



THE GOVERNORS CENTER
AT DUKE UNIVERSITY

MERET A. KELLER
Administrative Assistant

INSTITUTE OF POLICY SCIENCES
AND PUBLIC AFFAIRS

4875 DUKE STATION
DURHAM, NORTH CAROLINA 27706
(919) 684-4155/4477/6612

February 20, 1989

Victor Atiyeh
President
Victor Atiyeh and Company
519 SW Park, Suite 208
Portland, OR 97205

Dear Governor Atiyeh,

At the request of the National Governors' Association, we are publishing the addresses that you and other governors delivered at The Governors Center as part of the Gubernatorial Fellowship Program during the past few years. Each address will form a chapter in the forthcoming book entitled Governing the States.

Book publication mandates a standardized format and presentation for all of the chapters. Consequently, all speeches have been edited to maintain the most substantive portions. In addition, consistency in style (capping, re-paragraphing, hyphenation, preferred spellings, etc.) was provided by an experienced editor.

A copy of the edited version of your speech is enclosed for your approval. Please return the self-explanatory, enclosed, blue-release form by Friday, March 10, 1989. Certainly you may telephone your release, or someone representing you may release the chapter.

After seeing numerous governors visit Duke over the years, Bob, Reggie and I are excited about the publication of this volume. And we appreciate your help in completing this project.

If you have any questions, please call. Thank you.

Sincerely,

Meret A. Keller

THE ROLE OF BUSINESS MANAGERIAL TECHNIQUES IN STATE GOVERNMENT

Victor Atiyeh

Governor of Oregon

During twenty-eight years of public service, which included two terms as governor of Oregon, I learned much about the job of governing a state. Being a governor is, in many ways, like running a huge, highly complicated business. I have often said that I viewed myself as president of the largest corporation in Oregon. In fact, if that state were a business, it would rank 102d among the Fortune 500--well above any company based in the state and ahead of such prominent firms as Time, Inc., Eli Lilly, and Scott Paper.

Today, governments at every level find themselves grappling with the problems that business has encountered for years. Like their corporate counterparts, the nation's governors constantly face competing demands for diminishing resources. In that respect, Oregon is no different than the other forty-nine states. It is rich in resources, human and environmental. It has vast cattle ranges, fertile agricultural valleys, and millions of acres of the most productive timberland in the world. It has rugged mountain ranges, the stark beauty of high deserts, and the wind-swept majesty of the Columbia Gorge. And it has people: good, strong, independent-minded individuals who,

like their pioneer forebears, know the value of hard work well done.

But Oregon was also hard hit by the recession that struck just a few months into my first term as governor. I never dreamed that I would spend so much of that term--and the one that followed--digging my state out of an economic quagmire. But in government, as in business, the future is hard to predict. And the governor, like the corporate executive, must seize responsibility for using scarce resources where they will do the most good. To do that wisely and well, a governor--like his corporate counterpart--must be both leader and manager.

Defining leadership can be a difficult and puzzling task. To hear the media tell it, leaders are the ones who make the most noise. They stand up on the mountaintop, beating their chests and hollering across the valley about all the terrific things they are going to do for the multitudes below. The television cameras shine on them. The commentators "ooh" and "ah." The editorial writers proclaim: "Now, they're the real leaders."

But, although everyone listens to the individuals who are making all the noise, true leaders head down into the valley itself. They talk to the people who live and work there. They ask them what needs to be done. Then they roll up their sleeves and do it. That is the kind of leader I have tried to be. That is the type I believe all the states need today if they are to regain the energy, vigor, and strength that made this republic great.

The strong government leader and the strong business leader have many qualities in common. In both cases, their job is to turn weakness into strength, obstacles into stepping-stones, and potential disaster into triumph. To do that, leaders must make their objectives clear from the very start. And leaders, be they governors or corporate presidents, must be aware of the realities of their jobs.

Atiyeh: Role of Business Managerial Techniques

One of those realities is the necessity of dealing with the board of directors. In this respect, the average corporate executive has it easy. He or she probably has a board of a dozen or so people who generally see eye to eye. They stop by a couple of times each year, make a few policy decisions, and then go home.

When I was governor of Oregon, ninety people were on my board of directors. They are known as legislators. They meet every other year for as long as two hundred days. Even when they are not in regular session, they may be called in for special sessions to deal with emergencies. They do not just give advice. They wanted to tell me exactly how to do my job. All ninety of them! They kept looking over my shoulder to make sure I was doing what they wanted--or to criticize me if I did not. And, because they came to their jobs with built-in conflicts and differences, they often tried to point me in several different directions at the same time.

