

Advisory Alert: Turnaround “apps” for the public sector - the Operations platform

Introduction

This is the third of a series of articles covering our strategic framework for executing turnarounds in the public sector. Our framework is based on 4 turnaround platforms or “apps” that cover the following key areas:

- Strategy
- Operations
- Finance
- Leadership

Our [previous article](#) covered the **Strategy** app. On this piece, we will be focusing on the **Operations** platform.

The operations platform

Operational improvement is the next step in restructuring. It addresses those activities the organization has determined are core to its purpose and supports its strategy. Operational improvement can encompass many elements. This paper focuses on three of them; namely, scope of service, organizational design and process design. These three elements are analyzed in terms of the cost side of the restructuring equation. Note, however, that there can be operational improvements that will enhance revenue.

At this stage of the restructuring process, the adviser needs to be well armed with information and analysis. Benchmarking headcounts, salaries and benefits for employees against comparable communities in the state, region and nation can reveal

extraordinary opportunities for restructuring government units. Moreover, efficiency ratios of full-time employees to units of service provided suggest areas for consolidation and reduction. There will always be a debate about the true value of the services of public employees, and their dedication to serving the community is respected. Ultimately, the goal is to reduce costs by eliminating activities or changing how the work is performed in a manner that maintains or even enhances the delivery of the services.



Operations app #1:

Scope of service

What are the fundamental tasks of the given program or service? A police force is charged with providing public safety, a broad vision of service encompassing activities that range



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from crime prevention and law enforcement to neighborhood patrols and community outreach. Over time, it is easy for a department's scope of services to be expanded beyond its original scope, creating an unintended economic burden. The cost and benefit of such an effort need to be considered against the mission or scope of the local department and the needs of the community. Often, it will be possible for the government unit to stay true to its mission while reducing services.

Operations app #2:

Organizational design

The organization of employees can have an enormous impact on the economic efficiency of a government unit. The scope of service app described above has a direct bearing on the organizational design of any government unit. Form follows function. And, as form follows function, expense follows form: labor expenses are often among the largest, if not the largest, component of any government budget. Currently, many cash-strapped governments are providing services beyond their ability to fund these services on a sustainable basis. Elected officials and government managers have been and continue to be forced to reduce services and right size their organizations. An organizational design that was crafted 20 years ago may no longer match the entity's scope and mission.

The organizational chart of a government unit may reveal many layers of middle management. In the private sector, such vertical structures create hierarchies that often lead to inefficient allocations of work and resources, as well as poor communication. Selectively removing some middle management — delayering — flattens the organizational structure and pushes decision-making downward, improving morale and substantially reducing expenses. Stronger communication and efficiency from the top to

the bottom of the organization are the ultimate results. If delayering is done within the strategic framework, the results will be enhanced service delivery for less cost.

The police department of Raleigh, N.C., has undertaken a major restructuring effort in recent years to address new crime-fighting priorities in the community. The organizational design has been reoriented to focus on gangs, youth crimes, and drug offenses. The department added a Youth and Family Services Unit that deploys juvenile officers to proactively work with families to address gang issues and prevent school dropout.

In the experience of restructuring professionals, almost any business thrives with a flatter organization structure. Decision-making is simplified, creating a sense of empowerment and effectiveness. By decentralizing the decision-making process in their department, the Raleigh police force is able to provide officers with the credibility needed to fulfill their mission in the community. Obviously, such decentralization must be balanced for all of the tasks at hand while recognizing a hierarchy is still required for rapid decision-making in emergency situations.

Another common technique used in rightsizing activities is the “paintbrush” approach: managers determine how much needs to be cut from the expense line as a percentage of total costs, and they instruct subordinates to cut 10 percent, 20 percent or 30 percent as they see fit. Often, the decisions as to which expenses (i.e. headcount) to reduce is done without adherence to a common strategy and standardized decision criteria. Because of this, unintended consequences can compromise the unit's mission and create an adverse ripple effect throughout the organization. This approach is easiest for management but ignores the

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importance and relevance of different activities. We do not recommend this type of approach because the long-term damage can be great.

Operations app #3:

Process design

The organizational design of a government unit will dictate who performs what tasks. Process design considers how the task is performed. Expense savings may be achieved by streamlining and consolidating processes. This may include developing technology solutions to replace labor-intensive activities, combining similar tasks from across the organization into a central services function, and outsourcing to third parties. Improvements that come about from these types of changes provide the organization with more flexibility to control costs and improve service delivery over the long term. This is commonly known as “business process reengineering”. Done well, the benefits are long term and long lasting. The challenges are that implementation can be slow and internal compromises reached during negotiations among the affected parties can lead to sub optimization of the project.

This is particularly relevant in governments with a history of collective bargaining contracts that evolved to include complex work rule requirements. These work rules may not be aligned with the organization’s current needs or capabilities. Antiquated or redundant job classifications such as “book mender,” “spray painter,” “spray painter sprayer” and “spray painter helper” may provide opportunities to simplify the operations. In the current and prospective economic environment, a balanced approach to determining service delivery, and the corresponding costs, will require flexibility by all segments of the labor force, including those covered by collective bargaining agreements.

In the US, sharing services with neighboring local municipalities has become favored in the redesign of government. Communities have combined emergency dispatch services, reduced redundancy in local police and fire services in adjacent towns, and formed buying cooperatives. Further, cities, counties and states should consider partnering with the private sector including nonprofits and charities, in cases where both private and public sectors provide similar services. This is a particularly powerful approach to social service offerings such as youth programs, immigrant services and safety net programs for the most needy.

It may even mean that outsourcing to a third party provides a better service for less cost. Outsourcing is an approach that has come in and out of vogue over many years. It is not a panacea and often requires strong management to ensure that the third-party contractor delivers on the promise. In fact, even redesigning the outsourcing process — the bidding procedures for such public contracts — can yield savings by increasing competitiveness for selection.

In private sector restructuring, administrative and internal tasks are areas ripe for business process reengineering. Often, conscientious employees perform tasks simply because they always have. One company kept so many different logs to keep track of business activities that they had someone whose job it was to check all 14 logs on a daily basis. When all log-keeping was stopped for a week, it quickly became apparent that one or two of the logs were important and the rest were busywork. Taking the approach of just stopping an activity for a short period of time will quickly reveal its relevance and importance. These situations are particularly evident in organizations whose business has been relatively static over time, including some government units. Clearly, a county cannot stop plowing the snow during a

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blizzard, but it can stop many back-office and administrative tasks for a brief period to determine if they are truly necessary.

Operational improvement decisions must be based on data and analysis, and be applied in a bi-partisan manner. The effect on individuals, citizens and the government entity itself can be significant; tough choices can be justified only when the reasoning is sound and beyond reproach. As noted earlier, analytical preparation is critical. In both the private sector and the public sector, most people will reach the same decision if they are provided with the same facts and analysis; that is, a single set of data must be available to all stakeholders and leaders of the restructuring process must provide all parties with the same analysis. While this may sound obvious, it is not the standard by which all restructurings occur.

In our next article we will talk about turnaround “apps” for governments in the **Finance platform**.

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