



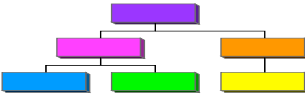




ELEMENTS	TRADITIONAL BUREAUCRACY	EMERGING ENTREPRENEURSHIP
<i>How does the organization define its purpose?</i>	<ul style="list-style-type: none"> <li>Find it in statutes, rules, and policies</li> </ul>  <ul style="list-style-type: none"> <li>Authority-based</li> <li>Do things right.</li> </ul>	<ul style="list-style-type: none"> <li>Find it in mission, vision, strategy, and values.</li> <li>Customer-based</li> <li>Do the right things.</li> </ul>
<i>What matters?</i>  <i>How is it made to matter?</i>	<ul style="list-style-type: none"> <li>Adherence to rule and procedure</li> <li>Supervision, audits, hearings, grievances</li> </ul> 	<ul style="list-style-type: none"> <li>Results that customers value.</li> <li>Measurement and reporting</li> <li>Intrinsic and extrinsic rewards and penalties;</li> <li>Market competition</li> </ul>
<i>Toward whose interest is the work organized?</i>	<ul style="list-style-type: none"> <li>The interests of the organization are paramount.</li> <li>Exclusive mandate; monopoly</li> </ul>	<ul style="list-style-type: none"> <li>The interests of the customers are paramount.</li> </ul> <p><i>The Customer is always Right</i></p> <ul style="list-style-type: none"> <li>Customers have choice; competition</li> </ul>

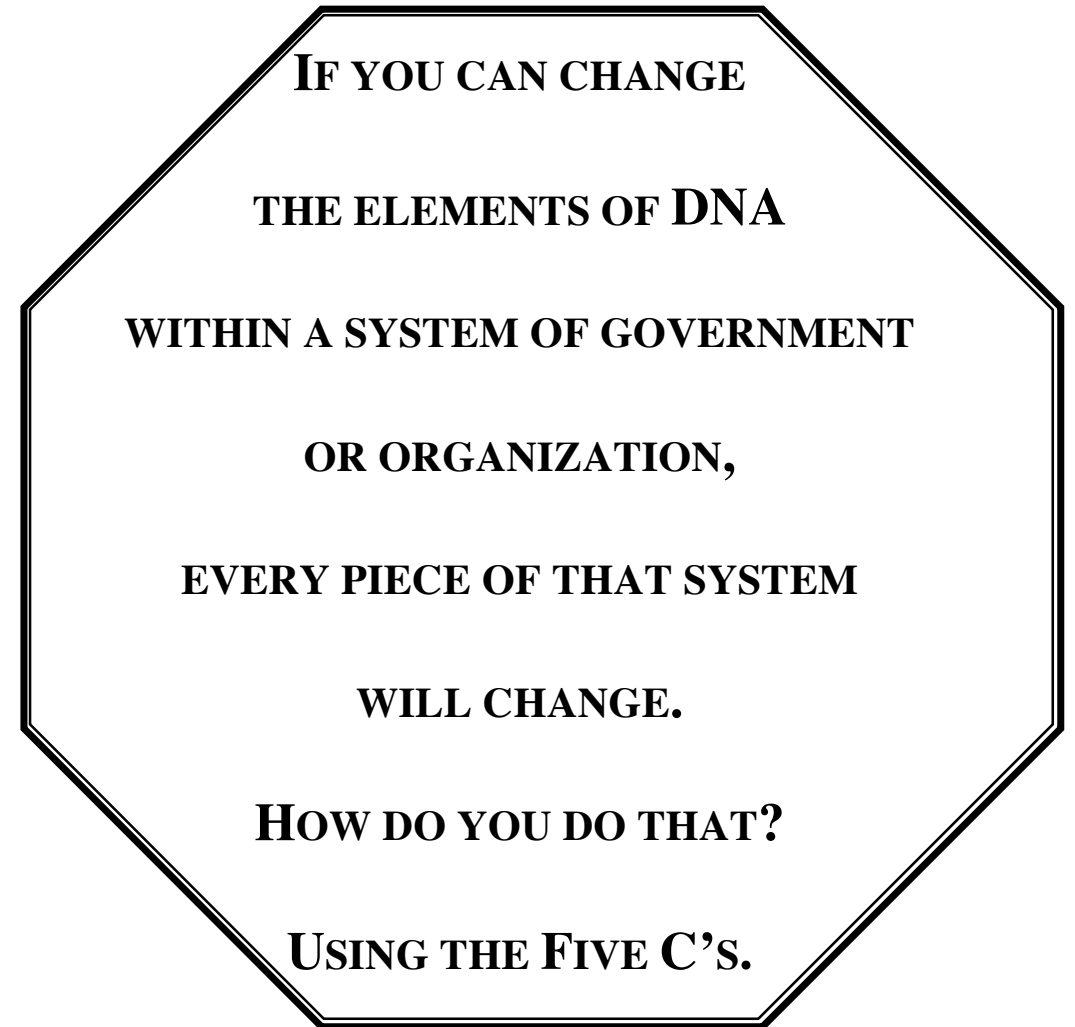
ELEMENTS	TRADITIONAL BUREAUCRACY	EMERGING ENTREPRENEURSHIP
<i>Toward whose interest is the work organized? (cont'd)</i>	<ul style="list-style-type: none"> <li>Quality is defined by experts.</li> </ul> 	<ul style="list-style-type: none"> <li>Quality is defined by customers with information from experts.</li> </ul> 
<i>What is controlled?</i>  <i>Where is control placed?</i>  <i>How is control achieved?</i>	<ul style="list-style-type: none"> <li>Control is focused on inputs.</li> <li>At the top and through the chain of command</li> </ul>  <ul style="list-style-type: none"> <li>Compliance is focused on enforcement.</li> </ul>	<ul style="list-style-type: none"> <li>Control is focused on results customers value.</li> <li>Control is close to the customer and through the chain of value.</li> <li>Compliance is focused on motivating people to comply.</li> </ul>
<i>What environment best conditions employees to perform?</i>	<ul style="list-style-type: none"> <li>Assume people will screw up; build system of controls to prevent them from doing so.</li> </ul>  <ul style="list-style-type: none"> <li>Formal hierarchy is important; focus on your job; specialization.</li> </ul>	<ul style="list-style-type: none"> <li>Assume people will perform; empower them to succeed.</li> </ul>  <ul style="list-style-type: none"> <li>Flexibility is important; focus on the big picture, covenant mentality.</li> </ul>

