A Citizen-Sensitive Approach to Retrenching Services in the Public Sector

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A Citizen-Sensitive Approach to Retrenching Services in the Public Sector

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Abstract: The prevailing approaches to retrenchment are across-the-board-cuts, voluntary attrition, and expenditure deferment. Frequently these are adopted because they are expedient, but they do not represent a sensitive response to citizen priorities. The paper presents a procedure for allocating resources during periods of retrenchment, so they reflect citizens’ wants and needs. The procedure consists of four sequential stages: (1) identifying those services that should be considered as possible candidates for retrenchment; (2) evaluating each of these services to determine if retrenchment is appropriate; (3) retrenchment implementation; and (4) facilitating the implementation decision.

The quality of an agency’s services to its clientele is substantially affected by its ability to make effective retrenchment decisions. Retrenchment occurs when an agency allocates fewer resources to an existing service, which may lead either to a reduction in quantity or quality of service or to termination, which occurs when all allocated resources are withdrawn.

Momentum for retrenchment of a service may derive from either a recognition of the advantages in such a strategy or from external conditions that require an agency to enforce retrenchment. Four major benefits may accrue when an agency voluntarily implements a formal procedure to reduce or terminate unproductive services. First, by withdrawing resources from less important services the agency may make resources available for more important services. Second, reduction in the quantity of services may reduce managerial overload. The managerial effort required to sustain weak services is frequently disproportionate to the benefits that those services yield.\(^1\) Removal of resources from existing services can make those resources available for new services. For this reason Drucker has characterized retrenchment as an opportunity, as the key to innovation, because it frees necessary resources.\(^2\) Fourth, if weak services are permitted to continue, they weaken an agency’s foothold on the future by reducing its ability to adapt to a changing environment. By freeing resources through retrenchment, an agency should be better able to pursue opportunities and is more likely to initiate an active search for replacement programs.

The external events most likely to stimulate service retrenchment are environmental entropy, competition, problem depletion, and plant obsolescence.

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Environmental entropy occurs where the capacity of the environment to support a government agency at previous levels of activity erodes. The term refers primarily to financial cutbacks that force managers to decide between acquiring replacement resources and retrenching services. Competition may reduce demand for a service to a level which cannot justify its continuance. Problems may be resolved or dissipated, thus making the service unnecessary: a school closes because a neighborhood ages. Sometimes retrenchment occurs not because the original problem has been resolved, but because it has been redefined. For example, the movement to de-institutionalize the mentally ill has led to a retrenchment of some agencies responsible for treating clientele in institutions. Finally, the obsolescence of a physical plant may force the facility to close, necessitating some retrenchment of services to clientele in the impacted geographic area. Obsolescence of facilities has contributed to the closure of schools and hospitals.

These external motivations for retrenchment may have positive long-term effects because the inability of public agency administrators to abandon may be their “most damning and most common failing. It alone guarantees non-performance and within a fairly short time.” Since new services are added more easily than existing services are retrenched, creation of new programs has traditionally been viewed as a positive response to change, but deletion of existing programs has frequently been perceived as a depressing, negative task, one associated with failure. Historically, therefore, the range of services offered has tended to mushroom unless management consistently pruned.

Instead of recognizing retrenchment as a positive strategy which could release resources for new or high-priority projects, the response in the past has often been to “throw more resources” at an ailing program. This automatic, unthinking, response sometimes emerges from a program’s supporters. A more appropriate response would be to conduct a rational diagnosis of the program’s status and problems:

The greatest self-delusion is the belief that the outlook for a [program] improves the more resources one pours into it. Few popular maxims are as wide of the mark as “If at first you don’t succeed, try, try, try, again.” “If at first you don’t succeed, try once more — and then try something else” is more realistic. Success in repetitive attempts becomes less rather than more probable with each repetition.

Such self-delusion is no longer possible in most agencies. Public administrators must terminate some offerings, lower the service level of others, and confront trade-offs between new demands and old programs.

