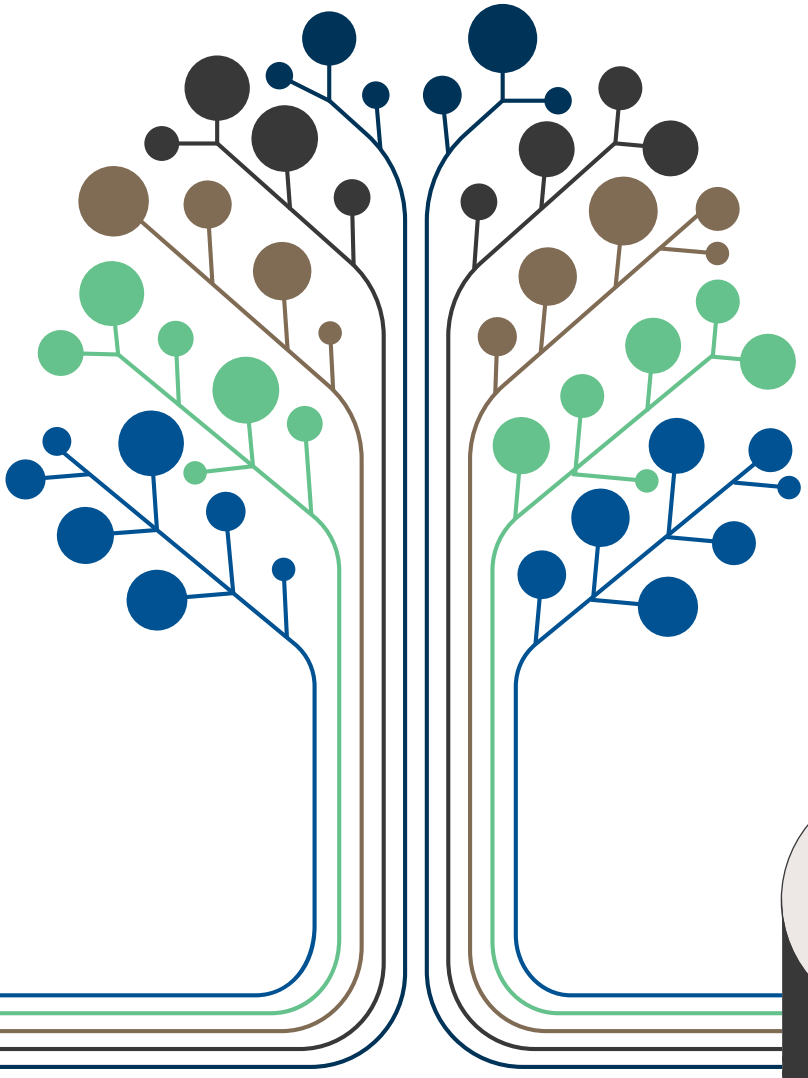
NETWORK ENTERPRISES– AN INFORMATION AGE SOLUTION TO ENDURING PROBLEMS?

PART 2 in a Four-Part Series About Improving Local Government Coordination and Reducing Waste from Local Government Fragmentation

BY SHAYNE C. KAVANAGH



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ABOUT THE AUTHOR

- **Shayne C. Kavanagh** is the Senior Manager of Research for the Government Finance Officers Association.

RESEARCH COLLABORATORS

- **Katie Ludwig**, Senior Manager, GFOA
- **Mike Mucha**, Deputy Executive Director / Director, Research and Consulting, GFOA

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ABOUT GFOA

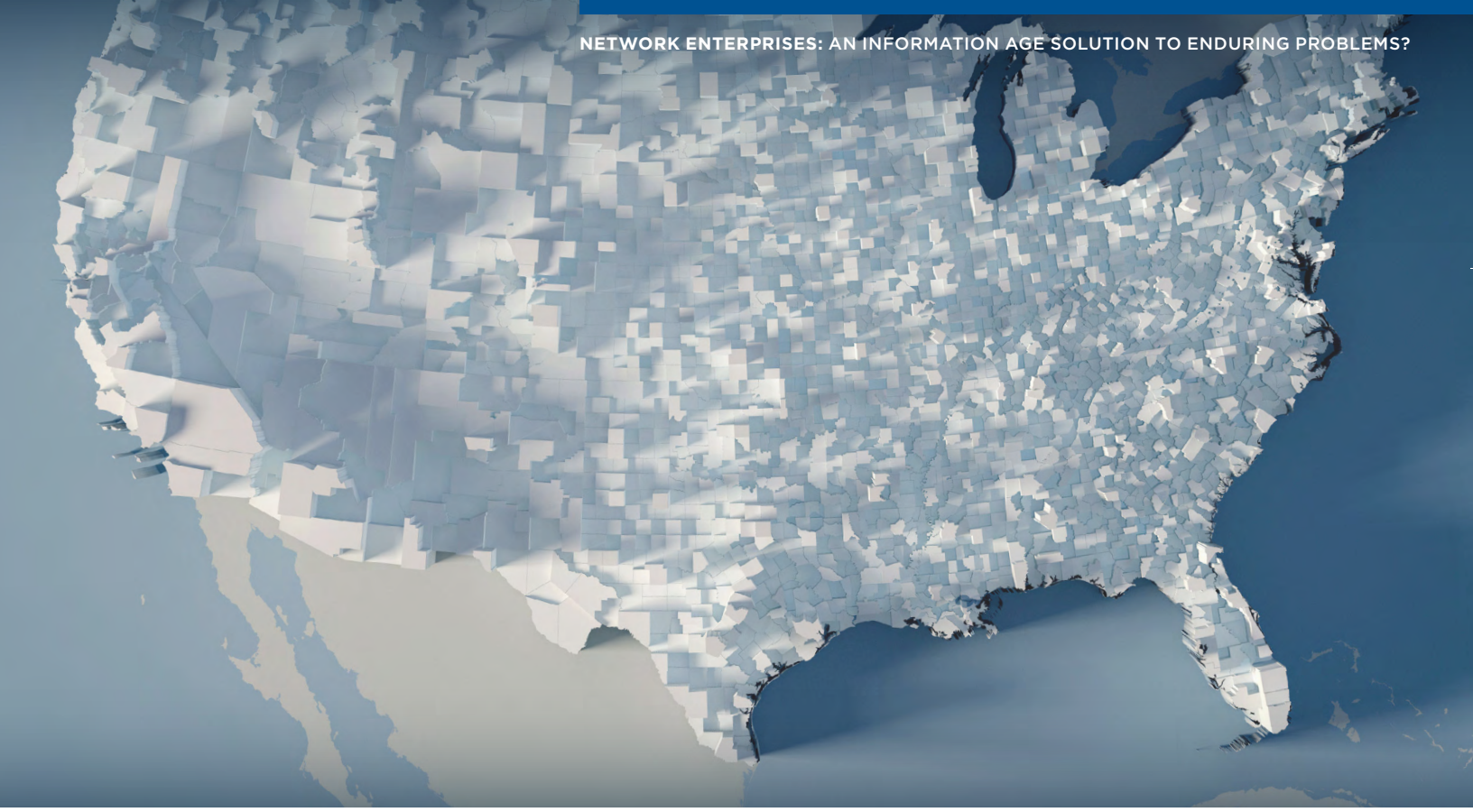
The Government Finance Officers Association (GFOA) represents approximately 20,000 public finance officers throughout the United States and Canada. GFOA's mission is to promote excellence in state and local government financial management. GFOA views its role as a resource, educator, facilitator, and advocate for both its members and the governments they serve and provides best practice guidance, leadership, professional development, resources and tools, networking opportunities, award programs, and advisory services.