## FINDING THE LEVERS OF CHANGE

**Y**ou're trying to change large, complex, bureaucratic systems and organizations. You have to find enormous leverage: changes that set dominoes falling, that create cascades of change throughout the system or organization.

Where do you find that leverage? By changing the system's DNA. The most powerful pieces of DNA in public systems are:

- **Purpose:** How the organization or system defines its purpose?
- **Accountability:** To whom people are accountable?
- **Incentives:** How things are made to matter?
- **Power:** What gets controlled and by whom?
- **Culture:** What are the unwritten rules?



**The 5 C's parallel the five pieces of organizational DNA.**

**Each "C" is a powerful strategy for altering the DNA of an organization.**

<b>DNA LEVER</b>		<b>THE 5 C'S OF STRATEGY</b>
Purpose	→	Core Strategy
Accountability	→	Customer Strategy
Incentives	→	Consequences Strategy
Power	→	Control Strategy
Culture	→	Culture Strategy

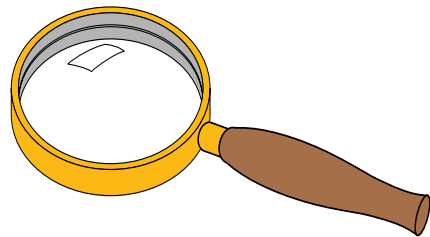
**THE PRIMARY RULE OF REINVENTION  
IS:**

**NO NEW DNA**



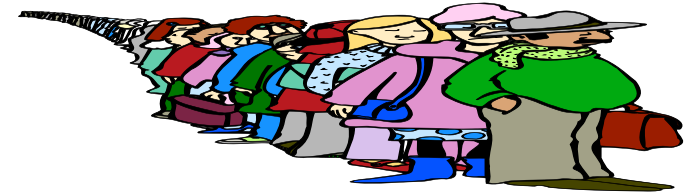
**NO TRANSFORMATION.**

# THE CORE STRATEGY: CREATING CLARITY OF PURPOSE



## THE CORE STRATEGY: CREATING CLARITY OF PURPOSE

The core strategy is about finding the fundamental purpose of the organization and getting everybody and everything lined up to support that purpose.



Law, politics, and years of evolution have resulted in many public organizations having ambiguous or even conflicting purposes.

