

Agency Culture, Organizational Identity, and People

William E. Kovacic
U.S. Federal Trade Commission
ICN Agency Effectiveness Workshop
London, 12 June 2010

What Is a Good Organization?

- Outputs
- Outcomes
- Personality and Identity
 - Culture
 - Customs
 - Habits

Today's Theme

- Organizational Culture
 - Influences substantive results
 - Deserves study as much as theory and substance of competition policy
 - Central responsibility of agency leadership

Overview

- Culture Defined
- Why It Matters: Two Examples
- Cultural Characteristics: Good and Bad
- Leadership: Steps to a Healthy Culture
- Caveat: Personal Views

My Perspective

- FTC Junior Case Handler: 1979-1983
- Private Practitioner: 1983-1986
- Academic: 1986 to present
- FTC General Counsel: 2001-2004
- FTC Commissioner: 2006-present
- FTC Chair: 2008
- Advisor: 1992 to present

Resources

- Kovacic, *The FTC at 100: Into Our Second Century* (January 2009), available at <http://www.ftc.gov/ftc/workshops/ftc100/docs/ftc100rpt.pdf>
- Kovacic, *The Digital Broadband Migration and the Federal Trade Commission: Building the Competition and Consumer Protection Agency of the Future*, 8 *Journal on Telecommunications and High Technology Law* 1 (2010)

“Culture” Defined

- Norms: Consensus Views About How Members of a Group Ought to Behave
- Usually Not Embodied in Legal Rules
- Customs or Standards Adopted Voluntarily
- Who Is the “Group”?
 - Inside the agency
 - Larger community

Why It Matters: Two Examples

- Cultural Failure: FTC Shared Monopoly Cases
- Cultural Success: FTC and the Do-Not-Call Rule

FTC Shared Monopoly Cases

- Two Cases
 - Kellogg et al.: Breakfast Cereals 1972-1982
 - Exxon et al.: Petroleum Refining 1973-1981
- The Blind Side: Change in the Literature
- Resource Implications Unappreciated
- Commitment/Capabilities Mismatch
- Effect on Staff Morale
- Reputational Effects

Do Not Call Rule

- Origins in 1980s
 - Law enforcement
 - Investment in technical infrastructure
- Innovation and Risk-Taking
- Team Commitment
- Role of Leadership
 - Experienced team leaders
 - Agency chair

Healthy Cultural Traits

- Focus of Success: Team Effort
 - Leaders accept blame and share credit
- Innovation
- Commitment to Improvement
- Communication and Consultation
- Long-Term Perspective: The Policy Relay
 - Capital investments in agency “brand”

Unhealthy Characteristics

- Short Term Leadership with Short Term Goals
- Intellectual In-Breeding
- Complacency
- Credit Claiming and Blame Casting
- Indistinct Focus and Communications Breakdown

Short Term Leadership and Long Term Institutional Needs

- Public Service as Theme Park or Hired Car
- What's In It For Me?
 - Activity as the measure of accomplishment:
“We've been very busy!”
 - Self-congratulation
 - Inattention to long term capital investments
- Feeding Staff Skepticism and Sycophancy

Slogan Fatigue

- Career Staff Has Heard It All
- Culture Building and Credible Commitments
 - A market for lemons?

Sycophancy

- Sometimes Induced by Tyrants: TWA 124
- Sometimes Stems from Universal Impulses
 - Standard Theme: “Great job, sir!”
 - Major Variation: “Much better now, sir!”

Intellectual In-Breeding

- Homogeneity of Experience and Perspective
- Inattention to shifts in ideas
- Ignorance of important commercial phenomena

Complacency: The Challenger Syndrome

- “We’ve Never Lost One”
- Near Misses: Sign of Invincibility or Danger?
 - Illustration: The CFI trilogy

Credit Claiming and Blame Casting

- My Brilliant Career
- Shoot the Wounded
- Ex Post, Not Ex Ante, View of Risk-taking
- Consequences
 - Loss of innovation
 - Inadequate capital investments
 - Emptiness of the vital common pool

Communications Breakdown

- Frequently Asked and Unanswered Questions
 - What are we doing?
 - Why are we doing it?
- Weak Connections
 - Among leaders, across operating units, between leadership and staff
- Faulty Perception and Frail Memory
 - Saying it once is rarely enough

Central Role of Leadership

- Set Norms for the Management Team
- Take Blame and Lavishly Share Credit
- Build Intergenerational Ties
- Emphasize Success in Long-Run
- Explain Ends and Means Routinely
- Invite Debate and Criticism

Specific Means

- Diversify Staff: Revolving Door and Exchanges
- Use Information “Cascades”
- Nurture Self-Assessment Customs
 - Example: Phillips and Malyon
- Openness to External Criticism
- Design Events to Reinforce Good Culture
- Understand the Past and Honor the Virtuous