The relationship between administrative service performance and citizen satisfaction has been assumed, but not demonstrated, in the application of market models to public service delivery. Although the citizen satisfaction literature cautions that the link between objective and subjective measures of service quality is tenuous at best, public-sector professional organizations define a managerial focus on objective measures of service performance as accountability to citizens for outcomes. What if we’re wrong?

Accountability and Administrative Performance

A market-based entrepreneurial model of public management, the new paradigm for public administration (Behn 2001), may or may not have changed what government does, but few would argue it has not changed how government does. The new paradigm has caused a very important idea to take root—that accountability to citizens and customers is demonstrated by a commitment to measure and report performance. It defines accountability as what the public demands in exchange for the discretion they afford administrators to make decisions about service provision. If one looks closely, it is a theory of accountability, predicated on the notion that citizens want good performance from their government and that the aspects of performance administrators can measure are the same aspects important to citizens. Conceding the first point, this article explores the second. Are we sure that our drive to measure and report the performance of public programs amounts to accountability for outcomes that matter to citizens?

It may be useful to compare three models of administrative accountability. The accountability of the new paradigm is citizen based, market driven, and distinguished by the concept of a relationship between administrators and the citizens and customers they serve, unmediated by elected officials. It shares with traditional public administration a confidence that management science can achieve economy and effectiveness in public programs. It differs in that the rules designed to constrain choices and limit functions as a way to prevent the improper exercise of administrative discretion in traditional public administration are considered obstacles to a flexible, responsive, citizen-centered administrative system (Romzek and Dubnick 1994). Administrators should be free to “steer, not row” in the direction of providing outcomes that matter to citizens.

Many advocates of traditional public administration and most dissenters to the new paradigm point out that private-sector values are not sufficient for civil society, and that the profession owes accountability to the collective interest of citizens, not the aggregation of their preferences (Kelly 1998; Terry 1998; Denhardt and Denhardt 2000; Frederickson 1992). Loyalists to traditional public administration and proponents of the new paradigm share the same concept of administrative accountability—accountability to citizens—but traditionalists insist on a more expansive definition of “citizen.”

Historically, public administration has looked to two other sources for accountability. The first is elected officials, an accountability Redford described as “overhead democracy” or a system in which control runs “through a single line from the representatives of the people to all those who exercise power in the name of the government” (1969, 70). The second is to itself, and the expectations for technical competence and ethical conduct that define the profession. Sixty years ago, scholars were arguing over

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whether administrators should be accountable to elected officials, or whether they should look to their own professional standards to judge their efforts. This argument was played out in the famous Freidrich–Finer debates of the early 1940s. Carl Freidrich ([1941] 1978) argued the demand for technical competence in public administrators renders other trained administrators the only suitable judges of their performance. Herman Finer ([1941] 1978) countered that elected officials are charged with divining the public interest in a democracy, and administrators owe accountability to them as representatives of the citizens they are elected to serve.

The debate between traditional public administration and the new paradigm over the proper locus of accountability does not consider Finer’s position, nor does it expressly include Freidrich’s position. I argue that Freidrich’s position, in fact, is exactly what adherents to the new paradigm practice, even if it is not what they preach. Contemporary public managers gauge the measurable aspects of the services they provide and report their performance record in a variety of venues to demonstrate that public resources have been used wisely and well. However useful those efforts—and they have been useful—public managers who define accountability to citizens as good service performance have difficulty distinguishing the means and ends of the new paradigm. That the major professional organizations assert that performance measurement is evidence of accountability to citizens for service outcomes does not make it so. We don’t know the relationship between the performance of government and improvement in citizen satisfaction with or confidence in government, though we assume it exists and that it is positive. There is some evidence that citizens may be willing to pay higher taxes for services they believe are performing well (Glaser and Hildreth 1999). Indeed, history may show that focus on performance causes citizens to warm toward government, and Hildreth (1999). Indeed, history may show that focus on performance causes citizens to warm toward government, and administrators owe accountability to them as representatives of the citizens they are elected to serve.

The public manager’s goal is ostensibly the satisfied customer–citizen, who, like his private-sector counterpart, finds value in the products of government purchased with his tax dollars. Private managers also use performance data to improve internal processes, but they keep their focus on attracting and retaining customers, not on their performance scores. Their performance scores are useful only insofar as they advance the goal of customer satisfaction. If the relationship between internal performance and external value creation is not direct, or if it is unclear, private-sector managers adjust internal measures of product quality to reflect external evaluations of product quality. Their loyalty is to the customer, not the performance measure.

