



Friends-of-the-Firm Briefing

Lessons Learned About Transforming Public Sector Organizations

**A Checklist of Cultural Changes That Must Occur
Prior To Beginning a Reengineering Effort in Federal
& State Government Agencies**

**With Forward by Alan G. Dunn, President
Gerald E. Dunn, Inc.**

GDI Consulting & Training Company provides practical solutions to complex business and managerial problems. Focusing mainly on the manufacturing and distribution industries, GDI has developed a reputation as one of the most innovative and hardest working professional services firms in these industries.

Forward by Alan G. Dunn

Dear Friends-of-the-Firm,

Principles of reengineering seem simple enough. To reengineer any core operating process, you must:

1. Determine the real issues that impede the organization's rapid improvement.
2. Analyze the facts behind these impediments and determine the real culprits.
3. Innovate new processes that will replace the old.
4. Mobilize the employees to *want* to implement the specified changes.
5. Implement rapidly, monitoring for benefits and reporting progress regularly to all constituents.



Most legitimate reengineering methodologies, regardless of their origin, speak to these key points. And most methodologies, when implemented by sincere change-oriented leadership, often result in significant changes which are noticed by customers and shareholders.

But how do you change the performance of an organization that is full of very smart individuals who live in a dimension that does not always recognize the existence of customers and owners? How do you change basic work content in an organization that may exist to perpetuate employment? These are the questions that must be asked and appropriately debated before reengineering initiatives can yield significant benefits in Federal and State government agencies.

This Friends-of-the-Firm Briefing articulates some lessons learned from over 20 years of consulting to public and private entities. It is not meant to praise or criticize government employees or leaders. It is simply an attempt to clinically describe an underlying mindset that often impedes reengineering progress in these organizations. This briefing provides a framework for rewriting this culture. And in case you think the culture cannot be rewritten, read on. You will see ample evidence that it can, in fact, have been recast in ways that have led to significant improvements in productivity and taxpayer service.

Enjoy your reading.

A handwritten signature in black ink that reads "Alan G. Dunn".

Alan G. Dunn
President
GDI Consulting & Training Company

Lessons Learned About Transforming Public Sector Organizations

Compiled By GDI Consulting & Training Company Team Members

In our continuing consulting work with public sector organizations, GDI Consulting & Training Company professionals have concluded that certain traditional paradigms and “*logic-of-operations*” do not adequately describe the modern public sector world of restricted budgets, private competition, and changes in agency governance. To bring public servants into alignment with their free enterprise constituent’s expectations, we have provided this list of lessons learned for transforming the public sector.

The Public Sector Can Reengineer Itself

These lessons learned have been compiled by GDI Consulting & Training Company professionals after observing and researching transformation activities in a cross section of public sector organizations. Many of these observations originated from governmental organizations that have successfully transformed themselves into leaner, quicker, more dependable and cost conscious “*servant*” agencies. Some observations have come from public sector organizations that never were able to make dramatic changes, often blaming “*cultural dysfunction*” as the root cause of their failure to change.

Some of the more positive public sector organizations contributing to these lessons learned include:

- ◆ ***The United States Mint***, an agency that uses little taxpayer funding. It financially supports itself mainly through the minting of collector coins and is widely recognized for its successful cultural transformation efforts over the last two decades.
- ◆ ***The United States Postal Service***, often maligned but hands-down the most cost-effective way to ship all but the highest priority mail. The Postal Service is recognized as a deft competitor in the competitive world of mail delivery and appropriate application of automation technologies.
- ◆ ***The Federal Prisons Manufacturing Corporation***, a non-profit corporation that runs the Federal Prison System Manufacturing operations. The company is “*owned*” by the Justice Department and uses no direct tax subsidies. It is one of the top ten domestic producers of steel office furniture.
- ◆ ***The Arizona Motor Vehicle Department*** reduced comprehensive cycle-time to renew a driver’s license to 28 minutes from 4.5 weeks and did it with 35% fewer employees. Most importantly, these dramatic results were achieved in less than one year by a team of specially trained employees from the branch offices.
- ◆ ***The Import-Export Bank of the United States***, always held up as a model of efficiency in the transaction heavy world of international banking. Through innovative fee

arrangements and constant attention to eliminating non-value adding activities, The Bank has operating expense ratios lower than most of its free market counterparts.

- ◆ ***The Federal Deposit Insurance Corporation***, the assurance backbone of our banking system. It has successfully adapted to rapidly changing domestic and international banking regulations. The FDIC has never operationally lagged the realities of banking requirements. They have never been shy of making the dramatic changes required to keep pace with domestic banking policies and technologies.
- ◆ ***The Resolution Trust Company***, again, often maligned but in fact did clean up the mess that Congress, lobbyists, and S&L operators created. It also put itself out of business earlier than expected... which is certainly a rarity amongst government agencies!

There are many additional examples to choose from of government or quasi-government agencies transforming themselves. Contrary to popular myth, transformational thinking is not foreign to smart people just because their paycheck comes from a public sector payroll department. Public sector employees exhibit all the same emotional and political reactions to change as their private sector counterparts. They also exhibit the same dislike for wasted time and money.

The only real difference between public and private sectors is that the public sector employee works in a world that is compliance driven whereas the private sector employee works in a world that is achievement driven. This has been observed to lead to a significant difference in personal risk taking. It seems that public sector employees are usually less tolerant of accepting personal career risks while their private sector counterparts are more impatient about compliance issues, seeing them as impediments to achieving results. The private sector employee has a much greater willingness to accept personal risks from decisions he or she may render. It is in these simple to articulate differences that reengineering difficulties manifest.