The core strategy invites you to clarify the agency's mission and negotiate that clarification with authorizers—your boss or elected officials.

Above all, the core strategy compels us to focus. Public organizations are often asked to serve so many masters that it is virtually impossible to serve any well. We need to choose.



**I can only pick one purpose!?! That is almost impossible. My organization has several purposes. It depends on what day you ask me.**

**The core strategy compels us to focus.**

**Focus,**

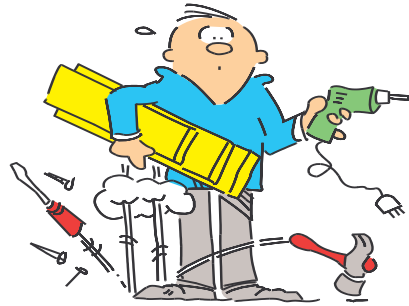
**Focus,**

**Focus!!!**

## **It's All About Clarity**

- **CLARITY OF PURPOSE: CLEARING THE DECKS**  
This approach eliminates functions that no longer contribute to an organization's goals through abandonment, privatization, or devolution.
- **CLARITY OF ROLE: UNCOUPLING STEERING FROM ROWING**  
This approach separates functions that have distinct objectives so that the organization may focus on a single purpose. This is accomplished by separating the provision function ("steering") from the production function ("rowing"). It is also accomplished when organizations separate the compliance function from the service function.
- **CLARITY OF DIRECTION: IMPROVING YOUR AIM**  
This approach improves government's ability to steer by creating new mechanisms to define goals and strategies as well as ways to monitor progress toward these goals.

## TOOLS FOR WORKING THE CORE STRATEGY



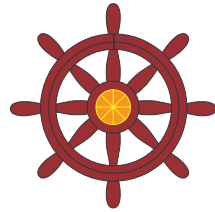
### CLARITY OF PURPOSE: CLEARING THE DECKS

**T**his approach eliminates functions that no longer serve a valid public purpose or that can be better done by another level of government or a private organization. Some governments have created regular periodic reviews to weed out those programs that have outlived their usefulness.

- **Performance or Program Reviews** are periodic exercises, normally involving large numbers of people, to develop recommendations for abandoning, privatizing, devolving, restructuring, or otherwise reforming public programs.
- **Prior Options Reviews**, developed by the British government, examine every five years whether an agency and its functions should be abandoned, privatized, reorganized, or restructured,

- **Sunset Rules** require that programs and/or regulations be reauthorized periodically (typically every seven years) to survive.
- **Asset Sales** move government assets, such as businesses, airports, dams, or railroads, to private ownership. In most countries this is synonymous with the word privatization, but in the U.S. privatization is also used to describe contracting out and other methods.
- **Quasi-Privatization Methods** allow governments to preserve ownership of an asset but turn operation over to private owners for long periods of time. The typical method for an existing asset is a long-term lease; for assets a government wants constructed, it can use “Build-Operate-Transfer Agreements.”
- **Devolution** transfers activities to a lower (state, regional, or local) level of government.

## CLARITY OF ROLE: UNCOUPLING



**STEERING**

**AND**



**ROWING**

Public organizations often have trouble focusing on their purposes because they have been asked to play several different roles simultaneously. Some organizations have responsibilities for both purchasing the service and producing the service (e.g., school boards). Other units of government have responsibility for both delivering services and requiring compliance (e.g., department of human services). When the same organization must both provide services (e.g., serving individual welfare clients) while enforcing compliance (e.g., policing eligibility), it set-ups an inherent conflict in its operation and performance. The result: The organization frequently performs neither function very well.



This approach separates these fundamentally different purposes into different organizations or units. For example, the GI bill separated responsibility for the purchase of educational (steering) services from actually producing those services. Many institutes of higher education actually did the “rowing.” This permits those responsible for steering to focus exclusively on the effectiveness of the services and frees them to consider purchases from many different providers.

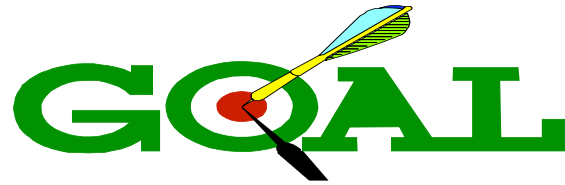
Giving one unit responsibility for determining eligibility gives them an opportunity to focus on policing requirements while another unit can focus exclusively on the best way to get the services to those in need.