Value creation in the public sector is difficult to measure because, to the extent there is a functioning market for public goods and services, it is not as neat as a private market. A performance-improvement strategy for public services may satisfy one sector of the public market but create dissatisfaction in another sector. Unlike private providers, public providers may not target the most affluent segment of the market for their efforts; our professional ethics make that impossible. Managers make a reasonable choice, then, to focus their attention on internal measures of service delivery and not on external measures of value creation from consumers. Theoretically, the relevant question for public managers is whether external measures of value creation—citizen satisfaction—are enhanced by efforts to improve performance. Practically, it is whether the performance goal is achieved.

With rare exceptions (Watson, Juster, and Johnson 1991), public-sector managers have shown more confidence in internal performance measures as a reflection of actual service quality than in external measures of citizen satisfaction with service quality, perhaps because they are concerned about the extent to which citizens are sufficiently informed to reach a conclusion about service quality (Nye and Zelikow 1997; Berman 1997; Bok 2001). A recent study of local government managers illustrates this point: The managers identified “knowledge from the profession” as most important in defining their responsibilities (Dunn and Legge 2001, 82). As the authors point out, the triumph of professional knowledge over responsiveness to elected officials and citizens suggests that public administration has been successful in advancing professional standards of performance as the path to accountability. “It is a tribute to the effectiveness of the Progressives and their descendants today that we are worried about the performance of government” (Behn 2002a, 329). However, it also suggests the danger of advancing a paradigm of public management without testing one very important premise on which it is based.

Again, there is an important difference between the private and public sectors in this regard. In the private sector, a customer’s evaluation of a product is not invalidated on the basis that the customer does not have enough information to form a proper opinion. The preference structure revealed by the customer is predicated on his or her information, however imperfect. In the public sector, the manager may also define customer satisfaction as a primary goal, but may question the validity of the citizen’s subjective evaluation of service quality contingent on its

**Value Creation and Customer Satisfaction in the Private and Public Sectors**

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congruence with objective performance data. Thus, it is possible to discount all or part of the information from citizens about service quality while maintaining accountability to them for service outcomes. If citizens are dissatisfied with high-performing services, the modern public manager may be more inclined to intensify his or her outreach activities than to adjust the way services are delivered to increase satisfaction.

The remainder of this article explores the assumption that holding public managers responsible for meeting service-performance targets enhances citizen satisfaction with public services. It begins by reviewing some problems with the citizen-as-customer model and moves on to what we know about citizen satisfaction with public services as revealed by citizen satisfaction surveys, identifying several problems that complicate the use of citizens’ evaluations of service quality for decision making. It suggests that preference creation by advertising public service performance success may amount to substituting managerial values for outcomes that are important to citizens. The article concludes by speculating on the consequences for citizens and administrators of “guessing wrong” on the relationship between administrative outputs and outcomes that matter to citizens.

The New Paradigm and Citizen Satisfaction

Adapting private-sector management techniques to public services is hardly a new idea. Bozeman suggests that market models are appealing because the public can understand them easily, public officials can communicate them easily, and they seem to offer shortcuts to decision making (2002, 146). Lynn (2001) observes that, despite its ostensible flexibility, the new paradigm is actually a lot more bureaucratic than the one it was intended to replace, but the decision rules are less constrained by sensitivity to politics, law, and policy than the old public administration. The new decision rules are outcome driven and rely on the manager’s ability to capture service outcomes with a quantitative measure.

If accountability equals performance, then an outcome can be defined as the attainment of a performance goal. This seems at odds with the new paradigm’s emphasis on decentralization and responsiveness. If the program’s service goals are defined in terms of administrative performance measures, managers may see alternative goals such as responsiveness to citizen preferences and flexibility to changing service demands as threats to the program’s commitment to accountability. One consequence is that bureaucratic power may be increased rather than redirected toward external referents of accountability. Consider, for example, the choice a manager confronts when an elected official tries to redirect service-delivery patterns in the exercise of Redford’s (1969) “overhead democracy.” The manager may choose between administrative accountability, defined by performance measures, and democratic accountability, defined by responsiveness to constituents. The ramifications for either choice are profound. Choose responsiveness, and the organizing principle of the program is challenged. Choose performance, and the stereotype of the powerful, unyielding bureaucracy is affirmed.