ABOUT FINANCIAL FOUNDATIONS FOR THRIVING COMMUNITIES

Created by GFOA, the Financial Foundations Framework helps facilitate collaboration and support for public policies and programs. Organized into five pillars, the Framework shows you how to improve your financial position now and create a strong foundation for a thriving community over the long-term.

Each pillar includes different leadership strategies and/or institutional design principles. Understanding that local governments cannot order people to collaborate, leadership strategies help inspire pride and public support for a strong financial foundation. Institutional design principles, meanwhile, are the "rules of the road." They provide the context for leadership strategies and ensure continuity of good financial practices through changes in leadership.

See more at **gfoa.org/financial-foundations**.



Local government fragmentation refers to the fact that local governments are broken into many, often overlapping, jurisdictions. In combination, local governments spend a great deal of money. It is reasonable to ask if the public's interest would be better served by better coordination of local government.

In Part 1 of this series, we examined local government consolidation or combining small local governments into one big local government. We saw that consolidation likely has limited potential for positive financial impact. Consolidation is, in many ways, an industrial age concept: taking two or more small bureaucracies and combining them into one large bureaucracy. In this second part of our series, we will explore a concept that epitomizes the information age: The Network. Part 3 will continue with another information age concept: Government as a Platform.

As in Part 1, we will use the following criteria to evaluate the financial potential of networked enterprises:

- **Economization:** Less money is spent in total (assuming that too much was being spent before).
- **Efficiency:** The "per unit" cost of public services declines.
- **Value:** The benefit created by each dollar of public money spent goes up.

Also, as in Part 1, we'll conduct our examination through the lens of GFOA's *Financial Foundations for Thriving Communities*. This framework is based on the Nobel Prizing-winning body of work about how to solve shared resource problems, like local government budgets.[i] One of the insights from this work is that, in general, the local users of a commonly owned resource will be in the best position to decide how to allocate the responsibilities for maintaining and then allocating the resource among the users of that resource. This is because local users have a sense of what their needs are and who is best positioned to take on the responsibilities to meet those needs. This implies that because local government is closest to the citizen, it will be positioned to allocate public resources with the greatest efficiency, accountability, and responsiveness. This will be especially true when there are local differences in citizens' demand for public services and the willingness to pay for them.

This insight is sometimes called the "principle of subsidiary." However, *Financial Foundations for Thriving Communities* does not call for atomization either. It shows that there are substantial gains available from wide-scale cooperation, and coordination is needed for the best use of shared resources. Going further, other challenges that communities face often cannot be addressed by a single government. A single local government may not have the authority, capacities, and/or resources needed. This is especially true as local governments contend with tighter budgets and more complicated problems like child literacy or drug addiction. For these reasons, Financial Foundations advocates that local governments form "networked enterprises."

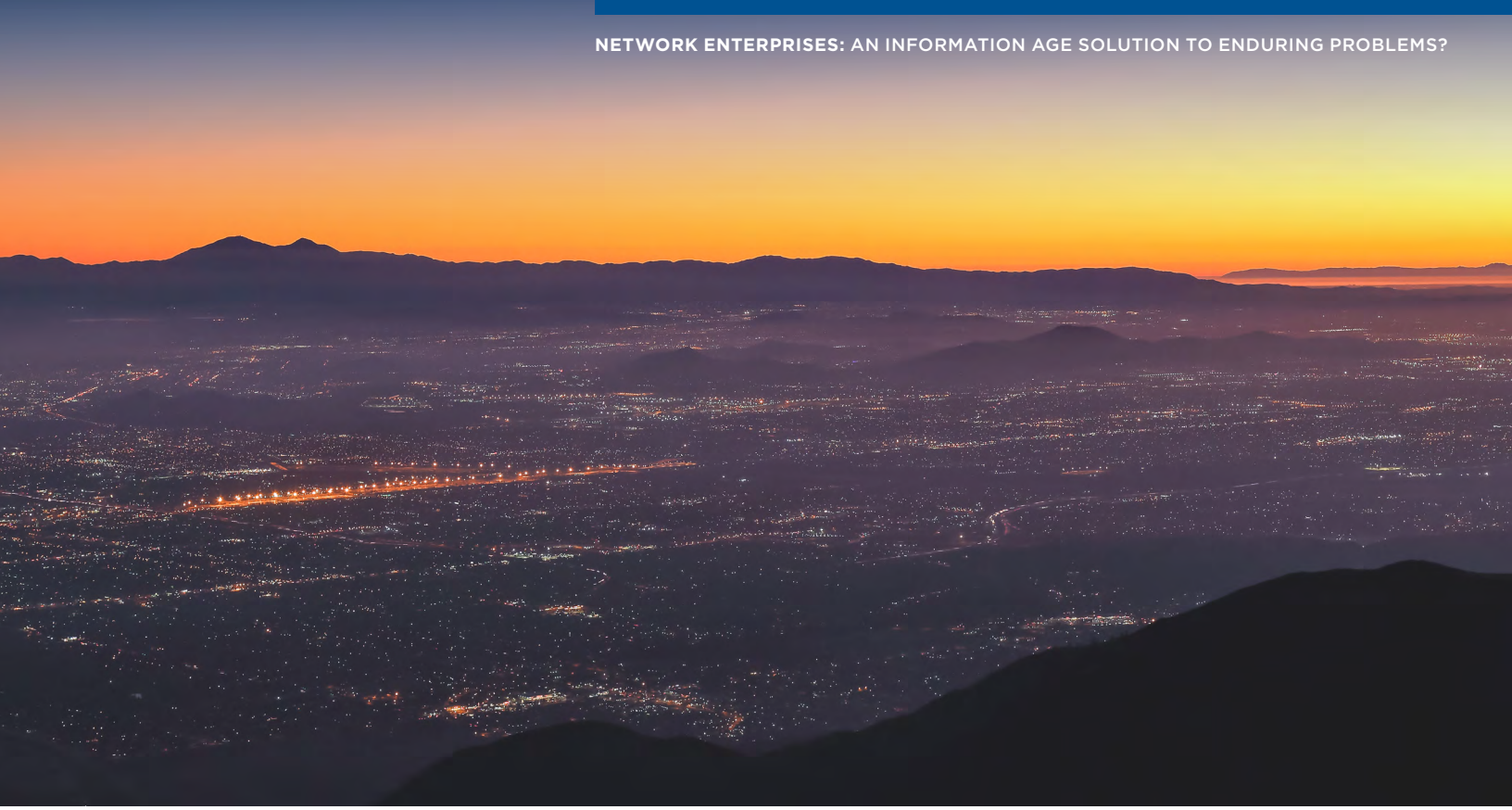
A networked enterprise connects separate actors in the pursuit of a shared vision and objectives and multiplies their collective power to achieve that objective by tying them together in a system of mutual accountability. Networks are often associated with information technology (e.g., a social media application like Facebook or a cryptocurrency like Bitcoin). Networks, however, do not have to exist purely as bits and bytes. The distributed and essentially free communication made available by information technology has given rise to the increasing prevalence of networked organizations in the physical world.

