Edward Deming has pointed out, if these operational decisions improve the quality of a system, it is usually purely coincidental (Lyden 1992; Walton 1990).

Furthermore, a recent study in the New York City Parks and Recreation Department reports on the use of the Deming technique of giving ownership of the work process to the workers. In a test of that technique, allowing the workers (instead of managers and engineers) to develop the work flow chart, schedule, and manning requirements for the job, a tree removal project--for which contractors would have charged more than \$10,000.00, removal of 51 hazard trees cost the city only \$2,644.00, a savings of more than \$8000.00 (Janofsky 1992).

Finally, it is argued that career agency employees are better ambassadors for their agencies with the public than are contractors, because they are more service oriented. They see their profit in public good will, rather than as a bottom line on a low bid. This was exemplified in Glacier National Park in the mid- 1980's, where it was shown that career civil service maintenance personnel were more likely to contribute overtime services in emergency situations than were contractors. Contractors there were generally unavailable on nights or weekends and when they were available they routinely submitted requests for additional reimbursement through costly change orders (Sigler 1986).

### Theory

The Glacier Park example above can be explained by the sociological studies of Etzioni (1975) who has shown that organizational involvement ranges in intensity from high to low. Etzioni refers to positive involvement as *commitment* and to negative involvement as *alienation*. Employees of any organization can be placed on an involvement continuum which ranges from an intense negative zone through mild negative and mild positive zones to a highly positive zone.

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Strong Strong  
Alienation < -5 -4 -3 -2 -1 0 +1 +2 +3 +4 +5 > Commitment

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Figure 1. Levels of organizational involvement.

Etzioni describes three zones of the involvement continuum: *alienative*, for the high alienation zone (e.g. the disgruntled union member on strike, the prisoner of war and other inmates, enlisted soldiers in basic training, etc.); the *calculative*, for the two mild zones on either side of the midpoint of the commitment scale in Figure 1 (e.g. the clock watching 8 hour worker who goes home at 5 and forgets the job, who finds non-work ego rewards in other activities such as social organizations, church or civic clubs); and finally at the top of the commitment scale the *moral* (e.g. the parishioner in his church, the devoted member of a political party, and the loyal follower of his leader).

Alienative involvement designates an intense negative orientation; Etzioni states that it also exists among merchants in "adventure" capitalism, where trade is built on isolated acts of exchange, "each side trying to maximize immediate profit" (1975, 10). He says calculative involvement is either a mildly negative or mildly positive orientation. It has a low level of intensity.

*Calculative orientations are predominant in relationships of merchants who have continuous business contacts. Attitudes of (and toward) permanent customers are often predominantly calculative, as are relationships among entrepreneurs in modern (rational) capitalism. (1975, 10).*

Moral involvement is a high intensity positive orientation according to Etzioni. It is either pure or social in character.

*Pure moral commitments are based on internalization of norms and identification with authority (Etzioni, 1975 11, 169).*

Moral involvement or a high level of organizational commitment is an outcome of long term socialization, such as that described in professional career bureaucracies like the U.S. Forest Service (Kaufman, 1960). (Some of the effects of such socialization were substantiated empirically among Forest Service district rangers by Twilight and Lyden in 1988). The effects of socialization in career bureaucracies is perhaps best illustrated by the military officer corps in the U.S., with the most refined American example being the line officers of the U.S. Navy (Mosher, 1982, 148). Noting the effects of socialization in hierarchies such as bureaucracies, Etzioni points out that pure moral involvement tends to develop in vertical relationships such as among leaders and followers.

Social moral involvement according to Etzioni, is of lesser intensity and tends to develop in horizontal relationships like those in various types of primary groups such as the family, and in various occupational communities which have social life both on and off the job (Etzioni, 171). Such social commitment rests on sensitivity to primary group pressures for loyalty to the organization and its welfare (Gawthrop, 1969, 134-40). Thus, even non-professional members of dominantly professional career organizations are influenced by integration with the professional staff and participation in the organizational socialization process. Long term socialization is even more effective in terms of efficiency and productivity, as noted earlier, when ownership of the work process is given to career skilled workers by the professional staff (Janofsky 1992; Moore 1973). In career organizations or occupational groups which socialize on and off the job, both means and ends of the organization are geared to the needs of the collectivity in serving its goals.