Assumed Satisfaction versus Demonstrated Satisfaction

The new paradigm asserts the public enterprise can be improved through the use of market-like approaches to public-sector activities, decentralization of management, focus on constantly improving service quality, and a bottom line of customer satisfaction (Pollitt 1993, 180). In fact, the success of service performance improvement should logically be tested by customer satisfaction. “The new public managers define economy and efficiency entirely in terms of customer satisfaction. Indeed, they are preoccupied with the problem of identifying customers, assessing their wants, developing products to satisfy those wants, and, where possible, ensuring accountability by having customers fund providers on a fee-for-service basis. This definition of efficiency is, of course, the gospel taught in every management school on earth” (Thompson 1997, 5).

If so, then accountability for performance cannot be achieved through internal measures of service quality, but only through external assessment of customer satisfaction with the service. Yet public professional organizations emphasize internal performance systems more than external citizen satisfaction systems. Leaders in performance-based management emphasize the need to link activities to outcomes that citizens value and to update performance measures regularly to maintain the relationship (Hatry 1980; Ammons 1996; Osborne and Gaebler 1992). There is precious little evidence, however, to suggest that agencies are choosing performance measures based on citizen priorities or revising performance criteria based on citizen preferences, especially if the agency is meeting or exceeding its performance target. In fact, the available evidence suggests they may not be changing anything at all as a result of adopting performance measurement (Behn 2002b; Julnes and Holzer 2001; Kearney, Feldman, and Scavo 2000). From the manager’s point of view, there is no reason to risk demonstrated success for the prospect of failure. The manager is adapting, to be sure, but not to citizen preferences. The manager is adapting to the status quo because it is a proven winner. If adaptation to the status quo can be defined as accountability, the program is des-
tined to resist change in the name of accountability to citizens who may want change.

Sources of Citizen and Customer (Dis)satisfaction

Application of the private-sector definition of customer satisfaction requires some assumptions about the transactions that are violated in the public sector. The most basic of these assumptions is that the transaction is voluntary. Perhaps nothing explains the emotional reaction that citizens have to taxation more than the fact that it is legally coercible. While private consumers occasionally have to pay for services they don’t consume (for example, corporate day care programs), citizens are regularly required to pay for services they do not consume or expect to consume. Sometimes they are forced to pay for services that others receive while purchasing their own service from the private sector (for instance, private schools). Because their government is typically a monopoly provider, they do not have choices among competing products or access to substitutes, at least in the short run.

Involuntary transactions based on a set of services for a single tax price, which may not be equitably distributed across all beneficiaries, are not likely to promote customer satisfaction. Citizens have a limited voice in the composition of the package of services they receive, yet they have a stake even in the ones they don’t consume. They would deny resources to some activities of government if they could, even though other citizens may want those activities and benefit from them (deLeon and Denhardt 2000). Public managers know all of these things, and they are understandably reluctant to substitute a service-quality evaluation from citizens for an alternative accountability measure they can shape and control.

Finally, there is the problem of public-sector product comparability. If a citizen believes that residents of another neighborhood are receiving a higher level of service at the same tax price, that calculus may affect his or her service satisfaction, even though it may not be strictly relevant to the service quality. The marketing literature suggests that an individual determines satisfaction based on the relationship between service expectation and service experience under the assumption that products are homogeneous and price is relatively constant. The neighborhood-disparity perception is an example of a nonhomogeneous product. If a citizen residing in the city limits believes that county residents are receiving a comparable service bundle without paying city taxes, the price-variation problem arises. Citizen satisfaction may have a collective dimension, but it also may be based on a comparison of the quality of services received by others for the same tax price.

Issues in Measuring Citizen Satisfaction

The private-sector producer learns about consumer satisfaction through the pricing mechanism under competitive assumptions. But the public-sector producer must learn about consumer satisfaction through proxy measures. The citizen survey is the most common method of assessing preferences and satisfaction, but it is not an exact science (Stipak 1979; Brudney and England 1982; Brown and Coulter 1983; Wilson 1983; Miller and Miller 1992; Glaser and Bardo 1994; Poister and Henry 1994; Miller and Kobayashi 2000). Citizen evaluations of service quality can reveal service outcomes when administrative outcome measures do not, simply because they capture a subjective assessment of service quality. The real test of their relevance to public accountability lies in their ethical value, not their congruence to an objective outcome measure (Shin 1982). They can be “insulation” from the managerialism that the new paradigm encourages by its emphasis on performance measurement.