Local governments are starting to rely on networked forms of organization to solve community problems, *without growing* public budgets.[ii] These local governments have realized that: there a financial limits to what they can do within their own authority and resources; many problems of greatest concern to the public require the efforts of multiple sectors and may not fall squarely within the locus of responsibility of one local government jurisdiction; and individual communities are better off when the whole region prospers. In this report, we will examine four instances of local governments that have formed successful networked enterprises.[iii]

A **networked enterprise** connects separate actors in the pursuit of a shared vision and objectives and multiplies their collective power to achieve that objective by tying them together in a system of mutual accountability.

- **San Bernardino County** in California created a clear, shared vision for the entire county and enlisted organizations from many sectors in this vision, including local governments within the county.
- The **San Antonio Community Vision** is remarkable for several reasons, including surviving three changes in mayoral leadership, extensive community participation, and getting results on issues that the community cares about.
- **Battle Creek, Michigan**, created a community vision called "BCVision." It has brought together public, private, and nonprofit entities and has been positively received by citizens. Battle Creek is also interesting because it is much smaller than the two governments above (51,000 people).
- As you will see, the examples above are impressive and comprehensive. We will also discuss the potential for **more modest networked enterprises**, with more limited goals.

After we examine these cases, we will close by summarizing the potential for networked enterprises to economize spending, improve efficiency and/or increase value. Readers with limited time can skip to these summaries for the bottom-line conclusions on networked enterprises.



SAN BERNARDINO COUNTY

San Bernardino County is located east of Los Angeles and is home to about 2.2 million people. In 2009, the county had an $80 million deficit, which was rolled into the next year and which was equal to 10% of the total budget. At the same time, the county approved salary and benefit increases for employees. Clearly, the county was not headed in the right direction. New leadership came into the county to turn the situation around. Part of the solution was, of course, more prudent management decisions. However, there were many issues in the communities that San Bernardino County government served. If these were not addressed, these communities would not be an attractive place to live or do business. The county government could not take all of these issues on. The county needed to enlist the aid of others via a networked enterprise.

After the County Board of Supervisors commissioned the "San Bernardino County 2010 Community Indicators Report," their first step was to assess the conditions of the localities within its jurisdiction. The report found that high poverty, high unemployment, low graduation rates, and low rates of enrollment in higher education were prevalent. The findings provided a good reason for organizations from across the San Bernardino area to come together.

Next, with help of two regional agencies (the San Bernardino County Council of Governments and the San Bernardino County Superintendent of Schools), San Bernardino County formed eight "element groups" that included stakeholders from across the community. The role of regional entities cannot be understated in a networked enterprises. Regional entities have the capacity and established relationships to pull together network participants.

Each element group was asked to define a certain challenge facing the community and then develop and carry out the solution. For example, there were groups to address education, health care, and housing. To form these groups, the county brought together various public, private, and nonprofit organizations. For example, the Environment Element Group included representatives from environmental protection groups; land use, infrastructure, and regulatory agencies; utilities and business; and members of the public.

