

THE MACRIS GROUP

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From Dean's Desk:



Prologue

While back my colleague Ozzie Paez and I wrote several articles for UPDATE on various topics ranging from resilience to leadership and terrorism. Since those articles, Ozzie has focused his work on decision making as it pertains to organizational leadership. Interestingly, one of Ozzie's more recent writings touches on the shortcomings of reengineering in the context of decision making. The following is an excerpt from that paper as a lead in to this article.

"Many business process re-engineering efforts fail because the re-engineered processes come into direct conflict with informal social processes on which organizations have long relied to carry out their operations....

In considering government structure, power and reach, the same questions help us gauge the balance and locus of decision-making control, which reflect the level of social and political freedom in the society at large; and related economic factors such as innovation, investment, agility and growth, which depend on distributed timely awareness and decision-making. Of particular concern are areas where the power of decision-making rests with individuals who are not well informed, do not bear direct responsibility for their actions or inactions and are personally insulated from feedback." More on this in future UPDATE issues—hope you enjoy this one.

Government, Bureaucracy, Ethics, Reengineering

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Introduction

When many people hear the words *government* and *ethics* in the same sentence it connotes an oxymoron. Are there ethical people in government? Absolutely! Are there unethical people in government? Absolutely! But the same can be said for any slice of people or society as a whole. Why single out government – and here we are talking about government at any level—because government is so visible to all of us, whether it is the seemingly non-functioning federal government or your state, county or local governments. All have problems and all are visible to the citizens they supposedly represent.

Our intent in this edition of Update is not a treatise on ethical government. That might come in a subsequent issue. We think government, bureaucracy, and ethics are all aspects of a problem that is pervasive in our society today. We want to focus on government, since at all levels it impacts every one of us. It also represents organizations that don't have the flexibility of some businesses and don't have necessarily the best and most forward thinking leaders. Government has the strange dichotomy of elected officials, who are the face of government in the public,

with staff behind the scenes making many day to day decisions without full public accountability. Government also has the ability to fund by just raising taxes.

We are going to offer the view that government desperately needs some form of reengineering. Now some of you are tempted to yawn and say that reengineering is so passé. Yes, much of what we saw in the past, under the name reengineering, was not as successful as was intended and in some cases, smoke and mirrors gaining big consulting fees for many people. However, the basic tenets of reengineering were sound – look at what and how you are doing things, identify ways to improve those things, and implement the improvements. This process is easy to describe in a sentence, but very difficult to achieve.

Reengineering 101

Reengineering was the “flavor of the month” several years ago. Many large and medium sized consulting firms made their names with corporate-wide reengineering projects. Often the reengineering initiatives included large new computer systems. Many of these projects met with only limited success or failed outright. Chief among the

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reasons for the failures was unsupported ambition and lacking patience; with limited buy-in from the various management levels, disappointing results led to large scale layoffs and downsizing. (We've written about the short horizon of the bean counters). The process of these reengineering projects was often very disruptive to day-to-day operations and quickly became viewed by the working level staff and lower-level management as just a means to eliminate people.

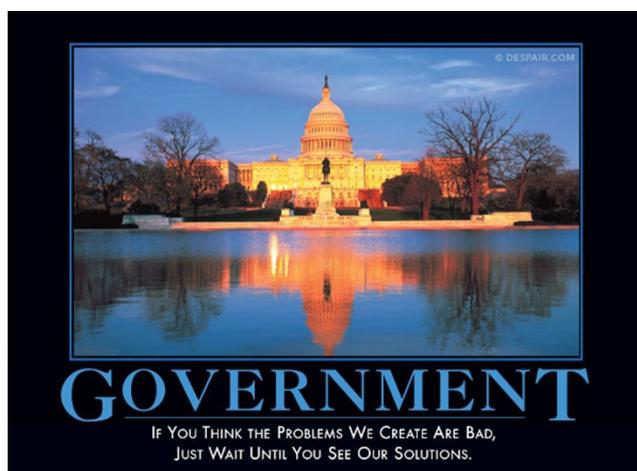
The basic concept was sound – understand how a particular process or part of the business was working and then, using the knowledge of the workers involved in the process, identify ways to make improvements. Some of the improvements were small, others, significant. The goal was to work smarter and use existing resources better. Also, if management and leadership are always doing its job, conditions shouldn't deteriorate to a level requiring reactive initiatives such as reengineering. Suffice it to say, the ambitious nature of reengineering, the lack of adequate pre-planning and buy-in, and the process's disruptive nature limited the outcomes of reengineering's potential. But there is much value in the basic tenets of reengineering. We would like to explore applying those basics to improving government.