I have often mused over the fact that Oregon's government seems to get along pretty well for eighteen months out of every two years. Then the legislature comes back to town, and suddenly we have a new crisis every day. Or at least that is what you might assume from the number of bills legislators write to respond to what they see as crises. And Oregon has it easy compared to states where the legislators meet year-round.

Governors must assert their leadership, even when the legislature is in town. That can be a real challenge. I took office as a Republican governor in a state where Democrats held both the senate and the house. I knew that, at least for the first few years, I would have a devil of a time getting my own agenda written into law. I knew that the Democratic majority would not want to make me or my policies look too good because they wanted to soften me up for the reelection fight.

That knowledge helped me shape my strategies for leadership. I knew

Atiyeh: Role of Business Managerial Techniques

these people. I had served alongside many of them, first in the Oregon house and later in the senate. So I made it a practice from the start to meet at least once a week with the majority and minority leaders--though not together. These were private, informal meetings. Sometimes we just chatted about football or golf or fly-fishing. But we also talked candidly about serious issues facing our state. As we did, we established a working rapport.

I cannot say for sure whether that rapport helped me pass one particular bill or another. But it did help keep the rancor to a minimum. After all, it is hard to beat up on someone you know well. And I can say that, during my eight years as governor, I had remarkable success at getting the bills I wanted passed; stopping the bills I was against; and having my vetoes sustained. For example, in the 1983 legislative session, I vetoed forty separate pieces of legislation--a record for the state. All but one of those vetoes was sustained. The point is this: To lead, in business or in government, you must work and communicate with all kinds of people--even those who disagree with you. You cannot let those disagreements turn into vindictiveness. You cannot start thinking of your critics as your enemies.

I know that some people consider the word "politics" to be a synonym for dirty, underhanded, arm-twisting deals. And some of the recent election campaigns, which were characterized by negative advertising and bitterness, did not do much to change their minds. But I cannot agree. If you think arm-twisting is a sound political practice, just have someone take hold of your arm and give it a good, strong twist. It hurts like hell. And it will not change your mind.

As simplistic as it may sound, I believe that the best politics--like the best business--is a matter of doing what you think is right. I contend that the best political strategy is to be as honest and straightforward with your

Atiyeh: Role of Business Managerial Techniques

critics and constituents as you are with your close friends. The best political leaders are as quick to admit they are wrong as they are to fight for what they believe is right.

Leadership is only half the job of being the chief executive of a state or corporation. The other half--maybe the most important half--is managing. Somebody once asked the late baseball manager, Casey Stengel: "Just what does a manager do?" He replied: "Managing is getting paid for the home runs somebody else hits." To succeed as manager of a baseball club, a business, or a state, you have to recruit some heavy hitters for your team. Then you have to encourage them to slug away with all of their power.

As chief executive, a governor is really just the top manager of a publicly owned business. And a huge business it is. The Oregon state government provides jobs for 42,323 citizens--not counting ninety part-time legislators and their growing staffs. The "corporate" structure contains twenty-six departments, supported by dozens of divisions, agencies, and boards. Assisting them are nearly 2,000 citizen volunteers, who serve without pay on 181 advisory commissions and boards. Clearly, the man or woman who sits at the top of such a complex structure must above all be a good manager.

It helps if a governor enjoys some experience in the business world. I am certainly thankful that I did. Long before I ran for my first term in the Oregon house, I was running my family's rug business in Portland. By the time I became governor and stepped aside as the company's president, I had more than thirty-five years of solid, full-time business experience behind me. I had also served twenty years in the Oregon legislature, where I had learned a lot about state affairs.

That is the kind of background a corporation looks for when it selects its chief executive. In private enterprise, they conduct interviews. They check references. They look for qualifications, experience, and management

Atiyeh: Role of Business Managerial Techniques

skills. Government does not necessarily work that way. The chief state executives are elected for a variety of political reasons that may have little to do with experience. Certainly, many who run for office do have strong qualifications. One would like to think those qualifications play a part in the electorate's choice. But, when the votes are in, the inexperienced candidate has about as much chance of emerging victorious as the seasoned veteran.

If the victor is not already a good manager, he or she had better be a quick study. Because once the election hoopla is over and the victory speeches are made, you have to get down to the job of governing your state. Managing people and systems is at least half of that job. Governors do not need to be experts on every detail of state government. But, to govern well, I believe they must know how to find and hire good people, stimulate them to do their best, and convince them to do the same for their own subordinates.