Lessons Learned - Reengineering Public Sector Organizations

Several of the lessons we learned about public sector transformation came directly from public sector employees. Other lessons were learned or heard through interviews and research. In all cases, public sector organizations that have successfully transformed themselves have been led by adults who lived, *really lived*, by these transformation lessons. In all observed examples of transformation success, we saw the following:

1. The focus of day-to-day management activities within the transformed public sector organization shifted from: *“how to consume the budget”* to *“how to achieve a specific set of well articulated and objective goals in a reasonable time frame, at a reasonable cost, with a reasonable number of people involved.”*
2. The most successful transformers believed that, if after achieving specific mission related goals, there is any money left over in the budget, the money should be sent back to the appropriate source. If you do not need it, give it back! This, of course, represents a huge shift in culture in most public sector organizations.

3. All great transformation examples were led by people who believed that when using a contractor to perform public sector work, the fabric of the relationship between contractor and government agency had to change, including:
 - a. The contractor truly needs to be the “*supplier*” and the oversight government agency is the “*customer*.” For transformation success to occur, the customer cannot be perceived to be an “*auditor*,” even though auditing of the contractor is an important task of any agency.
 - b. Emphasis was placed on providing the contractor with achievement requirements and basic “*eligibilities*” for keeping the contract... and then getting out of the way and letting the contractor accomplish the mission! Great transformation examples worked hard to eliminate unnecessary meddling in contractor issues.
 - c. Successful transformers believe the contractor is expected to operate and think like a supplier with an important customer. This means that the contractor must insist on objective performance measures that tie the contractor and agency together as “*partners*.” Likewise, the oversight government agency is expected to think, act, and operate like a customer.
 - d. When this new mindset of supplier/customer replaces the contractor/auditor mindset, then and only then can a real focus on achievement of the mission, (instead of achievement of the efforts) to support the mission be accomplished.
4. Successful public sector transformation leaders always define their organization structure, work content and budget requirements in the proper order:
 - a. They define the organization’s specific mission **before** defining the organization’s performance metrics.
 - b. They define the performance metrics that describe mission success **before** defining the work content needed to accomplish the mission. They always define the “*non-negotiable*” rules and metrics for those who will be responsible for performing the mission.
 - c. They define the work content **before** defining the human organization structure needed for directly performing the mission.
 - d. They define the organization structure needed to perform the mission-focused work **before** defining the support work needed to support the mission-focused work.
 - e. They define the metrics that describe support success **before** defining the work content needed to successfully support the mission. Again, they always define the “*non-negotiable*” rules and metrics for those who will be responsible for performing work in support of the mission.
 - f. They define the support organization’s work content and requirements **before** defining the support organization’s internal support processes.

- g. They define the internal support processes **before** defining the human support organization structure.
- h. They define the mission-focused and support organization structures **before** defining the operating budget.
- i. All successful transformation examples in the public sector developed accounting systems that clearly focused on reporting the cost of achieving the mission... not the cost of supporting the infrastructure requirements!
- j. Most great transformational leaders are not afraid to push back on regulators when the cost of compliance becomes non-value added, both in human and economic terms.
- k. Transformation leaders do not focus on supporting a specific department or function. Instead, they focus on supporting the processes which cross all the organizational entities.
- l. Leaders of successful transformations universally believe it is critical to reduce the time a process requires. Most have told us that simplification of processes begins with trying to eliminate unnecessary steps before reengineering starts.

Transformation requires courageous, rule breaking leaders. Efforts that have been started and delegated to low level managers have mostly failed. Daily, courageous involvement by the highest leaders is often the driving factor separating success from failure.

Conclusions

We believe these lessons learned, properly applied, can lead to meaningful results in any public sector organization. We recognize dramatic changes will not be easy to implement as there are five decades of learning in many public sector organizations that has to be unlearned. However, we have seen such dramatic results when public sector leaders learn from these lessons that we believe it to be almost unconscionable to ignore them.

Reengineering your public sector organization will require courage. And though the changes may be painful, the results will be worth the effort.

About the Author



Alan G. Dunn is currently President of GDI Consulting & Training Company and founder of the Manufacturing Executive Institute (MEI). He is also the creator and lead-instructor of the 18-month Next Generation Global Supply Chain Leadership Development Program at the California Institute of Technology's (Caltech) Center for Technology & Management Education (CTME), where he has taught since 1984. Mr. Dunn also serves on the University of California at Riverside's (UCR) Advisory Board for Transformative Leadership in Disruptive Times.

Mr. Dunn specializes in supply chain management, strategic planning, manufacturing management, operations management, leadership development, cost management and business finance.

Previously, Mr. Dunn was a Vice President at Gemini Management Consulting and a Partner at Coopers & Lybrand. In both positions, he led large technical manufacturing teams through innovative productivity enhancement projects. Mr. Dunn has participated in >188 significant manufacturing and distribution projects inside >118 companies. He has worked in 24 countries and across most manufacturing sectors.

Over his 40-year career in global supply chain consulting, Mr. Dunn has served on the Boards of Directors of numerous public, private and non-profit companies. He is the recipient of the National Association of Corporate Directors (NACD) prestigious "*Director of the Year*" award in 2007.

Alan is a career Association of Supply Chain Management (ASCM) volunteer, having served as the President of the Orange County Chapter in 1984 and Chairman of ASCM in 2015. He was inducted into the "*ASCM New England Supply Chain Conference Hall of Fame*" in 2022.

Mr. Dunn has a degree in business management from California State University, Fullerton.

Contact Information

Alan Dunn, President
GDI Consulting & Training Company
P.O. Box 205
Temecula, California 92593 USA
951-587-2003
agdunn@gdiconsult.com
www.gdiconsult.com