Previous research on citizen satisfaction comes from the urban policy literature, and it is dated. These efforts have fallen into one of two broad categories: The first identifies socioeconomic or demographic factors that may be associated with a negative view of service outcomes. The second compares citizen evaluations with service outcomes against some objective measure of service quality. A citizen’s race and income may be associated with their evaluation of service quality and quantity (Stipak 1977; Brown and Coulter 1983). Campbell (1971) reported that blacks were less satisfied with police services than whites. The pattern also held with transportation services (Campbell, Converse, and Rogers 1976). McDougall and Bunce (1984) found blacks less satisfied with a range of urban services than whites. Looking at longitudinal patterns of service satisfaction, Hicks found that satisfaction does vary over time, but some general patterns remain constant. He concluded that cleavages among subgroups within communities are important to monitor, as they may indicate service-delivery inequalities (1982, 93). Interpersonal contact with service providers also appears to be an important element in service satisfaction (Hero and Durand 1985).

Race also emerges in neighborhood-level studies of citizen satisfaction. Citizens often experience services collectively, a demographic complication that is sometimes called the “joint consumption problem.” Rich describes the neighborhood as a useful unit of analysis of citizen satisfaction because it captures the level at which services are experienced and simultaneously serves as a surrogate for race and class groupings (1982, 10). The relationship between...
neighborhood characteristics and service distribution has been examined (Lineberry 1977; Antunes and Plumlee 1977; Jones 1982; Lyons, Lowery, and DeHoog 1992), and the relationship between citizen satisfaction and neighborhood has also been studied, but less completely (Lovrich and Taylor 1976). Rossi (1972) concluded that differences in service satisfaction were associated with, but not explained by, demographic factors. He determined that citizens of majority black and low-income neighborhoods were dissatisfied with city services, even when race and income were controlled in their response set.

Similarly, the “coproduction” problem in citizen satisfaction is tied to neighborhoods and to race, and it can be illustrated by police services. Residents of some neighborhoods may actively assist police in crime prevention while residents of other neighborhoods may not call police when they see a crime, or they may do so anonymously and refuse to talk to officers when they arrive (Sharp 1982). The coproduction problem is usually viewed from the citizen’s decision process (Rich 1977, 1981; Percy 1978; Whitaker 1980; Parks et al. 1982; Sharp 1990), but it can also be seen from the provider’s point of view. If managers accept that citizens’ perceptions of service quality have meaning for their service-delivery decisions, they may choose actions that may not have a demonstrable effect on performance measures but have real consequences for outcomes. The example of team policing or community-based law enforcement delivery systems comes to mind.

Despite the gaps in our understanding of these effects on citizen satisfaction, citizen satisfaction surveys offer managers a meaningful measure of outcomes that matter to citizens. Different perceptions of outcomes across individuals or groups may indicate important patterns in citizen satisfaction with services. For example, service equality is not service equity (Rich 1979; Merget and Berger 1982). Citizens in a disadvantaged neighborhood may receive considerably more police patrol services than those in an affluent neighborhood and still be dissatisfied with the quality of police services. Administrative performance measures of police services miss an important dimension of the relationship between patrol activities and customer satisfaction. Certainly, there are services for which improvement or equalization of outputs is entirely appropriate, often characterized by the existence of a private-sector substitute (for instance, street sweeping and garbage pickup). But services such as police, recreation, health care, and education cannot be evaluated fully on the basis of the production function; they require assessment at the outcome level.