**Prevailing Approaches to Retrenchment**

Agencies frequently adopt retrenchment strategies that are expedient, rather than those which reflect an effort to prioritize citizens’ needs and wants. Typically, retrenchment is implemented by (1) equally cutting resources to all services, (2) relying on voluntary attrition accompanied by a hiring freeze, or,
(3) deferring necessary expenses. These approaches may appeal to common-sense ideals of justice, avoiding conflict, and minimizing morale problems within an agency, but they do not represent a sensitive response to citizens’ priorities.

**Across The-Board Cuts**

Services do not contribute equally to satisfying citizens’ wants. Reduced resource allocations should reflect the different priorities citizens assign to services. Across-the-board cuts tend to penalize past and current efficiencies. When cuts are made equally, will probably penalize efficient organizations more than their poorly performing peers because for the former, the easy and obvious improvement strategies have probably already been implemented. For poorly performing organizations the task is much simpler: to achieve higher performance, borrow the management practices and productivity ideas employed by successful agencies.9

**Voluntary Attrition**

Voluntary attrition, with an associated hiring freeze, results in arbitrary outcomes that cannot be anticipated. Employees do not retire or voluntarily leave their jobs in response to citizens’ service priorities. Thus, the services that are most affected may or may not be those which are the lowest priority for citizens. Resignations will probably come from those employees with the best skills, because they have more opportunities for employment elsewhere.

**Expenditure Deferment**

Deferring necessary expenditures, another prevailing short-term strategy, involves retrenching service areas in which the withdrawal of resources has no immediate negative impact. For example, maintenance of infrastructure and plant, or investment in staff training and new equipment needed to improve or maintain productivity may be deferred. This policy allows an agency to continue offering a wide range of services, but will eventually result in either substantially inferior services or in the need for large infusion of resources, which can be obtained only by withdrawing resources from other service areas. Again, the programs impacted most by this deferred expenditure strategy may or may not be a high priority with citizens.

**A Citizen-Sensitive Approach to Retrenchment**

In contrast to the prevailing expedient strategies for retrenchment, the primary objective of a citizen-sensitive approach is to allocate resources to services so that they reflect citizens’ needs and wants. The procedure developed here is intended to offer a framework to achieve this objective.

A retrenchment committee appointed within a department should be charged with the responsibility for making recommendations to senior manage-
Figure 1
The Retrenchment Process

STAGE 1
IDENTIFY CANDIDATES FOR RETRENCHMENT

STAGE 2
EVALUATE RETRENCHMENT CANDIDATES

STAGE 3
IMPLEMENT RETRENCHMENT

STAGE 4
FACILITATE THE IMPLEMENTATION DECISION

EXTERNAL STRATEGIES

INTERNAL STRATEGIES

Sunset Concept
Zero Base Budgeting
Program Life Cycle Audit
Citizen Surveys
Cross Priority Analysis

Opportunity Cost
Take No Action or
Modify Marketing Strategy or
Withdraw Resources

Sudden Withdrawal or
Gradual Reduction or
Stepped Reduction or
Continuation at the Same
Level but with Reduced
Agency Resources.

Management Credibility
Citizen Understanding
Development of a Counter
Constituency

Accent the Positive
Rotate Managerial Positions
Keep Personnel Informed
and Involved
Establish Clear Objectives

ment twice a year. If the group is also charged with developing new programs, then coordination between the two procedures can be facilitated. This procedure will help promote acceptance of retrenchment as a routine strategy for matching agency offerings with citizens' priorities, and will provide the initiative for subjecting all services to periodic review. The retrenchment
procedure should be a part of the managerial process rather than a reaction to an external crisis. Specific responsibility must be assigned, and formal written accountability must be required. Because retrenchment decisions are often unpopular, reduction or termination of any service is unlikely to occur without such requirements.

Figure 1 illustrates a suggested process for retrenchment, including (1) identifying those services that should be considered possible candidates for retrenchment, (2) evaluating each of these services to determine whether retrenchment is appropriate, (3) implementing retrenchment and, (4) facilitating the implementation decision.