This is not always easy. Government, after all, is a monopoly. It has the corner on the market. For many of the services it provides, the "customers"--the taxpaying citizens--have nowhere else to turn. Nobody else is maintaining state roads, or running state prisons, or seeing to the desperate needs of the poor, the hungry, and the homeless. It is the governor's job, then, to constantly remind state employees why they are "in business" and whom they are there to serve.

As governor of Oregon, I was responsible for appointing qualified people to many cabinet-level jobs. But, unlike my corporate cousins, I had much less freedom to fire those people if they failed to perform. So it was very important that I found a way to stimulate those under me to do the best jobs they possibly could.

Those in government can learn much about management and motivation from

Atiyeh: Role of Business Managerial Techniques

the successes of private enterprise. My own management style grew out of my business background. And I have tried to use sound business techniques to make state government both more innovative and more businesslike. I have always believed that those who work for the state are not dumb or wasteful. I often say that I know of no state employee who wakes up in the morning and says, "How can I waste money today?" These people want to do a good job. They deserve to be recognized when they do.

When I took office, I knew the kind of managers I wanted to help me run the state. I knew the qualities I was looking for. I sought out the kind of people I wanted in the private and public sectors. I told them: "I am asking you to take this job because I know you can do it. I am prepared to give you the freedom to do the job as you see fit. And I expect you to give your best." That is the kind of invitation a good administrator cannot refuse--even if it means taking a pay cut or interrupting a successful business career. It excited them. It told them: Here is a governor who wants to use my talents for the benefit of our state.

Once I had those key people in place, I told them to pass on that same philosophy to their subordinates down the line. Then I went to the other end of that line: to the caseworkers, the prison guards, the secretaries, and the highway crews. I told them: "You are on the front lines. You know how to get the job done. You know how we can do things better. Now tell me."

That was the beginning of Oregon's State Employee Suggestion Awards, a program I am proud to have launched. When a state employee comes up with an idea that saves money, that idea is put to work--and recognized with cash: 10 percent of the first year's savings, up to \$5,000 for each winning suggestion. In the six years subsequent to initiating these awards, I handed checks totaling \$95,000 to more than 1,200 state employees. Their suggestions are already saving more than \$2 million a year. The annual savings are expected

Atiyeh: Role of Business Managerial Techniques

to reach \$13 million within a few years.

We borrowed other incentives from the corporate world, as well. Special Management Service Awards--but no cash--were given to those managers who did outstanding work for the state or their communities. Productivity Awards recognized outstanding work by smaller sections of state agencies. "Quality Circles" and performance-based promotion and compensation systems were introduced in key state offices. I personally urged my managers to do a better, more positive job of evaluating their employees.

Did these business techniques work? I believe so. When I took office in 1978, I found state government in disarray. Agencies were headed in different, and sometimes contradictory, directions. It was not entirely their fault. They had received no clear guidance from the top.

I recall, for instance, the nursing-home director who called me up shortly before I became governor. He was angry and frustrated. A few months before, a state inspector had visited his nursing home and ordered several changes. The director followed those orders, at no little expense. But a few weeks later, another inspector stopped by and told him he had to go back to the way he had originally been doing things. No wonder he was upset.

Well, I sent a clear message to all my state agencies from the day I took office. I told them I wanted state government to run like a business: in an efficient, responsive, cost-effective way. I cannot say that all the complaints have been eliminated. But they are far fewer and less rancorous than they were eight years ago.

Despite the similarities shared by governors and corporate executives, some major differences exist. These may help explain why government cannot always operate the way a business does. For one thing, businesses are allowed to make mistakes. They do, all the time. Those mistakes are rarely aired in

Atiyeh: Role of Business Managerial Techniques

public. They are hammered out inside the board rooms and corporate offices. In the process, businesses learn something, become better, and move forward. Government is different. It operates under the constant, critical public eye. It is not allowed to make mistakes. If it does, they are covered in every newspaper and television newscast for weeks and weeks, and politicians hear about them when they are out on the campaign trail.

Even small errors can cost political heads. I still remember how, a few years back, Oregon's largest daily newspaper ran a front-page story about a government mistake that it claimed cost the taxpayers \$3,600. The very next day, I presented an award to an employee whose suggestion had saved the taxpayers more than \$45,000. I made a point of mentioning the award to the same reporter who had written the story about supposed "waste." The new story was never printed.

As governor, you get used to taking heat for your mistakes and winning little credit for your successes. It comes with the territory. And I would be the last to suggest a return to the days of back-room decision-making and hidden agendas. But I know that this constant scrutiny can leave government employees reluctant to take risks. Risks are important. They produce innovation, creativity, and change. They help build the future from the lessons that are learned today. In my two terms as governor, I made a point of telling my people that I wanted them to take risks: "I trust you. Try new things. I am willing for you to make mistakes--and I will stand with you and help you take the heat."