EXHIBIT 1 | ELEMENT GROUPS

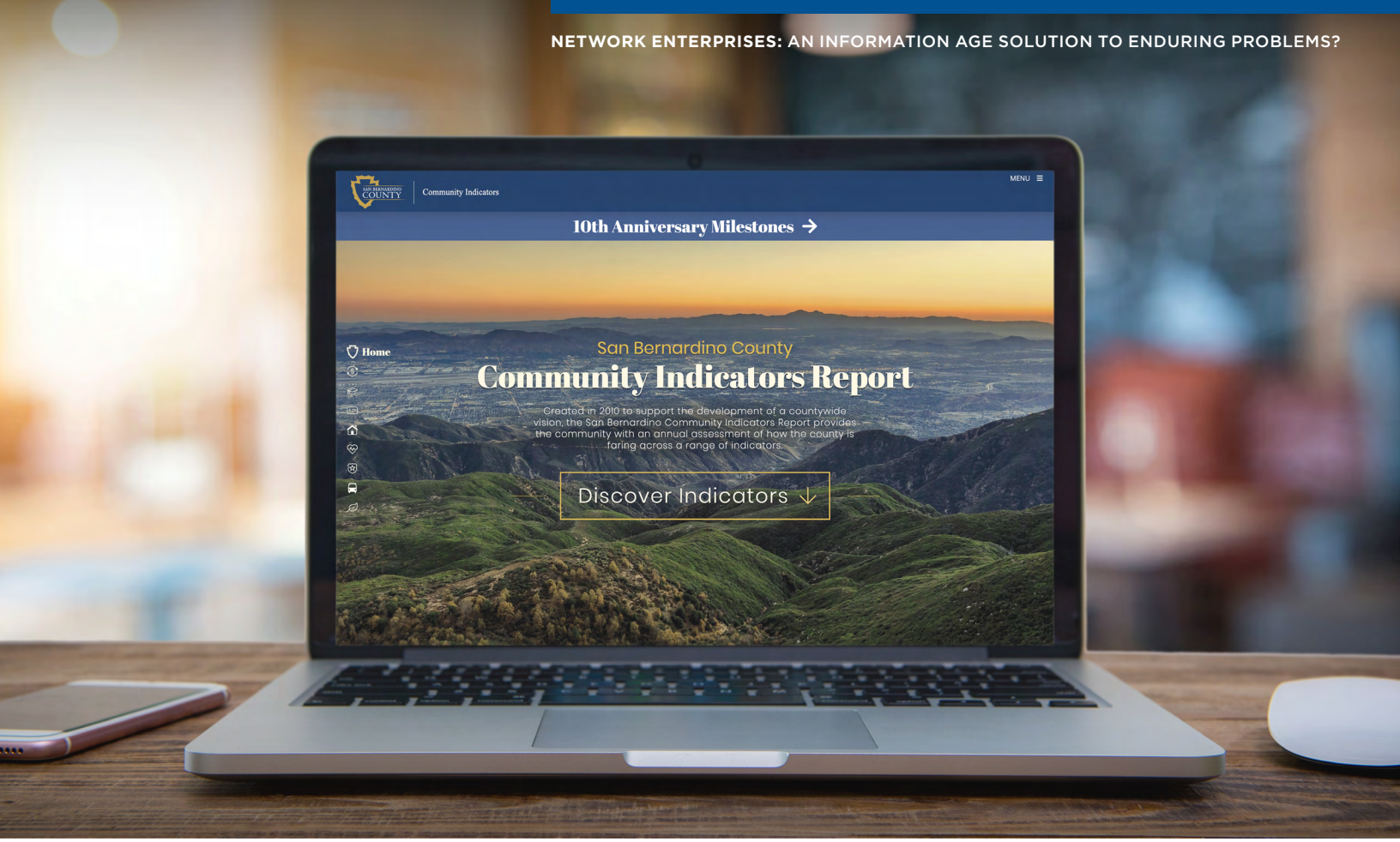
ELEMENT	PRIVATE	NONPROFIT	PUBLIC
Education	**Kelly Space & Technology, Inc.** *(aerospace and defense technology company with advanced environmental testing services)*	**Inland Empire Economic Partnership** *(private and public sector organizations that support job creation, leadership, and regional advocacy for the area)*	**First 5 San Bernardino** *(Agency that supports early development of children in the first five years of life)*
Environment	**Mitsubishi Cement** *(manufacturer with a major plant in the region)*	**Endangered Habitats League** *(dedicated to the protection of ecosystems of Southern California and sensitive and sustainable land use)*	**U.S. Fish and Wildlife Service** *(San Bernardino County has a high portion of land owned by the federal government)*
Wellness	**Hospital Association of Southern California** *(represents the interests of hospitals in San Bernardino and nearby counties)*	**Faith Advisory Council for Community Transformation** *(faith and community leaders committed to promoting healthy, revitalized, and sustainable community transformation)*	**San Bernardino County Sheriff's Department**

San Bernardino needed to engage participants from all sectors, not just government, to solve its challenges. All element groups included representation from the nonprofit and private sectors. Most were chaired by someone from one of these sectors. Participation from all sectors showed everyone's shared interest in achieving the vision. Exhibit 1 shows three groups and gives examples of organizations that participated.

The county also has a leadership team composed of staff liaisons for the element groups, the nonprofit sector, and county departments. This team ties the county government to the element groups and provides clarification of the issues that the networked enterprise needs to address to be successful.

A shift in thinking needed to occur for the county to become an effective connector. That was to shift from an organization that does what's necessary to address the community's challenges to an organization that convenes and connects other organizations. These other organizations then identify and do what's necessary to address the community's challenges. The convener role puts the county in the position of: (1) tracking which partners have accepted responsibility to take a given action; (2) holding those partners to their word; and (3) making sure the groups that make up the networked enterprise continue to meet and/or provide input and assistance so they can create new synergies and ideas to advance the shared goals of the group.

The county also convened meetings with leaders of all the element groups. This was important because there were interdependencies between the challenges the groups were trying to address. For example, helping low-income youth succeed from cradle to career is not just a matter for public schools; health and housing issues are often contributing factors. Therefore, the county's element groups for education, housing, and wellness worked together to pilot a program to help low-income youth move up and out of their affordable housing communities. The Building Upward Mobility Program provided reading buddies to preschoolers; health screenings, flu shots and nutrition education to children; and social readiness and safety skills to middle school students. The collaboration of the element groups led to the free distribution of literacy software to early readers throughout the county, with promotion assistance from preschools, libraries, and low-income housing communities.



The county's networked enterprise has produced other results, as well. For example, it produced the first water supply inventory for the county (the county is very arid). The Element Group for Jobs and Economy did a study of "business-friendly best practices" from local governments in the county. It gathered recommendations from the local business industry on what more the local governments could do. The resulting inventory of best practices provided useful ideas and local exemplars that have implemented those ideas. None of these achievements would have been possible if the county government had worked alone.

The county also continues to monitor its key indicators and released the "10th Anniversary Milestone" website.[iv] The report covers indicators across eight topical areas (housing, wellness, safety, etc.). The county is starting to see movement in its "community indicators," which defined the goals of the networked enterprise. Here are some highlights:[v]

Third grade literacy up to over 40% from 30% in 2015.

Child deaths down 21% over 10 years.

46% decline in residents with low food security over five years.

Of course, not all indicators are headed in the right direction. The county's Indicators Report identifies areas where improvement is needed. The county's network enterprise gives the county a chance to make a difference in these areas for an affordable cost.