- ***The Flexible Performance Framework*** is a metatool that separates discrete functions into different organizations and uses contracts to spell out their purposes, their expected results, their consequences for performance, and their management flexibilities.



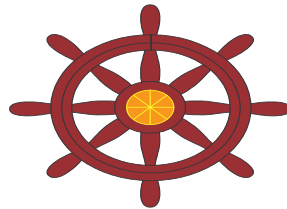
- ***Competitive Contracting Systems*** is a metatool that takes the process of uncoupling one step further by requiring that each rowing function be competitively bid out. Both public and private service delivery organizations typically bid for the contracts.

## CLARITY OF DIRECTION: IMPROVING YOUR AIM



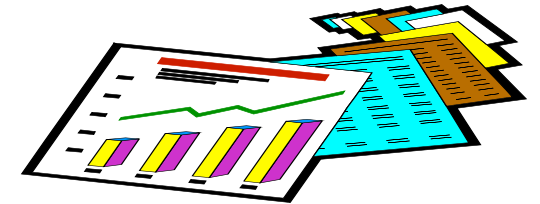
This approach improves government's ability to steer by creating new mechanisms to define goals and monitor progress toward these goals. Many units of government are now experimenting with performance measurement systems to assist them with "their aim." The most progressive governments are continually looking for new ways to more effectively "steer" while not intruding on the administrative prerogatives of those charged with operating the units.

- **Outcome Goals** are long-term results the government wants to achieve.
- **Steering Organizations** are boards, councils, and other organizations that set goals and choose strategies for public systems, or advise elected officials who



School boards are steering organizations in education; Private Industry Councils (PICs) are steering organizations in job training; the Oregon Progress Board is a steering organization for the state of Oregon.

- **Strategy Development** is the process of developing, choosing, and refining strategies to achieve outcome goals. Part of the discipline of strategic planning, this includes many techniques, from search conferences to design labs to gap analysis.
- **Performance Budgets** define the outcomes and outputs policy makers intend to buy with each sum they appropriate.
- **Long-Term Budgets** project current fiscal trends (spending, revenue, debt, and net worth) into the future, to indicate the long-term implications of current decisions.



- **Accrual Accounting** is a system used by business that depreciates assets and enters obligations on the books when they are incurred, not when the money is actually spent.

## TEN CRITERIA FOR EVALUATING YOUR MISSION STATEMENT

1. Is it clear and understandable to everyone in the organization, including front-line staff?
2. Is it brief enough for most people to remember?
3. Does it clearly specify what “business” the organization is in, including --
  - “What” customer or client needs the organization to fill, not what products or services are offered
  - “Who” the organization’s primary customers or
  - “How” the organization plans to go about its business – that is what its primary technologies are.
4. Does it have a primary focus or set of outcomes?
5. Does it reflect the distinctive organization?
6. Is it broad enough to allow flexibility in implementation but not so broad that it permits a lack of focus?
7. Can it serve as a template and be the means by which managers and others in the organization make decisions?
8. Does it reflect the values, beliefs, and philosophy of the organization’s staff?
9. Does it reflect attainable goals?
10. Is it worded so as to set source and rallying points for the organization?

# THE CUSTOMER STRATEGY:

## PUTTING THE CUSTOMER IN THE DRIVER'S SEAT



## THE CUSTOMER STRATEGY

### PUTTING THE CUSTOMER IN THE DRIVER'S SEAT

Customers are the principal intended beneficiaries of a government service. Government organizations that make themselves accountable to customers will experience improved performance (especially in combination with the consequences strategy) because customers are in the best position to judge the quality and value of a service.

**Do your customers give you a thumbs up or thumbs down on delivering quality customer service?**



The customer strategy is not about teaching employees to be polite. It is much more fundamental. It makes organizations accountable to their customers, and it helps employees understand whom they are there to serve. When the State Printer in Minnesota had press operators deliver finished products to the agencies that had ordered the work, he was employing the customer strategy. He knew that just the act of facing the customer would improve quality and timelines. It worked!

**THE CUSTOMER STRATEGY  
MAKES ORGANIZATIONS  
ACCOUNTABLE  
TO THEIR CUSTOMERS.**

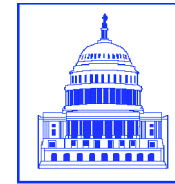
## DEFINITIONS



Customers: The main intended beneficiaries of an organization's work.