There is one more way in which government and business--and the roles of their leaders--are very different. When a business finds itself in deep financial trouble, it has several options. It can put together a refinancing scheme. It can file for bankruptcy and reorganize. Or, as a last resort, it can shut its doors. I had none of those options. No Chapter 11 is available

Atiyeh: Role of Business Managerial Techniques

to state governments. They have no "going-out-of-business" sales. They cannot close their prisons. They cannot reduce their services to the Builders' Board, the Insurance Commission, or the Real Estate Division. They cannot tell the hungry or abused that they are shutting their doors.

Oregon, in fact, has even fewer options than many other states. The constitution forces it to operate in the black. By law, it cannot run up a deficit. And, because its legislature meets only every other year, some pretty fancy forecasting is necessary when the state budgets are planned.

During my two terms as governor, Oregon's economy suffered--as did the state budgets. I found myself forced to call the legislature into special emergency sessions four times to rebalance them. Yet we held the line. Our budgets today are providing Oregonians with the same level of services, for fewer real dollars, than they did in past decades.

In the midst of this fiscal struggle, we found time to be innovative, too. The subject of "Workfare," for instance, is much in the news. You may have read about that program in Massachusetts, which is being hailed as a model for other states. Well, Oregon's program is even more successful, no matter how you measure it. The state finds more jobs for welfare recipients each month than Massachusetts does--and at about one-third the cost to taxpayers. More of our Workfare jobs are real, permanent, vocation-oriented jobs that pay a living wage, as much as ten dollars an hour. And all this has been done despite the fact that Oregon's unemployment rate has remained more than twice as high as that of Massachusetts. Our state's Workfare program is based on a simple but important philosophy. We do not say, "We need to get all these bums off of the welfare rolls." We say, "We need to help these people find meaningful work that will raise their independence and self-esteem." I am proud to say that this philosophy is paying off.

Atiyeh: Role of Business Managerial Techniques

Another area of innovation has been in the state's care of its elderly citizens. Everyone knows that the nation is growing older every day. And many senior citizens long for the independence of living in their own homes. But, until recently, the federal government made it very difficult for them to stay home if they needed services under Medicare or Medicaid. Oregon wrestled the federal bureaucracy on this issue--and won. As a result, many of our elders have left the confines of nursing homes and returned to houses or apartments of their own.

Oregon has introduced innovations that benefit business, too. It was the first state in the nation to repeal the unitary system of taxation--a tax that was keeping business out of Oregon. That was a personal political victory for me, and one that illustrates how an understanding of the political process and the people in it can pay off. It was an election year. Everyone told me I was a fool for calling a special session to deal with such a controversial issue. States like California and Florida had tried to repeal their unitary taxes. They had run into real problems. Some Oregon lawmakers were worried that we would wind up with the same kind of mess. But I understood our legislature. I understood politics. I understood timing.

First, I formulated a plan that would treat all corporations equally, whether they were interstate, intrastate, or multinational. Then I announced my plan to the public. I emphasized that repealing the unitary tax would be good for economic development. Only then did I call the legislature into special session. I could have waited until the regular session--but then we would have been putting together a new two-year budget. I knew that, if I gave them my proposal then, the legislators would use the budget process to pick it apart. Instead, I told them: "Repeal this tax now, and I promise that I will bring you a budget next year that is balanced within our means."

I also knew that they all had to be campaigning on their support for

Atiyeh: Role of Business Managerial Techniques

economic development, though I sometimes wondered if they all knew what that really meant. I told them: "Look. Here is your chance to cast a real vote for economic development." Well, it took only one day for the two houses to debate and pass the repeal. Of eighty-nine lawmakers present, eighty voted my way. It amazed everyone but me. This story reiterates my point: As a governor, as a manager, you have to know what is going on. You have to understand who you are working with. You have to understand timing.

From the perspective of eight years in office, I would tell future governors this: Pay attention to what the other states are doing. Learn from their successes--and their mistakes. The states are truly the "test tubes of democracy." They are trying new, exciting, and innovative things. Governors who keep track of what other states are doing can save their states money and time.

I would also urge future governors to pay equal attention to the two roles they have to play: leader and manager. If they bring their personal courage, convictions, and commitment to both those roles, they still may not win every fight. But they will be able to hold their heads high, even when times get tough. As Abraham Lincoln said:

I do the very best I know how--the very best I can; and I mean to keep on doing so until the end. If the end brings me out right, what is said against me won't amount to anything. If the end brings me out wrong, ten thousand angels swearing I was right wouldn't make any difference.