Identifying Candidates for Retrenchment

A citizen-sensitive approach to retrenchment requires comparative data on the costs and positive impacts of services. Without such data, retrenchment decisions must be based on little more than visceral impressions. With such data, five tools for identifying retrenchment candidates are available: the sunset concept, zero-based budgeting, program life cycle audits, citizen surveys, and cross-priority analysis. The early stage of the retrenchment procedure seeks only to identify programs for which retrenchment is a possibility; it does not make their retrenchment inevitable.

While the sunset concept has many variations, a typical sunset law establishes a timetable for review of services offered by a jurisdiction. Most sunset laws require that a service automatically terminate on a specified date unless its existence is reauthorized. In the absence of affirmative action, the status quo changes rather than continues.

Zero-base budgeting attempts to provide an alternative to the conventional incremental approach to budgeting. Rather than using current budget allocation levels as the starting point when budgeting for the next year, the zero-base approach requires participants to start from “the ground up.” An item included in last year’s budget does not necessarily appear in the next year’s. Each year an agency must look at its entire budget, and project, if warranted, a new set of allocation priorities for the upcoming year. Both existing and proposed new activities must be analyzed.

The agency must ask whether a current program is of sufficient value to be retained, or whether it should be curtailed or replaced by a new program of higher priority. The zero-base approach requires an agency to systematically evaluate all of its existing and proposed programs on the basis of output or performance criteria. An agency may not be able to implement formal zero-base budgeting, but the principles involved may help it identify low-priority services.

The program life cycle audit is based on the concept that all programs pass through a life cycle. Figure 2 illustrates this well-known marketing concept. The audit requires that the present life cycle state of each program be identified. To do this, historical usage data for each program, from beginning of the program if possible, is needed to fix its present position on its life cycle curve.¹⁰
To identify the true life cycle pattern, data have to be adjusted to allow for population changes. Thus, a ratio such as attendance per thousand population may be most appropriate. Similarly, the data should be adjusted to remove the impact of any major changes in the cost of admission to participants in the program. Those programs in the saturation or decline states of their life cycle should be subject to evaluation as possible candidates for retrenchment.

Citizens are the ultimate beneficiaries of services. Direct input from citizen surveys provides opportunities for individuals and groups to indicate which services are important to them. If a service rates lower in priority for its targeted clientele than do other new services that could be offered with the same resources, it qualifies as a candidate for retrenchment.

Cross-priority analysis is a round-robin technique that permits an agency to compare a service with every other offering by using a matrix approach of priority ranking. Two programs are compared at a time, with the higher-rated program assigned one point and the lower-rated zero points. After each service has been compared with every other one, points are added up. Those programs receiving the most points become highest-priority programs; those with the least become lowest priority. Thus, in the example shown in Figure 3, the highest-priority project was softball field lighting, while the lowest-priority project was greens renovation.

**Figure 3**

**Decision Matrix**

<table>
<thead>
<tr>
<th></th>
<th>Racquetball courts</th>
<th>Softball field lighting</th>
<th>Boat dock</th>
<th>Youth center</th>
<th>Filter system</th>
<th>Renovate greens</th>
</tr>
</thead>
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<tr>
<td>New racquetball courts</td>
<td>1</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Softball field lighting</td>
<td>2</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repair boat dock</td>
<td>3</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alterations to youth center</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Install filter system</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Renovate golf course greens</td>
<td>6</td>
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Judging which service is a higher priority in each comparison depends on
the criteria used. Appropriate criteria may include (1) self-sufficiency potential;
(2) net cost; (3) number served; (4) whether future costs associated with the
services are likely to remain stable, increase, or decrease; (5) availability of
other providers of the service; and (6) cost per participant, which is a
combination of criteria 2 and 3.

Evaluating Retrenchment Candidates

Once candidates for retrenchment have been identified, they must be
evaluated to determine if withdrawal of resources is the best course of action.
The evaluators must ask, “If we did not already deliver this service, would we
now start, knowing what we know now?” If the answer is “no,” they must ask,
“How can we get out of this?” or at least “How can we stop pouring more
resources into this?”