Why Does Government Equal Bureaucracy?

When you think about the federal government, the state government or your county or local government, you probably start to think about all the different departments and all the people involved – in other words the bureaucracy. Walking through Washington, DC, you look at all the granite buildings and realize that most are some branch of the federal government and house hundreds or thousands of people doing something. The same holds true for your state capital or your local town hall and annex buildings.

By our government's nature, there is no incentive for efficiency in most government organizations. All the salaries and program costs come from taxes and fees. If costs go up, simply raise taxes and fees. Unfortunately there is no consideration of whether this behavior is ethical or in the best interest of the constituents; it's "just the way things

are done." This seemingly unlimited ability to raise taxes and fees removes any incentive to explore improving how things are done. We are non-partisan here – we are looking at government from a leadership, management and business perspective. When a new law is passed, changed, or a new requirement is set, it implies implementation. Some department is now charged with additional duties. Too often, that new work is either piled up on existing workers without considering whether all the work can be properly handled or, at the federal and state levels, it becomes a new bureaucracy. Why not start to look at the existing work and see if it can be done smarter, or even eliminated, and free up the resources to be able to handle new work?



We are directly familiar with the public utility industry. In the "old days – late 1980s/1990s" these very large companies functioned much like governments. They were regulated monopolies. There was little incentive for them to be efficient. If someone was not carrying their load, and it appeared more people were needed, the case was brought in front of the Public Utility Commission, and based on our experience the request was granted – perhaps for

not as much as requested, but it was granted—so staffs became enlarged with minimal metrics to measure effectiveness or value added.

New procedures continually are added but rarely are old and obsolete procedures eliminated. Bob Lutz writes in his book, *Car Guys vs Bean Counters – The Battle for the Soul of American Business*, that a procedure at General Motors specified criteria for wheels and tires based on, as he says, "the wilds of Alaska", so tires would not burst and wheels would survive the roughness. This criterion was inappropriate for modern roads, but only when it got to the point where the GM product appeared obsolete did anyone ask the questions, then realize why things were the way they actually were. After that, the designers could move wheels further out, design car bodies for larger wheels and tires, improve the design and appearance, and improve competitiveness. The reengineering methodology can reveal these out of date procedures which impact current progress and effectiveness. By not discarding old and obsolete procedures, the organization gets bogged down.

Finally, process is another opportunity for significant improvement. Typically, technology appears to be a significant upgrade to an organization's operation. Many times, though, applying a new technology to an old or ineffective process is the norm. Rethinking the process and those processes that impact the one being examined is much more difficult and challenging than just overlaying technology and believing that an improvement has been made.

We are confident that our readers, on their daily encounters, witness these phenomena. The Post Office is a classic example. Contrast sending a package or letter via Express Mail vs Federal Express overnight delivery. We do realize there are potential legal implications associated with the Post Office, but the reality is Federal Express is much more efficient and reliable.

Going back to our government example, we read, seemingly every day, about inefficiencies in government, whether at the Veterans Administration, FEMA or state or local governments. Is there really not enough staff to make things function as they were envisioned? We submit that the number of staff is not the problem but how the staff is used and the processes the staff is saddled with are the prime culprits. Instances that make the national news like the VA or FEMA are drastic issues but similar smaller instances exist right at the local levels and may not make the national news but do impact local citizens.

A bureaucratic example from personal experience – seemingly small and insignificant, but when multiplied by the number of different departments and governments around the country it illustrates how this trend can take on a life of its own. A large condominium development with 44 buildings, 7 pools and two clubhouses uses a lot of water and sewer service from the local authority. Each month the Property Owners Association, which pays for the service, receives over 50 individual bills, each in a separate stamped envelope. The Association Manager must then create a spreadsheet that accounts for each bill and calculate a total so a single check can be cut for payment. The local authority requires the spreadsheet be submitted so they can verify that each bill is paid. In all other utility services, the Association receives a summary bill from the service provider. The water and sewer department has been contacted on numerous occasions asking for summary billing but the bureaucratic answer is always “No, it can't be done.” The service provider incurs additional mailing expenses, the cost of generating individual bills, and the time and expense of a clerk going through a spreadsheet to verify payment—monthly. Why not consid-