We now turn to the link between citizen satisfaction and service outcomes and “objective” evidence of service outputs. Tests of the relationship between output improvements and citizen evaluation of outcomes have been inconclusive. Some question the appropriateness of such tests. “Responses to vague satisfaction or evaluation questions probably reflect at best some unknown mixture of different aspects of service provision” (Stipak 1979, 51). Brown and Coulter’s study of police service (1983) concluded there is no link between the actual quantity and quality of service provided and citizen perceptions of service quantity and quality. Yet other attempts to link subjective and objective measures of service quality yield more optimistic conclusions. Parks (1984) noted that a change in some objective measure (such as service quantity) could affect citizens’ subjective perceptions of service effectiveness. A comparison of city employees’ evaluations of street conditions with citizen evaluations indicated that citizens could make accurate evaluations, especially when the multiple, specific dimensions of the services were presented to citizens (Rosentraub and Thompson 1981). Percy (1986) demonstrated congruence between citizen perceptions of police response time and actual response time as measured by the agency (one of the more reliable measures of police service quality). More recent efforts, using standardized service-performance measures and citizen satisfaction scores on those same services in a cross-sectional model, yielded mixed results (Swindell and Kelly 2000; Kelly and Swindell 2002).

The problem with comparing service outputs to service outcomes is evident, and we should not be surprised that attempts to correlate the two have been unsatisfying. Service outputs are important to public managers, and it is appropriate and commendable for them to seek ways to improve them, and for professional organizations to endorse measurement programs that reveal them. But service outcomes, measured by the perceptions of those who experience them, do not enjoy the same level of support from professional organizations as the more reliable, objective, and comfortable measures of service outputs. Professional organizations endorse measuring outcomes as citizens perceive them, but they are largely silent on what to do in response. “The general tendency…[is] to attribute differences between citizen perceptions and agency record measures to erroneous perceptions on the part of citizens” (Percy 1986, 67). One reason may be that many kinds of service outcomes fall outside the manager’s control. To the extent that there has been a paradigmatic response to discontinuity between performance outputs and citizen perceptions of service outcomes, it is to advertise. If managers can define the discontinuity between outputs and outcomes as an information problem, the appropriate response—reporting performance data more persuasively—is still within their control.

Is This Circular Reasoning?

Managers have a responsibility to communicate standards of performance and the bureaucracy’s record of
achievement to citizens in a way they can understand, allowing citizens to hold them accountable for results (Cope 1997; Behn 2003). Where is the reciprocal responsibility to respond to what citizens say, or is the flow of information unidirectional? If there is a two-way flow of information, is it defined by managerial values or by citizens’ preferences? Though the new paradigm exhorts managers to be flexible, adaptive, and customer focused in theory, in practice it asks citizen-customers to reevaluate their satisfaction with services based on performance data. This is quite different from the manager who reevaluates his service program based on customer assessment of its quality. Who is flexible here? Who is adapting to whom?

Confusion over the relationship between customer attitudes and adaptive managerial practice is understandable. After all, the private sector uses advertising to shape preferences and so should public managers, say Jones and Thompson (1997). Public-sector marketing is a component of long-range strategic planning in entrepreneurial management, not just to assess customer attitudes, but to define them (26). Moreover, marketing the organization internally to a political audience is important to securing financial support for the activities, and it may be combined with external marketing to reinforce for decision makers not only the importance of the activity, but also the extent of political support for it (Jones and Thompson 1997, 27). Assembling the pieces, then, we find the public manager could (1) decide which aspects of performance to measure; (2) shape citizen preferences so that attaining these performance goals constitutes success; and then (3) market the program’s success to an external audience based on its record of citizen and customer satisfaction.

Goal definition is not a new venture for public bureaucracies. Public organizations routinely define vague goals set by elected officials. Implementing agencies almost always select the means by which the goals are achieved, and the selection of means shapes the goal (Cook 1998). Just as there are few unobtrusive measures in the social sciences, there are no unobtrusive measures of performance in the management sciences. What is measured determines what is done. Moreover, managers measure what their professional training suggests they should value, so performance measurement becomes a value-defining exercise. If efficiencies are measured, the organization seeks them. If outputs are measured, they become evidence of good performance. Performance measures don’t just describe what public organizations do; they reveal what managers think they should do. If managers shape those definitions, then the performance-measurement process reflects managerial values. The supremacy of managerial values in service-delivery decisions may be an appropriate reform. But we should scruple to acknowledge that our actions and our rhetoric are not consistent unless one assumes that managerial goals reflect citizen and customer preferences. As practiced, one might infer the new public administration assumes that managerial values are what citizens should prefer.