SAN ANTONIO

Created in late 2010, San Antonio's Community Vision addresses complex and weighty issues that are of concern to the whole San Antonio community. It covers 11 topical areas such as economic competitiveness, education, environmental sustainability, family well-being, health and fitness, transportation, and more. It uses 62 performance indicators to track its progress. However, many local governments have strategic plans that address similar issues and track progress with performance indicators. San Antonio's Community Vision, though, becomes more remarkable when you consider the following:

- San Antonio's Community Vision has been maintained through three different mayoral administrations. Often, new mayors want to differentiate themselves from the vision established by their predecessors. San Antonio, however, has maintained a consistent vision.
- San Antonio is the seventh largest city in the U.S., with over 1.5 million people. The diversity that comes with being a large city creates centrifugal forces that could work against maintaining a shared vision, yet San Antonio has persevered.
- The Community Vision has been a vehicle for attracting philanthropic spending. For example, the San Antonio Area Foundation, with close to $1 billion in assets, has committed to aligning its activities with the Community Vision. This represents an infusion of resources beyond what local government is capable of on its own.
- Best of all, of the 62 indicators being tracked, a majority of them are trending better today than they were in 2010, when the visioning process began. This includes progress toward high school graduation rates, per capita income, health care access, teen birth rate, and diabetes rates.

Let's examine how the Community Vision was developed and the features that gave the vision its staying power: 1) the Community Vision was created by the community, not government officials; 2) a separate nonprofit, SA2020, was created to coordinate and carry out the vision; and 3) SA2020 operates as a network by aligning the interests and resources of public, private, and nonprofit organizations.

The first feature is that the Community Vision was conceived of as a community wide visioning process. It was not to be an expression of the mayor's or other city officials' viewpoints. San Antonio engaged nearly 6,000 residents through public meetings, online chat sessions, and surveys. The participants, representing a cross-section of San Antonio, identified the issues the vision would address, the results they wanted to achieve, and the measures of success.

One important engagement method was a 26-member advisory committee. Members hailed from across San Antonio and from different sectors of San Antonio's civil society. This group considered the existing strengths of San Antonio. The Community Vision would seek to maintain or highlight these strengths. These groups also considered what San Antonio needed to improve. This helped inform the goals that the Community Vision would try to achieve.

Hence, the Community Vision wasn't the vision of the then-current city officials. It was the community's vision that city government helped to define. Future city officials would naturally be attracted to maintaining the community's vision rather than a prior administration's vision. In fact, the City of San Antonio's current mayor, Ron Nirenberg, has shared that being involved in the original visioning process set him on a path to public service.

Community engagement in the Community Vision was not limited to individual, private citizens. The visioning process included other public, private, and nonprofit organizations. This means that many institutions in the San Antonio community, besides the city government, have a stake in the continuity of the vision.

The second feature giving the Community Vision its staying power is that the City of San Antonio "spun off" the vision into a separate, nonprofit organization: SA2020. Created in 2012, SA2020 has the responsibility of carrying out the Community Vision. This was done because the city government realized that strategic visioning processes often culminate in a glossy report but don't go much further. Having a separate agency solely focused on carrying out the plan was a way to avoid this problem.

Because SA2020 is a separate organization from San Antonio city government, it is less susceptible to political pressure from city government. This means it can maintain a consistent direction through changes in the political leadership of the city.

However, the SA2020 organization is not independent of the city government. It gets about a fifth of its budget from the city. It also works closely with the city in many ways, such as:

- City government provides SA2020 with much of the data used to track the indicators used to judge success in achieving the Community Vision.
- City departments align their planning with the Community Vision. For example, the city's comprehensive land use plan update, climate adaptation plan, and transportation plan are all aligned to the Community Vision. SA2020 supports these efforts.
- The city's health department works within SA2020 to partner with local nonprofits to deliver services.
- Special initiatives from the city are coordinated with SA2020. For example, recent task forces on housing affordability and domestic violence were directly tied to SA2020.

Today, the collaboration around San Antonio's Community Vision includes the city government and hundreds of nonprofits, private, and public sector organizations.

The third feature that has led to the Community Vision's success is the networked organization of SA2020. City governments have normally been configured to provide services directly. The goals of the Community Vision require the combined efforts of many different organizations. Hence, the SA2020 organization could not be configured as a direct service provider. Rather, it had to be a convener, coordinator, and catalyzer of a network of other organizations committed to the Community Vision. This networked approach helped allow SA2020 make gains in the indicators included in the vision. Naturally, when people see that the SA2020 is producing benefits, they will likely continue to support it.

Today, the collaboration around San Antonio's Community Vision includes the city government and hundreds of nonprofits, private, and public sector organizations. This includes major corporations, the San Antonio Area Foundation (a philanthropy) and the United Way of San Antonio. SA2020 works with these multisector organizations to help them align their efforts toward San Antonio's shared goals and maximize their impact. This network enables interaction between diverse segments of the San Antonio community and, more important, mobilization across social, political, and economic boundaries in pursuit of communitywide goals.[vi] This mobilization takes the form of providing support for changes in the community, participants holding each other accountable for progress, and making contributions of time, energy, and human and/or financial resources.

An important part of maintaining an effective network is to curate the membership. Nonprofit organizations that wish to become a partner with SA2020 must show how they can make a meaningful contribution to the Community Vision and help improve the community indicators. Corporations interested in aligning their efforts to the Community Vision will partner with SA2020 to define and strengthen their corporate impact, including philanthropic giving and volunteerism. SA2020 has proven attractive to the region's philanthropists. Prior to SA2020, the top six philanthropic funders had invested $153 million into San Antonio but were not confident their dollars had made a lasting difference. SA2020 presented a compelling way to make a bigger impact by aligning philanthropy with the plan and, thereby, aligning with the activities of other public, private, and nonprofit organizations from across San Antonio. For example, the United Way and Bexar County realigned $5 million for early childhood development to better support the Community Vision.

At the end of 2019, 23% of the Community Vision indicators were "met or exceeded" and 44% showed "progress." In comparison, at the end of 2017, 16% were "met or exceeded" and 36% showed "progress."

The president and CEO of SA2020 observed that San Antonio has been most successful in making progress on an indicator if one or both of the following conditions are true:

- **Broad, multisector participation happens.** A good example is teen pregnancy. Many organizations in San Antonio have an interest in reducing teen pregnancy. Getting them in the same room regularly to discuss where wasteful duplication of services is happening and where opportunities for collaboration are being missed has allowed everyone to work more effectively. Getting these organizations on the same page amounts to a huge resource multiplier for achieving public goals.
- **By partnering with SA2020, an institution with a major influence over an indicator comes to realize that they could make a big difference on their own.** For example, one of the Community Vision goals is to reduce energy usage. The local utility company partnered with SA2020 and developed ways to make it easier for customers to reduce their usage. This kind of alignment with a community vision also provides a resource multiplier.