Stakeholders: Any person or group who has a vested interest in the results of an organization's work or in how it does its work.



Authorizer: A person or elective body that gives an organization authority to operate.




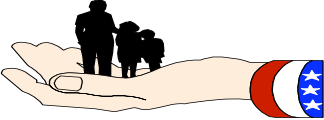
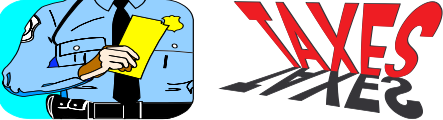
Supplier: A person or unit that provides information, services or products your organization needs to do its work.



Complier: A person or unit who is obligated to follow a law, rule or procedure.

## WINNING COMPLIANCE

**M**any government organizations don't deliver a service to individuals. Instead they get people or organizations to follow rules or regulations. We call these compliance organizations. Pollution control inspectors are an example. Their customers can be thought of as the general public. Those with whom they interact on a day to day basis – factories, for instance, are called compliers.

	Direct Service	Compliance
<i>Who does the organization serve?</i>	Individuals	Collective Interests 
<i>What does the organization deliver?</i>	A Service 	An Obligation 
<i>Who is the customer?</i>	Individual or Group	Society

### STRATEGIES FOR WINNING COMPLIANCE

- **BUILD SUPPORT FOR THE RULE AMONG COMPLIERS.**
- **EDUCATE COMPLIERS ABOUT HOW TO COMPLY.**
- **MAKE COMPLIANCE EASY.**
- **GIVE FEEDBACK ON THE LEVEL OF COMPLIANCE.**
- **MAKE COMPLIANCE CONSEQUENTIAL.**

# Making Customers Powerful

- **CUSTOMER CHOICE**

This approach gives the customer a choice between service providers; however, it must be a real choice for it to be effective. The choice may be between public agencies, between public and private agency among private service providers.

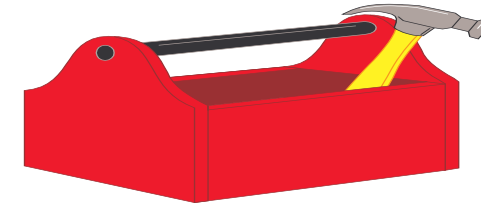
- **COMPETITIVE CHOICE**

This approach also gives the customer a choice between services but it carries with it consequences of possible revenue loss for the service provider if the number of customers served decreases. This tool is used when the service is a public good and we want to ensure that the service is equally available to all citizens (e.g., public schools).

- **CUSTOMER QUALITY ASSURANCE**

This approach does not give the customer choice of services but gives them evaluative information on the level of service quality. It can also offer customers “guarantees” or “redress” if the service does not live up to specified standards.

## TOOLS FOR WORKING THE CUSTOMER STRATEGY



### CUSTOMER CHOICE

*Public Choice Systems* allow recipients of public services to choose between different providers, whether all public or both public and private. For instance, medicare provides funds for medical care, but gives the customer choice in where and how often to spend those funds.



*Information Systems and Brokers* give customers who are choosing service providers— with public resources, their own resources, or a combination— information about the quality and cost of each provider, so they can make informed choices. For instance, the US Department of Agriculture gives consumers information on the quality of meat.

## COMPETITIVE CHOICE



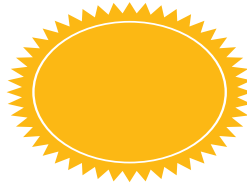
**Competitive Public Choice Systems**, such as Minnesota’s interdistrict school choice system, encourage customers to choose their providers and let the public dollars follow the customer.

**Vouchers and Reimbursement Programs** give those eligible for certain services the resources to purchase them themselves, or reimburse providers when they do.

## CUSTOMER QUALITY ASSURANCE

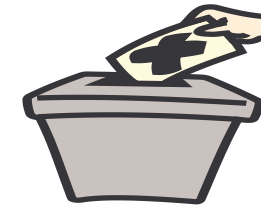
**Customer Service Standards** are quality standards – for example, you will not wait longer than five minutes in line – that public organizations commit and make public.

**Customer Redress** gives customers some form of compensation – sometimes financial – when an organization fails to meet its customer service standards.



**Quality Guarantees** commit organizations to give customers their money back or redeliver services for free if customers are not satisfied the first time around.

**Quality Inspectors**, often working in teams that include both professionals and non-professionals, inspect public services and rate their quality. Sometimes they do so by going through the system anonymously, like “mystery shoppers” in the private sector.