er an alternative process? Obviously we don't know, but it is probably considered job security, and there is little incentive to work smarter—if the workload requires an additional staff member, fees can be raised to cover it. Dumb things like this triplicate work exist throughout governments at all levels (and throughout many businesses). Why are they allowed to continue? In this case, the issue has been taken to the management of the department – with no response. It has been taken to a city council member who said he would investigate but nothing has changed because the elected officials “don't have the authority to intervene in staff functions”. Where is the incentive to make government officials take action?

How Do We Change This? Look Inward – not Outward

While we use the term reengineering, we always attempt to take a balanced and reasonable approach in our thinking, even when assessing the shortcomings of reengineering. Considering the scope of government, the fact that leaders are typically elected with defined terms, along with the issues discussed above about staff positions being more permanent, a comprehensive reengineering initiative would be naïve, far too ambitious and destined for failure. Perhaps that's why we never hear about it or see it in the governmental ranks. What is achievable and necessary is a commitment to an ongoing or continuous improvement initiative. The point here is that the organization must look inward and examine several key areas, make the commitment to the ongoing improvement initiative and despite who is elected – the process goes on. This method is a departure in many respects, because the tendency is to look outward. What can we cut as far as services, what are we doing that can be done more effectively, what can we do to increase revenue, plus many other considerations external to the efficient functioning of government.

About 20 years ago, public utilities struggled with the notion of looking inward. It was a culture shock as well as painful at the time. Yet, in many respects, despite the pain and shock, those organizations are in a better position today. So what are these pieces that the organization must look inward upon? They include:

- A commitment to implement and follow through on an improvement program
- A communication strategy
- Needs Analysis
- Analysis of Processes/Functions, People, Systems, and Structure
- Implementation strategy
- Training
- Measurement

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We will briefly discuss each piece of this puzzle indicating the rationale as well as what might be accomplished and expected from each.

Commitment

Without a commitment from the leaders in an organization nothing will work. In a government organization, that commitment must be from the elected leaders and the senior staff. That commitment must be made clear to everyone. Staff will initially fight change – it is human nature but if they see a commitment and active involvement they will know it is serious and recognize that they need to get on board. We have seen too many improvement efforts fail because it was clear that senior leaders only gave the effort lip service and were not really committed.

Communication Strategy

Once the commitment has been made, the improvement effort will require a cohesive and well-coordinated communication initiative to ensure staff and management buy-in and support, as well as ongoing internal and external communication as required.

Needs Analysis

An assessment of why improvement is needed is a key step to start. What has triggered the effort that is now starting and will end with improved processes? This analysis can be an elaborate effort or an honest self-assessment to look within the organization and at interfaces with the external “customers”. For most organizations, it requires admitting the need to improve—a difficult step.

Analysis of Processes

Process analysis sounds laborious and difficult. It can be a complex process but it doesn't always need to be. A process needs to be selected that is recognized as being “broken” or has morphed into something very complex. It needs to be high value to the organization. A team of people who are part of the process and are willing to look at it with a critical eye map the process, flow charting each existing step. Once done, duplicate or unnecessary steps are obvious. These can be the easy first improvements. Here, the guidance of an experienced facilitator can make all the difference. It is easy to describe in one paragraph but does take a little work. However, the results can be amazing. Some processes that function around a software program can be more complex since software interfaces and potential enhancements are more time consuming.

People Analysis

The step determines a staffing policy and strategy that will allow the organization to be flexible in responding to the changes in the environment/region or area of responsibility.

As the organization's responsibilities change, so will the staffing needs change. These changes may encompass areas of experience, education, and staffing level requirements. It is important for the organization to be flexible in its structure to adapt and respond to any changes it encounters

As a note, this part of the improvement initiative can be one of the most anxiety-charged efforts of the overall improvement process. It can (and most likely will) reveal staffers whose relevance is diminishing, or their ability to ‘remain undetected’ within the organization is compromised, or their function is gone.

Analysis of Systems

A Systems Analysis Strategy establishes a comprehensive and integrated approach for analyzing the systems used within the organization and defines a method for improving these systems and making their configuration more uniform if appropriate.