Implications

There are two issues with its new paradigm that public administration must confront: (1) Does performance constitute accountability to citizens for outcomes that matter to them? And (2) are there consequences for public administration in asserting that it does so without proof? As to the first issue, Lynn, Heinrich, and Hill (2000) call for an organizing framework for empirical governance research so that the fundamental axioms underlying our beliefs about public management may be informed. One of the seven relationships that Lynn, Heinrich, and Hill offer as a “heuristic framework” (239) for the logic of governance is this relationship between the outputs of our administrative activity and stakeholder assessments of that activity. Kirlin (2001) notes that the claims of good results from embracing entrepreneurial management have been advanced, largely without evidence or input/output measures (as opposed to outcome measures) as evidence. Outcome measures, of which citizen satisfaction would seem the most obvious, are not often offered as evidence of success. Unless we find evidence that managers and citizens share a definition of a public service outcome, we must reevaluate one of the core assumptions of the new paradigm. Alternatively, we must advance a plausible explanation why citizens cannot reliably judge their own satisfaction with public services.

And now to the consequences of guessing wrong. Our failure to demonstrate this relationship before we asserted it risks fracturing relationships with both citizens and service providers. Public administration scholars have long struggled with the problem of preference revelation, noting the tendency of citizens to express insincere preferences for goods and services for which they believe they will not be taxed, or be taxed less than their share of the consumption value of those goods and services (Wilson 1983). The challenge for the new paradigm is to define the value of a service to citizens by the selection of performance criteria. This is a daunting task because we know that homogeneity, dimensionality, and symmetry problems attend to citizen-preference structures (Clark 1976). Citizens’ attitudes about public services, and about government in general, vary widely, though in the aggregate their satisfaction with the overall quality of public services remains fairly stable and positive (Melkers and Thomas 1998).
Looking Ahead

Ironically, we may find an answer to our dilemma in the same place we found the imperative that sparked the dilemma—the private sector. The balanced scorecard grew out of an acknowledgement that performance measures had largely outlived their usefulness in business organizations. Performance measures capture financial performance and internal process improvement, but they do not capture other ways that businesses create value, namely, through its customers and employees. The balance idea of the balanced scorecard is that the organization must create value for all stakeholders: customers, employees, financial position, and internal business process. Value creation is translated into action by developing objectives, measures, targets, and strategies in each of these four quadrants of the balanced scorecard (Kaplan and Norton 1996). With regard to the customer quadrant, Kaplan and Norton note that monitoring voluntary feedback (complaints and kudos) is not enough information for any organization that is really committed to customer satisfaction. A systematic approach to customer satisfaction surveying is required, one that is carefully structured to provide managers the information they need to create value for customers (70–71). The customer survey in the balanced scorecard is not a way to say “we care” or to educate the customer about how well the organization’s other three quadrants are performing.

Can the public sector follow the private sector’s lead and adopt a more balanced approach to management, recognizing that internal-process performance and financial success are only half of what an effective management plan should encompass? Adopting a balanced scorecard in the public sector requires sharing service decisions with citizens—stepping outside the managerial zone of control into territory where the relationship between what providers do and what citizens want is unknown, and trying to create value there. The private sector does not know precisely how to create value for their customers, either. They also limp along, trying to make sense of correlational data. The difference is that they don’t seem to require a simplifying assumption to proceed on multiple fronts. Defining objectives for multiple stakeholders means that some objectives will be incompatible; a plan for enhancing customer satisfaction may threaten productivity improvements. When that happens, private and public managers make the very same choice between efficiency and responsiveness they have been making for centuries.

There are no viable alternatives to difficult choices, even in the most appealing administrative paradigms. Public administration can amend its paradigm of entrepreneurial government to expressly include its obligation to meaningfully assess customer satisfaction and the learning and growth of its employees, along with performance standards of productivity and efficiency. Public managers can once again acknowledge multiple levels of managerial accountability—to citizens, to elected officials, to public employees, and to their own professional standards. Value creation in the public sector has always been a balancing act among appropriate, competing values. A real theory of public administration offers no shortcuts to accountability.

Notes

1. For a discussion of the Friedrich–Finer debate and a contemporary test among local government managers, see Dunn and Legge (2001).
2. See, for example, the policy positions of the American Society for Public Administration, the National Academy of Public Administration, and the International City/County Management Association on the relationship between performance measurement and accountability.

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