

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

Introduction

This is the fifth and last 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 [last article](#) covered the **Finance** app. On this piece, we will be focusing on the **Leadership** platform.

The leadership platform

Successful turnarounds occur only when there is strong leadership that possesses a few definitive characteristics: courage, unwavering commitment to achieve the best for the most constituencies, decisiveness, credibility, tolerance and the ability to persuade. These characteristics are those ideally found in leaders we elect to public office. The difference is that many public office leaders may have never faced the kind of fiscal crisis that can rattle even the best corporate executives. Further, elected officials are not required to have any training or experience in business or finance, two critical ingredients for a well-functioning public sector.



Leadership app #1: Turnaround coach

In private sector turnarounds, an “outsider” with no stake in the outcome of the restructuring other than to create stability and return the business to profitability is often brought in. A Chief Restructuring Officer can restore credibility to management and give confidence to boards of directors and outside constituencies like banks and shareholders. But an elected or appointed government unit leader cannot simply cede authority to an outsider. But he or she may do well to hire an “auxiliary authority” in the form of a turnaround adviser who can rise above political considerations and stay focused on strategy, operations and finance. Professionals who have been in the trenches in crisis situations can help develop options that may not have been previously considered. Outside



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For assistance in this matter, please contact us via ojel.rodriguez@pr.gt.com



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advisers can also ensure that the fact gathering and data analysis, so important in reaching agreement on the restructuring activities, is done in a way that avoids political tinkering.

Leadership app #2:

Pain sharing

For restructurings to be successful, all stakeholders must buy in to the need for the restructuring. They must see themselves as part of the problem, and part of the solution. Strong leadership is often needed to help the constituencies see that they play both roles. Reaching consensus can be difficult and normally requires each party, sometimes to varying degrees, to agree to concessions for the sake of the greater good. In the private sector this normally translates into a company that maximizes profit or value. In the public sector, this concept is more ephemeral.

Accepting such resolutions and compromises is called “sharing the pain.” In the private sector, where there is a broad history of restructurings, this concept is well understood as an expectation by parties in interest at the onset of a restructuring. The public sector, by contrast, is not always incented to “share pain.” Sometimes it is more politically expedient to defer pain or mask it or ignore it. But if the goal is to effect lasting, permanent change in a troubled situation — such as a current or future budget deficit — the strategic approach to prioritizing programs and services, coupled with the reasoned negotiation, can yield a successful outcome.

Conclusion

The complexities of governing and the economic crises facing leaders today will require new approaches and challenge even the best politicians. But the expectation that new problems can be solved by continuing to repeat the standard operating practices of the past will only yield frustration and a result that the turnaround cannot be effected.

The turnaround community’s experience in fixing troubled businesses for more than three decades has yielded lessons that have direct application for governments. The platform fundamentals of strategy, operations, finance and leadership provide a reasoned and structured framework to tackling crises as well as instituting necessary long-term changes.

To review previous articles or to see our series on turnaround apps, please visit <http://www.kevane.com/index.php/publications.html>.

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