SA2020 estimates that the total resources involved in the Community Vision are just over $2 billion.[viii] This is more money than any local government could hope to direct toward a community vision. The San Antonio Community Vision has led to direct financial support for local government. For example, the San Antonio Area Foundation donated $600,000 to support the aforementioned task force on domestic violence. Another success of SA2020 was creating broad community support for a special sales tax to promote pre-kindergarten education.

From the original community visioning process in 2010 to today's continued collaboration and shared progress, the City of San Antonio, the Community Vision, and SA2020 provide a powerful example of how local government can make a difference in the lives of its members while also developing smart resource allocation networks.

San Antonio's Networked Enterprise Responds to COVID-19

SA2020 has helped the community respond to COVID-19 with its "We>Me" program.[vii] This program helps different public, private, and nonprofit organizations share initiatives designed to help San Antonio cope with COVID-19.

Learn more: weisgreater.org

we > me
powered by SA2020

BATTLE CREEK

BCVision is a community movement in Battle Creek, Michigan, focused on creating a thriving community and equitable opportunities for residents. BCVision was created in 2015 when a local employer moved several jobs to another city and announced downsizing in Battle Creek. This spurred a local philanthropic foundation to engage the Battle Creek community in a conversation about how to make Battle Creek a more attractive place to live and do business.

BCVision was kicked off by a "town hall" event held in a hangar at the city airport. BCVision used this as a call to action to develop a set of "Guiding Principles" and "Action Team Goals." These would define the work of BCVision. Besides the initial town hall event, community canvassing, focus groups, and a series of smaller meetings helped to gather more insight on the concerns the community had about the future of Battle Creek. A BCVision steering committee made up of representatives from community organizations (including city government and the school district) helped to shape this input to the principles and goals for BCVision. The Guiding Principles and Action Team Goals are summarized on the following page.

bcvision

Since its launch in 2015, BCVision has been dedicted to addressing the most critical challenges impacting Battle Creek's future: jobs, talent development and creating a culture of vitality.

Learn more:
battlecreekvision.wordpress.com

The goal of BCVision is to create a thriving community where there is equitable opportunity for residents to have the income, education and resources they need to be successful.

GUIDING PRINCIPLES
Transform our community: Commit to community change for the benefit of all with an emphasis on equity.
Plan and work together: Involve key stakeholders across sectors; value and leverage community assets.
Engage all community members as genuine partners.
Use shared data to set the agenda and improve over time.
Champion the cause: Be an ambassador for community change.
ACTION TEAMS
College & Career Readiness: Ensure all students are successful in pursuing careers and life paths that lead to their economic stability.
Culture of Vitality: Increase civic pride, unity, collaboration, trust, and healthy lifestyles among the community.
Kindergarten Readiness: Improve early childhood programs to help every child have a great start; better support parents to ensure children are safe, healthy, prepared, and eager to succeed in school and in life.
Large Business: Collaboration among Battle Creek's large employers to retain and attract businesses to increase the number of jobs and ensure a strong workforce is connected to these jobs.
Small Business: Make Battle Creek home to a thriving small business economy characterized by an increasing number of successful small businesses and growth in jobs.
Workforce Development: Provide equitable opportunities for all Battle Creek residents to gain the skills for permanent jobs that provide career advancement and family economic security.

Today, BCVision is focused on implementation. The implementation is led by Action Teams made up of members of the community who can take the steps necessary to accomplish the teams' goals. This sometimes includes members of local government. For example, the city government is involved in the "culture of vitality" team, and the school district is part of "college and career readiness." In most cases, the Action Team members are responsible for implementation. There is also a BCVision organization with an office in downtown Battle Creek, which was formed in 2017. The staff of the BCVision organization is small and is not meant to support direct implementation.[ix] Their main roles are to serve as a neutral intermediary between the organizations that participate in BCVision and to hold the participants accountable for the commitments they have made.

BCVision's ongoing work is guided by a dashboard of community indicators designed to monitor progress against the Action Teams' goals. The dashboard serves as a "north star" and helps prevent mission creep: If someone suggests that BCVision undertake some activity, it can be tested against the key indicators. An activity that won't help make progress against the indicators is dropped from consideration.

The dashboard has been in place for about a year, so there have not been dramatic changes yet. That said, there are promising signs in labor force participation and closing achievement gaps in schools. The indicators allowed BCVision to look into these problems and identify groups of people who were not doing well and target support there. The dashboard has also highlighted opportunities for BCVision. For example, it showed that Battle Creek has more crime than the rest of the state. The participants in BCVision came to realize that there was little community effort to reduce violent crime, other than the city police department (which is more remediative than preventative). Improvements in labor force participation, student achievement, and, potentially, reducing violent crime represent better use of public resources.

The Steering Committee coordinates the Action Teams' work. Unlike the other networked enterprises we reviewed, the local governments were not responsible for bringing the networked enterprise into existence; however, the local governments are involved in the Steering Committee. Executive staff from the city and school district serve on the Steering Committee. The BCVision organization curates the membership of the Steering Committee to make sure those in leadership positions have the capacity and enthusiasm to move BCVision forward.

The BCVision staff is also responsible for creating a coherent message around BCVision and coordinating the efforts of the participants. This is done by creating interconnected networks that facilitate interaction and mobilization across social, political, and economic divisions.[x] The diverse membership of the Steering Committee and Action Teams facilitate this, as does open communication to the public about BCVision's activities (e.g., all meetings are open to the public, etc.).

Besides the promising signs in labor force participation and closing achievement gaps in schools, there is other evidence that BCVision is positively impacting the community. Surveys show improvements in the community's perception of Battle Creek, as indicated below.

	2018	2019
I know about the work of BCVision	**51.1%**	**50.4%**
There has been positive community development	**68.6%**	**73.2%**
Battle Creek prepares people to be career ready	**54.2%**	**57.5%**
Battle Creek prepares people to be college ready	**54.2%**	**60.2%**
Battle Creek can change	**80.0%**	**80.3%**
Battle Creek is moving in the right direction	**68.6%**	**72.5%**

SMALLER SCALE NETWORKED ENTERPRISES

In 2015, Rockford, Illinois (above) became the first city in the U.S. to end homelessness among veterans.