**Customer Complaint Systems** track customer complaints, ensure prompt responses, and create methods by which organizations can learn from complaints to improve their services.

**Ombudsmen** help customer resolve their disputes and get services or information they need when they are not satisfied with the system’s response to their complaints.

# **THE CONSEQUENCES STRATEGY:**

## **CREATING CONSEQUENCES**



## **FOR PERFORMANCE**

**Accountability  
is**

Being in a position to experience the  
consequences of ones decisions.

**Consequences...**

Help us learn and motivate us

# Creating Consequences for Performance

- **Enterprise Management**

This approach requires units to earn their revenues from those they serve (their customers) rather than receive a beginning-of-the-year budget allocation.

- **Managed Competition**

This approach asks public services to compete against one another for contracts. Because it often is not appropriate in the public sector to charge customers for their services, managed competition still provides an avenue for injecting competition into service delivery.

- **Performance Management**

Used when neither Enterprise Management nor Managed Competition will work, this approach establishes a set of specific performance measures, collects the performance data, and then uses incentives to motivate units and their employees.

## TOOLS FOR WORKING THE CONSEQUENCES STRATEGY



### ENTERPRISE MANAGEMENT

*Corporatization* turns organizations into publicly owned businesses that are quasi-independent of government. Public corporations focus on business goals, such as maximizing profits and return on investment. Usually they have nongovernmental boards of directors and top managers who set the organization’s direction and policies and are accountable for their performance. They operate outside of government’s budget, personnel, planning, and procurement systems.



*Enterprise Funds*, also known as revolving funds, trading funds, and enterprise centers, are public organizations funded with customer revenues rather than tax dollars. Like public corporations, they are accountable to their customers. But unlike public corporations, they do not have independent governance.

**User Fees** are financial charges to customers of government services—either outside consumers or other public agencies. The money is used to defray all or part of government’s costs for providing the service.

**Internal Enterprise Management** is the application of enterprise management tools—including corporatization, enterprise funds, user fees, and the withdrawal of monopoly status—to make internal service units accountable to their customers, the line agencies they serve.

## MANAGED COMPETITION

**Competitive Bidding** forces organizations to compete to provide goods and services paid for by the public sector. There are three basic varieties: private-vs.-private competition, known as “contracting out or outsourcing;” public-vs.-private competition, as in Phoenix, Indianapolis, and the U.K.; and public-vs.-public competition, in which only public organizations are allowed to bid.



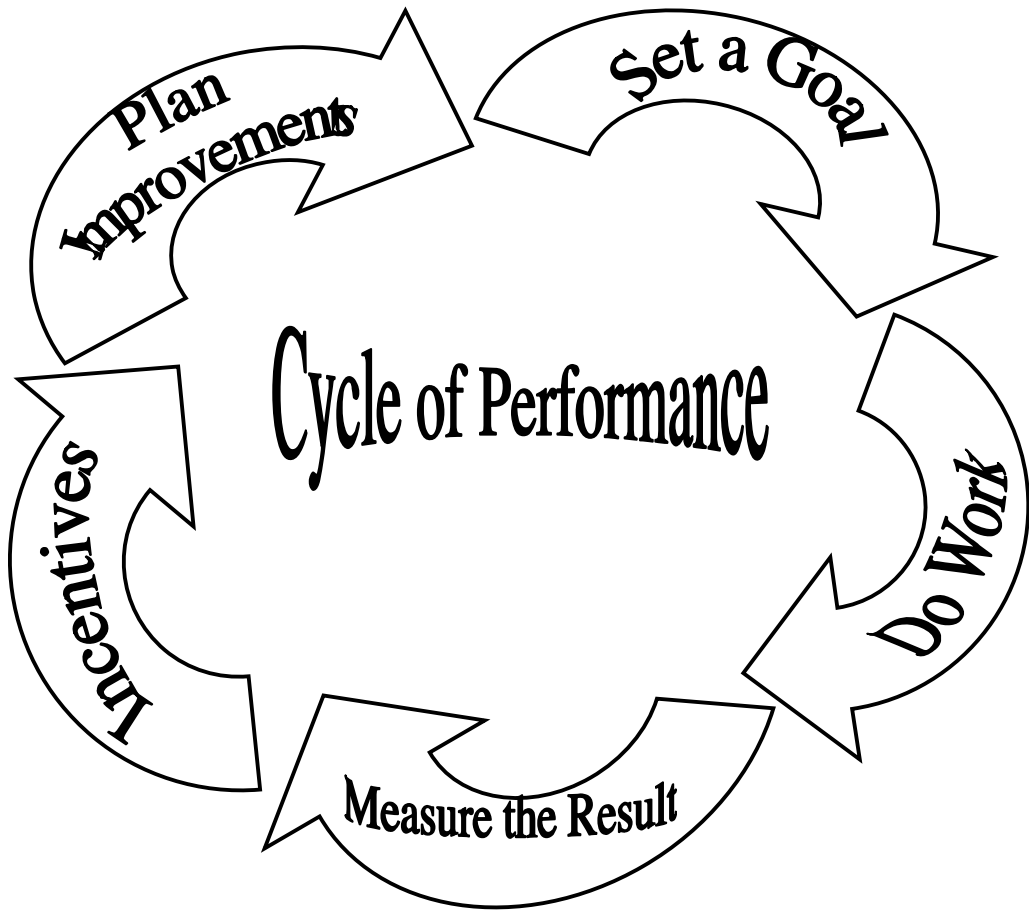
**Competitive Benchmarking** measures and compares the performance of public organizations. It publicizes the results in report cards, performance tables, and other types of scoreboards. This creates psychological competition between organizations, appealing to public officials’ and employees’ pride and desire to excel. It can also be used as the basis for financial rewards.