Evaluating retrenchment candidates involves two concerns. First, a
 crucial criterion in the evaluation decision is opportunity cost, that is, noting
whether resources freed by withdrawing them from an offering can provide
more benefits if assigned to another service. Second, after opportunity costs
have been clarified, a decision must be made to retrench the service or not.

Opportunity Cost

The opportunity cost of a service is the clientele satisfaction and/or
revenues that a new service could produce if the effort and resources currently
allocated to the existing program were redirected. A service may be well
received by a relatively large number of clients, but agencies must still ask
about it, “Could the resources allocated to this program generate greater total
satisfaction to the community if they were reallocated?”

The concept of opportunity cost rarely enters into any discussion of
service offerings, and yet there are always alternate client groups to be served
or alternate services to be offered. A decision to continue offering a particular
service implies a willingness to forego all other opportunities for which the
resources could be used.

Costs of initiating a new service or the cost savings from retrenching an
existing program are usually expressed only in dollars, not in terms of
alternative service opportunities foregone or made available through retrench-
ment. In many instances, “free” public services do not obviously incur
opportunity costs and foreclose other alternatives. If a teacher or police officer
had to be discharged every time another public boat dock or tennis court was
built, the real cost of these public services would be apparent. In the past,
budgets were simply expanded to accommodate the hiring of another teacher
or police officer, thus making difficult choices unnecessary. Now, with more
severe economic constraints, identifying opportunity costs and program
evaluation is critical because of the need for implementing retrenchment.
Evaluation Options

Three options are available when evaluating retrenchment candidates: leave the program alone; modify its delivery strategy; or withdraw resources from it. The first option should be implemented if no better alternative use for the resources currently allocated to the service has been identified. On some occasions, resources will not be withdrawn even when superior opportunities for their use have been identified. To continue offering a program that either serves very few, has to be heavily subsidized, or provides minimum clientele satisfaction is not necessarily a managerial crime. Continuing the service is reprehensible only when managers do not know the extent of its use, subsidy, or satisfaction benefits, or, knowing the facts, retain it without sound reasons for doing so. Consider the hospital which is torn between maintaining or closing its underutilized maternity ward:

A cost-benefit analysis of the advantages of keeping or closing the maternity ward would more than likely result in a consideration of closing the ward. The space and resources allocated to the maternity ward might be better used for other purposes.

However, almost every community thinks it should have a full service hospital; having a full complement of community services plays a significant part in community pride and image. It also plays a role in the spirited competition between some neighboring towns; no town wants to place its real estate agents in the position of having to say to a prospective buyer, “We have a good hospital here, but you’ll have to go to the neighboring town to have your baby.” The desires of the community may thus dictate keeping an underutilized maternity ward open.

A second evaluative option is to modify a service’s existing delivery strategy rather than withdraw resources from it. This may involve assigning new leadership to the service, or using a different facility. Alternatively, increasing the promotional effort, promoting the service differently in terms of theme and media, or retargeting it to a different clientele may be necessary. The price may be too high, thereby discouraging some users, or the price may be too low, which will make potential clientele consider the service inferior. Adjustment of any of these ingredients may revitalize a service and make retrenchment inappropriate.

The third option is to retrench. Once this decision has been made, considerable thought should be given to the choice of implementation strategy and how it would best be brought to bear on the service.

Retrenchment Implementation Strategies

Figure 4 shows four alternative strategies for service reduction or termination. Option (a), the sudden-change strategy implemented without appreciable warning, can surprise groups that see themselves as adversely affected by retrenchment. This strategy reduces the time available to develop organized resistance. If effective opposition emerges, retrenchment may be expensive in terms of time delays and opportunities foregone, and the
retrenchment decision may even be reversed. To avoid conflict, some public administrators may prefer to take swift, sudden action. In that way they confine the conflict to the shortest period of time possible. However, such action may be perceived by citizens as high-handed or arrogant, and as failing to meet a moral obligation to assist those adversely affected by the service cuts.