The networked enterprises we profiled in the preceding pages are impressive. However, less elaborate approaches can also provide benefit. The first step is to convene potential participants. In our case studies, we saw the convener could be a local government leader (e.g., San Antonio, San Bernardino County), but it doesn't necessarily have to be (e.g., Battle Creek).

The convener must gather a few key players and put information in front of them to define the problem the network aims to solve. We saw this with the San Bernardino Indicators Report and the SA2020 vision and indicators, but the data does not have to be as comprehensive as those examples might suggest. For example, reviewing studies like a community health assessment or the annual Kids Count[xi] report could be a good way to start. Getting organizations like a chamber of commerce or United Way can be very beneficial. To illustrate, the United Way is a long standing, well-respected national social service agency that already has its finger on the pulse of their communities. The United Way is involved in many successful intersectoral collaborations, such as supporting higher education for working single mothers, healthy living in rural communities, worksite wellness, and more. Also, because United Way reports back to its major funders, it keeps detailed statistics. We saw how important dashboards and scorecards were in our case studies.

Next, work with the key players to decide what participants can do to improve select measures of community well-being. Our case examples took on a comprehensive portfolio of measures, but a network could also take on one or a few. For example, the City of Rockford, Illinois, has built an effective collaboration around the goal of ending homelessness. In 2015, Rockford became the first city in the U.S. to end homelessness among veterans.[xii] Goals can be more modest too. One smaller Ohio city worked with a local non-profit to combat a bedbug problem.

Finally, a network must have a coordinator who gets commitments from network participants to help solve the problem and then holds them accountable for those commitments. In San Bernardino, it was the county government. In San Antonio, it was the city government at first, but the responsibility was spun off to a nonprofit. In Battle Creek, a local philanthropy got things started, but a special nonprofit was created to take over.

What We Can Say About the Effect of Networked Enterprises on Public Finance

Networked enterprises can economize the size of local government. Networked enterprises attempt to improve the lives of community members by making a big impact on complicated issues that cross jurisdictional sectoral boundaries, like education, health and wellness, mobility, and more. A local government would have to vastly expand its taxing and spending to make a similar impact through a traditional bureaucratic model.

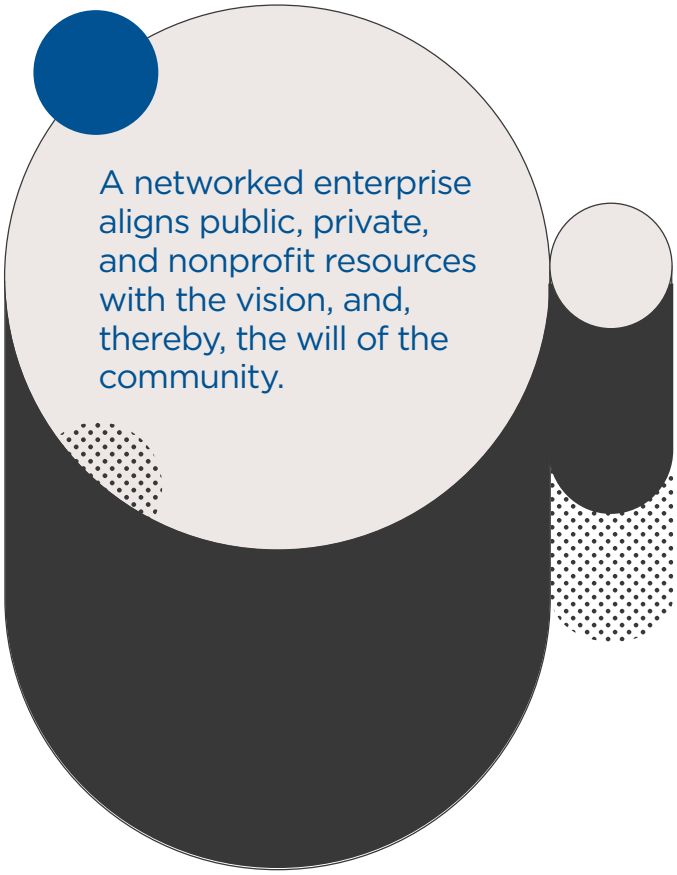
Many observers of the U.S. government system have noted that the increasing dysfunction of the federal government is prompting local governments to step up and take on the complicated, difficult problems that will make or break the livability of our communities.[xiv] Networked enterprises makes this possible while keeping local government affordable.

Networked enterprises can improve the perceived value of local government. A networked enterprise is anchored by a strong community vision. By definition, a strong community vision must reflect the will of the community. A networked enterprise aligns public, private, and nonprofit resources with the vision, and, thereby, the will of the community. Thus, these resources would be producing more value in the estimation of the public. We can see evidence of this in the survey results cited for BCVision. Also, the longevity of San Antonio's Community Vision and the San Bernardino County networked enterprise suggests that the members of these networks find enough value in them to continue their participation and probably believe that the networks are making a meaningful contribution towards the shared outcomes and goals.

That said, it would be reasonable to ask how much impact these networks are making on issues like graduation rates, poverty, public health, etc. For example, perhaps broader social and/or economic forces are responsible for much of the change. Unfortunately, the research does not exist to say. However, evidence-based decision-making is becoming popular in local government, as witnessed by the growth of databases and organizations that help local governments make evidence-based decisions.[xv] Evidence-based decision-making seeks to align decisions about what programs and services to offer with the results of rigorous evaluations of program effectiveness.

A networked enterprise could make it easier to adopt strategies that are proven to work because:

- The network participants will likely have an interest in successful programs. They might have a greater interest than the local government on its own. That's because bureaucracies are sometimes known for self-perpetuating behaviors. Network participants may not have these same incentives to keep programs in place irrespective of how effective they are.
- The network participants could bring the necessary human and financial resources to bear that are needed to implement an evidence-based program with fidelity.



How Can a Local Government Move Forward with a Networked Enterprises?

If you are convinced of the potential of networked enterprises and want to learn more about how to put one in place, please consult Chapter 8 of the GFOA publication *Financial Foundations for Thriving Communities*. There, we use the example of San Bernardino County to walk you through the "five C's" of creating and managing a networked enterprise:[xiii]

- **Clarify** the goals of the network.
- **Curate** membership in the network.
- **Connect** network members to one another so they can create value.
- **Cultivate** an environment that allows the network to flourish.
- **Catalyze** the network members into action.