## PERFORMANCE MANAGEMENT

When neither enterprise management nor managed competition will work— whether for technical or political reasons—public systems can measure performance and create rewards and penalties to motivate organizations and employees. These can be economic rewards, such as gainsharing or bonuses, or psychological rewards, such as recognition and award programs.

The cycle of performance is illustrated on the following page. It includes the following steps:

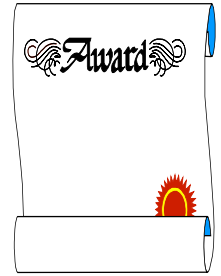
- **SET A GOAL**
- **DO THE WORK**
- **MEASURE THE RESULTS**
- **INCENTIVES**
- **PLAN IMPROVEMENTS**



# A MENU OF INCENTIVES

These are examples of incentives that can help make performance consequential.

**Performance Awards** provide employees with non-financial recognition for their achievements. This lets workers know their performance is appreciated, respected, and valued.



**Psychic Pay** provides employees and organizations with quasi-financial incentives, such as paid time off and new equipment for high performance.

**Celebrations and recognition** give employees a sense of pride in their work.



**Bonuses** are one-time cash awards in addition to salaries. They go to individuals or teams that achieve specified performance targets. They do not become a part of an employee's compensation base.

**Gainsharing** gives employees a guaranteed portion of financial savings their organizations achieve, as long as they meet specified service levels and quality. It gives workers a clear economic stake in increasing their productivity.

**Shared Savings** is gainsharing for organizations. It allows them to keep a portion of the funds they save during the fiscal year (or biennium) to use in the future. It creates an organizational incentive to save money.



**New assignments** can motivate employees who are seeking challenge and growth in their work.

**Performance Pay**, also known as merit pay, revamps traditional compensation systems to link a substantial portion of employee pay to performance. Rather than offering financial add-ons such as bonuses or gainsharing, it ties pay schedules and raises to performance.

**Performance Contracts and Agreements** put managers and their organizations on the hook for performance. They build in rewards and penalties, and they give public leaders the freedom to get rid of top managers—or entire organizations—that do not deliver the desired results.



**Progress Reports** on measurable or tangible accomplishments motivate employees who have a strong achievement drive.

**Performance Budgeting** inserts required performance levels into budget documents. When the executive prepares a budget and the legislature passes it, they specify the outputs and outcomes they intend to buy with their money.

## THE CONTROL STRATEGY:

SHIFTING CONTROL



AWAY FROM

THE TOP AND CENTER

## SHIFTING CONTROL AWAY FROM THE TOP AND CENTER

The control strategy pushes decision making down in the organization and sometimes out into field units, to the community or even to customers. The premise is that decisions should be made by those who have the best information and that people should be accountable for their decisions.



People at the top and center of most public organizations are often quite isolated from the real work. Therefore, decision making and accountability is put at the front line, close to the customer, where people have the most information about what works.

# Empowerment

- **Organizational Empowerment**

This approach eliminates unnecessary rules, regulations, and other controls that impede the effective delivery of service. It increases the discretion that organizational units have for running their own affairs.