A team from within the organization methodically analyzes the systems and tools used as part of performing the work. It is important to analyze the non-uniformity, as an example, to determine the impact on process improvements. The systems used by the organization impact departments external to our group and therefore need to be integrated or analyzed.

Analysis of Structure

As part of an organization's broad-based improvement initiative, the structure used to perform functions must be included. The structure of the organization is the framework for future success of the organization. The optimum structure is both flexible and strong to survive the “storms” with a minimum of damage. In determining the structure, balance must be achieved between functions desired and required by law and our constituents and those that are a viable and cost effective that can be maintained and continuously improved. The structure must be evaluated concurrently and on an ongoing basis with internal processes and systems to assure that artificial and real barriers are not inadvertently introduced that could negate improvements implemented in these other areas. Individual and organizational strengths must be identified and capitalized on by structuring an organization in a manner that utilizes human and other resources to their maximum poten-

tial. External forces must be continually analyzed as well to assure our responsiveness and quality now and in the future.

Implementation Strategy

Implementation of improvements should be coordinated and planned to ensure the organization is prepared for the change and can assimilate the change in a timely efficient manner. Change can have many behavioral impacts, so this strategy is essential to long term improvement.

Implementation of any change (process, system, structure, etc.) requires careful planning and coordination for the change to be accepted and assimilated. Each change may require a special approach and certainly a special action plan. This effort requires coordination with the sponsor of the change and the departmental or organizational manager.

Training

A Training Strategy should be in place to establish a comprehensive and integrated approach for providing the training needed to support the initiatives of the improvement plan.

Providing adequate training is typically a challenge for any organization. The availability of adequate training is important to the near term as well as the long term success of any improvement initiative. The training strategy provides a means to integrate training into the improvement plan.

Measurement

Any continuous improvement initiative has several checks along the way to ensure an accurate and effective change mechanism. The overall programmatic perspective occurs at this point in the process. Measurement is a longer term view on improvements and their ultimate effectiveness.

As part of a truly “living” improvement process, a determination of long term effectiveness is essential. This method requires tools and processes to observe and measure effectiveness of improvements. Measurement tools identify the need for adjustments in the improvement approach or the actual improvements.

Summary

The discussion above highlights an improvement process. There are some key points to keep in mind:

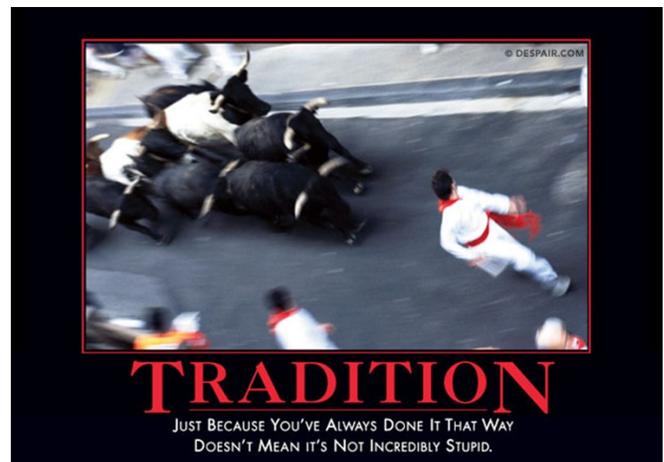
- Don't try to change the total culture in one big effort. It will fail! The commitment must come from above

but the work must involve those who work the process. Let improvements come from the bottom up.

- Beware of “sacred cows” – those items or people or steps that someone in power has a personal interest in keeping alive. Some may be valid but the analysis will speak for itself.
- Start simple. Master the basics. Try the effort on some simpler processes that may not be mission critical for the organization. Learn the improvement process and build on successes. We are sure you have heard the term ‘low hanging fruit,’ find the low hanging fruit to realize what success feels like.
- Celebrate those successes and multiply and grow them.
- Handle people impacted by improved processes with dignity and respect. Try to find other positions when possible but don't create work just to keep someone employed.

How Does This Apply in Business?

We have focused this article on government organizations but all that we have discussed is directly applicable to any organization. We used the generic term “reengineering” but clearly we are advocating not a drastic redesign of entire organizations (either government and businesses), but a measured improvement process. The result: measurable benefits and excitement within organizations to make continuous improvement an organizational culture.



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