

January 22, 2010

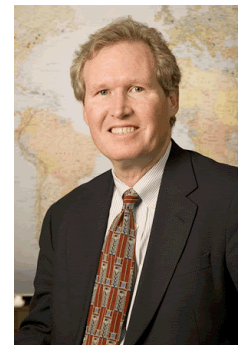
## Is There Really No Money in Government for Transformation? *There's no excuse for failing to invest in change.*

By Jim Chrisinger

Is it my wishful thinking, or will this train wreck of a budget season inspire more leaders to transform their governments? Maybe.

Steep barriers persist. Special-interest sclerosis, political and media bias against risk-taking, scant shared vision about a better way, and the inertia of human nature all throw long shadows. Add to that one more obstacle: an aversion to investing in change.

In government, we fund "change" with the last dollar, *when* it's funded at all. Change is more often tasked as one more special project, and added to managers' "real jobs." One of the reasons performance management has not yielded greater impact is that leaders have rarely endowed it with their time, energy and significant dollars.



Change is better funded in the private sector. (It would have to be.) Especially in turbulent times, the best CEOs see innovation and seizing opportunities as their most important tasks. They know they have to invest time, money and their best people to do it because it's their future. Businesses that lose touch with customer expectations and the ability to meet them go out of business. How many manual typewriter companies are there today?

A *Wall Street Journal* analysis found that big U.S. companies spent almost as much on R&D in the recession-stricken last quarter of 2008 as they did a year earlier, on almost 8 percent less revenue. "Companies by and large realize that large reductions in R&D are suicidal," Jim Andrew, a senior partner at the Boston Consulting Group, told the *Journal*. "It is the last shoe to drop."

Governments face no similar discipline, so they rarely reinvent themselves. The "creative destruction" that constantly invigorates the private sector is a stranger to most of the public sector. Governments may not go out of business, but they reap other consequences of stasis: angry customers, ranting radio hosts, pot-shot politicians, and taxpayers who adamantly refuse to feed more money to something that rarely can prove the value it produces. Why should citizens and taxpayers think that's a good deal?

Governments do invest heavily in the equivalent of a business strategy. It's called "bureaucracy," and while it was a good thing when adopted a century ago to end the spoils system, it does not meet our needs today. Still pursuing the bureaucracy strategy, we invest to ensure spending according to

the rules, not for benefits produced for citizens. We invest in layers of approvals and giving many people the opportunity to kill an idea to avoid as many "mistakes" as possible. We invest in procurement rules that keep managers from buying the services they need, when they need them, invest in 1940s-style personnel systems, including protections for employees that make it difficult to dismiss them for anything but a crime.

I often ask government audiences how many people in their organizations have full-time jobs keeping track of the money and ensuring that each penny is spent according to the rules. Their estimates run to 5-10 percent of the workforce. Then I ask them: How many people have full-time jobs keeping track of the results and making sure that each dollar produces commensurate value for the people you serve? Almost no hands go up.

We're also pretty much blind to how much we invest in any strategies because budgets are not built to show them. Governments rarely know what their "products" cost, let alone quality, let alone outcomes, let alone ROI.

A 1-percent improvement in productivity in a \$100 million dollar government would be worth a million dollars every year. So why wouldn't its leader make a one-time investment of, say, a third of that amount to gain it? In business, you could be fired for not making that call. Why should government be so different?

The alternative to transformation is more of what we see today. We will continue to short-change those who need government most, furlough and burn out employees, and create even more accounting tricks to kick the fiscal crisis forward.

A few courageous leaders have made transformation a priority and found ways to fund it. Then-Iowa Governor Tom Vilsack took more than \$6 million "off the top" in one year to fund change. In the boldest move we have seen to date, HUD Secretary Sean Donovan obtained authority to use nearly \$230 million for transformation in his recently passed FY2010 appropriation.

When government leaders say, "We don't have any money for transformation," it is simply not true. These people command budgets of tens and hundreds of millions of dollars, if not billions. They choose how to spend it.

A leader's job is to make tough choices. Today's tragic truth is that too many leaders invest primarily to curry political favor or avoid political harm. They were elected to lead, not campaign. Leading today requires more than some insipid blend of budget cuts and revenue increases. Courageous, visionary leaders find the money to do what's most important. What's most important today is producing the greatest public value possible from each tax dollar. You have to invest to do that.

*Jim Chrisinger is a Senior Partner of the Public Strategies Group where he and his colleagues focus on transforming bureaucracies into customer-focused enterprises.*