



Entrepreneurial Government, Enterprise and Risk

Category: Case

Jurisdiction: City/County Government

Management Issues: Enterprising Government, Customer Service

Policy Area: Cities/Counties

State:

City:

Entrepreneurial Government, Enterprise and Risk

Governing magazine reports in its May issue that few American cities went the entrepreneurial route as enthusiastically as Visalia, California -- or got their fingers burned so badly. The story focuses on a hotel deal made by former City Manager Don Duckworth three years after he succeeded Ted Gaebler, co-author of *Reinventing Government*. When the chosen developer failed to secure financing, the city stepped in and eventually invested \$20 million to buy the hotel and save the project -- rather than the originally projected \$4 million investment.

Currently, the hotel is flourishing, its purpose of rekindling downtown growth has been fulfilled, and the city could even make money in the long run. But the assumption of such a large financial risk by the city has led to a political backlash against the entire philosophy of entrepreneurial government.

The Innovator's editorial board members Neal Peirce and David Osborne discussed the case.

NP: Is reinventing government inherently so risky that embarrassments like the Visalia real estate deal have to be expected?

DO: No, not at all. The Visalia hotel deal was far out on the end of the risk spectrum. Indeed, it was the kind of deal that Ted Gaebler himself repeatedly refused to make. We emphasized in the book in fact, we quoted Peter Drucker to

make the point that entrepreneurs do not seek risks, they minimize and manage risks. In practice, you find that most places that reinvent government (Phoenix, Sunnyvale, Minnesota, the Air Combat Command) don't get that heavily into what we call "enterprising government" -- the idea of raising non-tax revenues to cope with the era of fiscal limits.

NP: What's the difference between "enterprising government" and "entrepreneurial government?"

DO: Ted Gaebler and I used the phrase "entrepreneurial government" to describe a model different from bureaucratic government. We articulated ten principles around which entrepreneurial governments tend to operate --they are results-oriented, customer-driven, and so on. "Enterprising government" - - the notion of aggressively seeking non-tax sources of revenue -- was just one of ten. "Governing" confused "entrepreneurial" with "enterprising," saying activity like Visalia's hotel deal was "the heart of reinventing government" -- which is simply not true.

NP: What could Visalia's leaders have done to prevent the backlash which, with elections, appears to have repudiated their entire entrepreneurial approach?

DO: That's the important question here. Because in any kind of government, bureaucratic or entrepreneurial, people make mistakes. The issue is: How do you create enough political and community support to survive those mistakes? Visalia's city manager and council never got the broader community to buy in to the degree of city investment they later made in the hotel. Without that buy-in, the lack of political support will come back to haunt you.

NP: Is there an inevitable ebb and flow reinvention for a few years, then relapse?

DO: Yes, in the sense that change goes very rapidly at times, then slows down and plateaus, and then you get another burst. But in Visalia we are talking about a ten-year burst of entrepreneurship and then an ebbing, ending finally in political repudiation. That is not the pattern in other places that have pioneered entrepreneurial government.

NP: Visalia has reportedly returned to very traditional governance, the line-item budget included. What does that mean for the future?

DO: It means city employees are demoralized, the city loses a lot of its best people,

and some of the wonderful things government did there are lost. If a place lapses back into traditional, do-it-by-the-book, keep-your-head-down, don't-take-any-risks government, it can get by for a time as long as it has a strong economy. But the minute the economy declines, the weaknesses of traditional bureaucratic government make it vulnerable.

Last Updated:

May 12, 1994

ID#:

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[Source: The Public Innovator, Issue No. 4, May 12, 1994](#)