However, in a calculative involvement, such as with a business contract with the government, the goals of the contracted for individuals and their organization gain the loyalty of the employee only on what Etzioni calls a remunerative- calculative basis. And if the relationship with the contract administration, the recreation opportunity providing agency, is on a *coercive compliance* basis, as with the specifications policed by the contracting agency, then loyalty to the goals of the government agency is even lower.

This relationship tends toward *alienation* and Etzioni's work suggests that resistance to compliance with contract terms develops. Lower quality work is produced and even more costly inspections and policing become necessary to maintain even minimum quality standards. The more contract violations that are found through the increased inspections, the more the supervision costs of the contractor are increased, and the more the supervision the greater the alienation of contractor employees. Workers begin to leave or be fired and new ones hired. Training costs go up. And it is seldom that quality ever rises to the level of that produced by an organization which has morally involved and committed employees.

Indeed, Hirschman (1970) has forcefully demonstrated that as quality deteriorates, clientele and organizational members leave their relationships with the agency or firm. "Revenues drop, membership declines, and management is impelled to search for ways and means to correct whatever faults have led to exit" (1970, p.4). Further, the firm's clientele or the organization's members often "...express their dissatisfaction directly to management or to some other authority to which management is subordinate (e.g. Congress) or through general protest addressed to anyone who cares to listen..."

## Conclusion

As W. Edward Deming (Walton, 1990) and his results from so-called Japanese management has shown, the highest quality of production is only attained in career organizations which retain their employees long term, socializing them to be part of a primary group or organizational "family." This type of organization, where fear has been driven out, develops the social moral involvement described by Etzioni. The costs, methods and effort necessary to produce such an effective organization have recently been demonstrated by General Motors in creating its Saturn Division under Deming's guidance.

Contractors or "partnerships," being outside organizations generally composed of personnel with alienative or calculative relationships with their organization and with a contracting agency, cannot develop the loyalty and moral commitment necessary for the highest quality and most efficient production. Only an organization which socializes its employees over several years, often promoting strictly up through the ranks and selecting only young relatively malleable entry level employees with a common background, can develop the moral commitment or loyalty necessary for maximum quality production and efficiency. Hence the first years of the Saturn Division were spent on developing the socialization and team spirit prescribed by Deming, and the pre-1960 U.S. Forest Service emphasized socialization, organizational identification, the Forest Service "family", moral norms, social interaction primarily within the agency, promotion only from within, and transfers every three or four years. Once integration of Forest Service personnel and ranger stations with local lumber communities began--in the name of public relations--and transfers and moral commitment to organizational norms declined, order began to break down. Calculative and alienative relationships with the agency developed and scandals (previously unheard of--Kaufman 1960) began to appear. Timber thefts increased, fraud occurred and moral deviations otherwise known as felony level crimes began to be described as "mistakes" and mere contract slip-ups (Turner 1993).

Building a cohesive team capable of producing a quality car such as the Saturn was found to require several years of socialization and careful attention to the building of an occupational primary group according to the long practiced "Japanese" management techniques developed by W. Edward Deming (Walton, 1990).

Short term contractors who hire calculative compliance oriented employees, those who are not socialized into a normatively guided organization, can never provide the same quality work as that produced by a supportive "family" career organization (the latter does not have to rely on fear and coercion to turn out quality workmanship). And given sufficient fear and coercion, many of those calculative employees will become alienated, leading to even lower quality work.

Providing employees a sense of ownership of their work, as the New York City Parks Department has shown, produces much higher levels of efficiency and quality. It prevents the corruption and "rip-offs" of the public and the government agencies inherent in competitive short term contracts with private entrepreneurs employing calculative and sometimes alienated staff members (Schneider 1992; Janofsky 1992). And we finally have learned from the Japanese that only by relying on Deming management will we really achieve both maximum productivity and the highest quality work for the consuming public.

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