Networked enterprises probably don't have much impact on efficiency. A networked enterprise is not necessarily a replacement for traditional government. Bureaucracy has its advantages as well. It can be more efficient and easier to manage in clear and predictable circumstances. Further, bureaucracy is known for stability, which can protect against disruption of important institutions. For example, the local governments featured in this paper still have day-to-day services run by traditionally configured county staff or contractors. The networked enterprises discussed have not been focused on the day-to-day services that make up the bulk of existing local government spending. Fortunately, a different and complementary networked model we call "Government as a Platform" can improve efficiency, as we will see in the third part of our four-part series.

State policymakers can support the formation of networked enterprises. Networked enterprises have some common and well-understood characteristics. Though our case studies did not have overt help from their state governments, state policymakers could help local government acquire the characteristics necessary for networked enterprises. They could:

- *Make it easier to seek and obtain exemptions to state mandates for how local communities operate their governments.* Networked enterprises can find innovative and effective solutions to local problems. Unfortunately, well-meaning, but one-size-fits-all, mandates from state governments can impede these innovations. This tends to happen in education, for example, where states mandate certain classroom practices. States can set up processes to allow local governments to seek exemptions from mandates when they have found a better way to do things. For example, the State of California Department of Education made an explicit offer to school districts to work with them to eliminate or reduce burdensome regulations.[xvi]
- *Provide support for evidence-based decision-making.* States can encourage local governments to used evidence-based decision-making. One method that is getting attention is to use state programs operated by the state as encouragement. Here are examples of how some states have started to do this:[xvii]
  - » Highlight and/or link to evidence-based strategies in funding announcements and/or grant applications (Pennsylvania, Hawaii, Nevada, Illinois, Connecticut).
  - » Ask applicants how they will use evidence in their program and what level of rigor they will employ (Nevada).
  - » Require applicants to use evidence-based programs or at least give preference points (Oregon, Florida, Washington, Nevada, Vermont).
  - » Use performance-based contracts that link outcomes to payments by requiring achievement of certain performance benchmarks to receive grant payments (Pennsylvania, Ohio).

A related practice is to create or identify existing clearinghouses of evidence-based interventions. Local governments may not be able to find or use rigorous studies of program effectiveness on their own. A clearinghouse aggregates and catalogs studies of common interventions and rates them according to how effective they have been. Some states have created their own clearinghouse. Others direct local governments to clearinghouses maintained by the federal government. Ohio has a clearinghouse for education, and California has one on wild welfare, for example. Clearinghouses cover a variety of service areas, including education, criminal justice, child welfare, and more.

That said, states should leave room for innovation. By definition, new ideas will not be "proven."

- *Make available the data that is needed for regular feedback on key indicators of community condition.* We have seen that an important part of the case studies featured in this section were reporting on progress made toward the communication vision by monitoring key indicators like poverty rates, child literacy, etc. State government could develop data clearinghouses that make it easier for local governments to monitor these indicators. States could also facilitate data sharing between local agencies. For example, schools, counties, and hospitals often collect different data that could be useful in community indicator reports. However, it would be inadvisable for state government to require local governments to monitor particular indicators. The process of deciding what indicators are important is an indispensable part of putting together a community vision.

- *Provide training on skills to run a network.* States or quasi-state agencies often provide training programs for local officials. However, this training is typically focused on how to better manage a bureaucracy. In a networked enterprise, a local government shifts from a "doer" to a "convener." Being an effective convener requires a particular skill set that is different from managing a bureaucracy. For example, it requires:[xviii]

  - » Big-picture thinking rather than narrow functional thinking.
  - » Project management rather than department management.
  - » Establishing and monitoring outcomes rather than controlling work processes.
  - » Building coalitions rather than relying on formal authority.

  States do not have to provide this training themselves. They could work with organizations that promote practices that support networked enterprises, such as the National Civic League, Public Agenda, Everyday Democracy, and the National Coalition on Dialogue and Deliberation. Local universities may also be able to help build capacities.

  Training on operating a network could also be integrated into training focused on solving a community problem. For example, we mentioned the City of Rockford's success in convening a collaboration around homelessness. Rockford's mayor was inspired by a federal training program he attended.[xix]

END NOTES

[i] Shayne Kavanagh and Vincent Reitano. *Financial Foundations for Thriving Communities*. Government Finance Officers Association: Chicago, Illinois. 2019.

[ii] Bruce Katz and Jeremy Nowak. *The New Localism: How Cities Can Thrive in the Age of Populism*. Brookings Institution Press. 2018.

[iii] All three case studies we compiled through a series of personal interviews and review of primary source documents.

[iv] https://indicators.sbcounty.gov

[v] "Community Indicators Report: 2018". Published by San Bernardino County.

[vi] Network structure characteristics for community transformation originated by: Sean Safford. *Why the Garden Club Couldn't Save Youngstown: The Transformation of the Rust Belt*. Harvard University Press. 2009.

[vii] https://weisgreater.org/page/2

[viii] This is adding up the revenues of the philanthropic and social enterprises involved in SA2020.

[ix] There are few exceptions—for example, BCVision handles communications that coordinate the network and has a more direct role in supporting "Summerfest," a large community celebration.

[x] Sean Safford. *Why the Garden Club Couldn't Save Youngstown: The Transformation of the Rust Belt*. Harvard University Press. 2009.

[xi] https://datacenter.kidscount.org

[xii] Rockford's experience is documented in: Dan Heath. *Upstream: The Quest to Solve Problems Before They Happen*. Avid Reader Press. 2020.

[xiii] See Slaughter, A.-M. (2017). *The chessboard and the web: Strategies of connection in a networked world*. New Haven, CT: Yale University Press.

[xiv] Benjamin R. Barber. *If Mayors Ruled the World: Dysfunctional Nations, Rising Cities*. Yale University Press. 2013.

[xv] Results for America compiles many resources on how local governments can use evidence-based decision-making. See: results4america.org.

[xvi] Frederick M. Hess. *Cage-Busting Leadership*. Harvard Education Press. 2013

[xvii] Examples provided to GFOA by Results for America. Note that the states listed may not use these strategies comprehensively across state government. They may use them only for certain programs.

[xviii] See for example: Stephen Goldsmith and William D. Eggers. *Governing by Network*. Brookings Institution Press. 2004.

[xix] Rockford's experience is documented in: Dan Heath. *Upstream: The Quest to Solve Problems Before They Happen*. Avid Reader Press. 2020.

Government Finance Officers Association

203 N. LaSalle Street, Suite 2700
Chicago, IL 60601
312-977-9700 | **gfoa.org**