Many people think that agencies have an obligation to help those directly and adversely affected by service reductions, and that they should not discontinue support abruptly. These client groups may have come to depend
on a service that represents, or they perceive it to represent, a commitment to a clientele. The clientele reasonably assumes that the service will be provided indefinitely. Indeed, people may even come to believe that they are entitled to the service and to the benefits that flow from it.

For this reason, public administrators might seek to inform participating clientele of the intent to retrench far enough in advance to permit transition to alternate programs. These administrators might adopt one of the gradual decremental strategies, (b) or (c) (Figure 4). In these instances, the program continues to be operated over a given time period, but with continually lower levels of support. These strategies have the advantage of providing time for reexamining the impact of various levels of retrenchment and for any necessary adjustments. Further, the decremental approaches allow affected clientele to adjust to the change and to seek alternatives.

If personnel are to be phased out with a service’s retrenchment, then a decremental strategy also allows them time to find alternate positions. For example, Congress mandated the gradual phaseout of the Civil Aeronautics Board, the federal regulator of aviation fares and routes, over a seven-year period between 1978 and 1985. This leeway provided both employees and the aviation industry time to adjust to the agency’s termination.

Strategy (d) in Figure 4 calls for a service to continue at the same level of support, but without the agency’s resources. This may be accomplished in two ways. First, the agency’s role as direct provider can change to that of facilitator or broker, providing a link between the needs of its clientele and the supply of private services available.

Many times it is particularly difficult to terminate a service when capital-intensive facilities are associated with it. However, an agency might eliminate the service from its budget by leasing the facilities out to private groups who are prepared to continue to operate them, or consolidate them with similar services provided by other departments.

The second way to implement strategy (d) is to increase user contributions, which will enable an agency to save resources. This may be particularly appropriate in the case of discretionary services. Increasing price might be a sound strategy even if a program appears to be poorly supported by the targeted clientele. Those clients who do use the service may have a strong desire for the benefits it offers, thus creating an inelastic demand curve. In such instances, increases in user price may result in higher revenues, thus allowing agency resources to be withdrawn.

**Facilitating the Implementation Decision**

The most effective retrenchment will likely occur when a long-term perspective is adopted at the time new programs are introduced. For example, the Dallas Park and Recreation Department enters into permission-to-use agreements with landowners instead of purchasing vest-pocket parks. Removable play equipment and plant materials are placed on these small areas, which often are unused building sites. Either party may cancel the simple
lease agreement with thirty days notice. Purchase of these small areas would require the department to maintain and equip them indefinitely with resources that may yield more benefits in the future if used elsewhere. Leasing provides flexibility to respond to demographic shifts, and makes subsequent retrenchment much easier.

**Strategies for External Publics**

Successful retrenchment will probably require that opposition from affected citizen groups be neutralized. Three ingredients are critical in this task. The first is management’s personal credibility. Before client groups accept that they are being treated fairly and provided with accurate information, they have to be convinced that “incompetence and corruption are not so widespread that the problem can be simply solved by eliminating just those two evils.” Client groups must believe that recommendations for service retrenchments are based on a genuinely impartial professional determination of the appropriate levels of services, made without bias toward any one group.

A second critical ingredient in alleviating clientele opposition is for impacted citizens to have an understanding of the agency’s financial constraints and of its decision-making processes. Even impartial professional evaluations may be resisted unless there is a general supportive belief among citizens that their conclusions are reasonable. Many clients are not aware of either the source and magnitude of budget restraints, or the wide range of services that a typical agency is committed to delivering. For client groups to accept the need for service reduction, and to believe that the decision to retrench “their” particular services has not been arbitrary, they must understand budgetary restraints and the full spectrum of an agency’s service delivery mandate and responsibilities. The ability to foster this understanding was clearly illustrated by the experience of a city manager in dealing with groups representing the elderly:

Many programs were developed which expanded the services to the elderly, including meals and more medical services. These programs were good. When, however, deficiencies of resources demanded some consideration of cutbacks, it was necessary to objectively evaluate the impact of more traditional services on the elderly citizens. We had to include their advocates in this process to allow an understanding of the manner in which the police service, fire service, city health services, and other traditional municipal services affected elderly citizens. Only then could they evaluate the traditional services in contrast to new services and concur with decisions on which must be reduced. Clearly this situation was reached by the involvement of those concerned citizens in a process which enabled them to understand the full scope of services provided by the municipality. The third element in successfully dealing with the public is to develop counterconstituencies. Even if management credibility is strong and the public understands the parameters and criteria that have led to the retrenchment decision, their inclination may be to resist such action. In these instances, it
becomes imperative to enlarge the political arena in which a service’s fate is
deleted by developing a counterconstituency.
While client groups may vigorously oppose termination, there are proba-
bly a few citizens who might come forth to support it. Unless those advocating
retrenchment are able to attract a counterconstituency, those resisting re-
trenchment will control the debate. An obvious counterconstituency may be
another client group who would benefit from the resources released from the
retrenched program. Its credibility, however, might be limited because of its
ulterior motive.
If retrenchment is extensive, the media may become an effective
counterconstituency by publicizing that the service reduction serves the
interest of the whole community. The media can influence any major retrench-
ment effort. Agencies should help the media grasp the constraints and
parameters within which that agency operates, as well as why the proposed
retrenchment is in the best interests of the community.

Strategies for Internal Personnel

Four strategies can be used to facilitate acceptance of retrenchment
among affected agency personnel. First, managers should *accent the positive*
and stress the advantages of retrenchment. Whenever possible, improvement
should be advocated over retrenchment: “We are going to put increased
resources into improving the quality of the most popular flower beds in the city.
In order to achieve this we will be eliminating some of the less appreciated,
inferior quality flower beds.” Incentives may be an important part of this
strategy. For example, if personnel in the affected service area are unable to
retain the resources saved by retrenchment and to reallocate them according
to what they perceive to be higher priorities, then they have little incentive to
support curtailment of programs.

A second strategy is to *rotate managerial positions* within the agency. A
new manager is probably divorced from past decisions and is less compelled
to justify an agency’s past priorities. By rotating managers, interpersonal
loyalties and sentimental attachments to programs will not interfere with
retrenchment decisions. New managers may be better able to make difficult,
unpopular decisions, take the flak, and move to another position in the agency.

A third strategy is to *keep personnel informed and involved*, particularly in
major retrenchments. Retrenchment may engender feelings of insecurity and
fear among employees. Their awareness and involvement is essential in
minimizing resistance and in prioritizing retrenchment candidates. For example,
throughout retrenchment of the Civil Aeronautics Board, the board conducted
what it called “sunset in the sunshine” sessions with employees to keep them
informed about the agency’s close-down policies and about their own job
prospects.¹⁹

The final strategy is to ensure that *clear objectives are established* which
provide a context and planned direction for retrenchment decisions, so that
they do not seem arbitrary. If efforts to introduce retrenchment are not carefully
presented in the context of an overall plan and accompanied by a personnel
informational program, they will almost always meet resistance. Retrenchment
should be explained as part of an agency’s overall plan so all concerned personnel know why it is taking place and are aware of its implications.

**Concluding Comments**

Retrenching services and introducing new services are equally important. The quality of an agency’s overall contribution to its citizens, particularly in periods of rising costs and/or declining allocations may be dramatically affected by the care exercised in program pruning. Indeed, the viability of an agency and the mix of its services may be as much a function of paring as it is of proliferating new services.\(^{20}\)

The strategies adopted by public agencies toward retrenchment often appeal to commonsense ideas of justice, avoid conflict, and minimize morale problems within an agency, but they do not represent a sensitive response to citizen priorities. Typically, they include across-the-board cuts, reliance on voluntary attrition accompanied by a hiring freeze, and deferment of necessary expenditure. These approaches are arbitrary in relation to the priorities of citizens, and they are inconsistent with good management of public resources.

It has been observed that the concepts, indicators, and methods of retrenching public services remain to be invented, because retrenchment is a relatively new phenomenon for public administrators.\(^{21}\) This article represents an attempt to respond to that challenge by suggesting a citizen-sensitive approach to retrenchment, which allocates resources so they reflect citizens’ needs and wants.

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