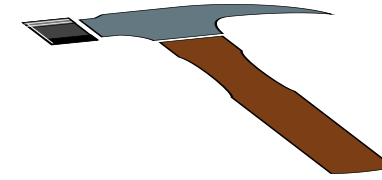
- **Employee Empowerment**

This approach is built on a framework of trust between the organization and its employees. It removes ineffective hierarchical controls, particularly those that impede service delivery while sending signals of mistrust to employees.

- **Community Empowerment**

This approach hands over to communities substantial control over the decisions affecting the public programs in their neighborhood or community.

## TOOLS FOR WORKING THE CONTROL STRATEGY

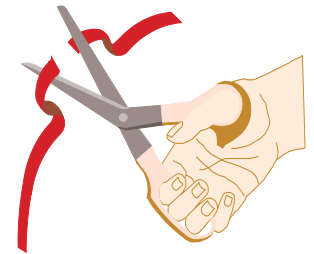


### ORGANIZATIONAL EMPOWERMENT

*Organizational Deregulation* repeals many of the other internal rules and regulations created by legislatures, central agencies, and departments that dictate the behavior of public organizations.

*Opting Out or Chartering* allows existing or new public organizations, such as charter schools, to operate outside the jurisdiction of most government control systems.

*Reinvention laboratories* are public organizations that receive permission to temporarily break administrative rules and procedures to experiment with new ways of improving performance. Typically, they are granted waivers and protected from interference.

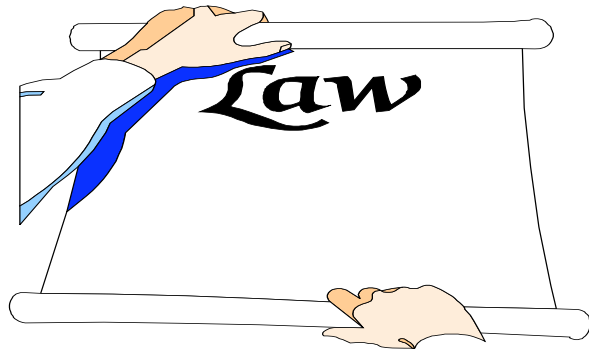


**Waiver Policies** are a mechanism that central agencies use to temporarily exempt organizations from rules on a case-by-case basis.

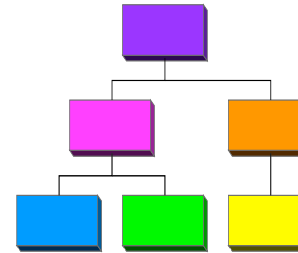
**Beta Sites** are public organizations that implement new ideas, such as employee empowerment, that are to eventually be implemented throughout a government system. The organization's experiences generate lessons for effective implementation by organizations throughout the system. This is sometimes called pioneering.

**Rules Sunsets** build a time limit into any rule or regulation controlling organizations' administrative behaviors, after which the rule dies unless it is reapproved.

**Intergovernmental Deregulation** involves waiver agreements among multiple levels of government, usually negotiated on a case-by-case basis.



## EMPLOYEE EMPOWERMENT



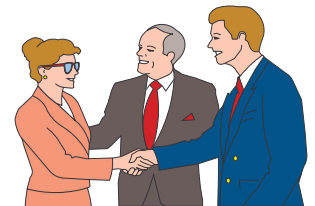
**Management Delaying** eliminates layers of middle managers—supervisors, inspectors, and assistants—between front-line workers and top management. In the process, it increases the span of control of managers. This makes it much more difficult for managers to act as order-givers and reduces costs without cutting service levels.

**Organizational Decentralization** shifts control from top-level managers to front-line units in the organization. It is site-based management *within* an organization. An excellent example of the use of this tool is Air Combat Command, an organization of more than 500 autonomous squadrons.

**Breaking Up Functional Silos** eliminates bureaucratic units and work processes based on functional specialization and moves those functions into front-line work teams that are accountable for producing results for their customers.

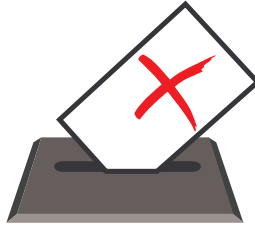
**Work Teams** are groups of employees who collaborate with each other to achieve common performance goals.

**Self-Managed Work Teams** are work teams that handle their own supervision.

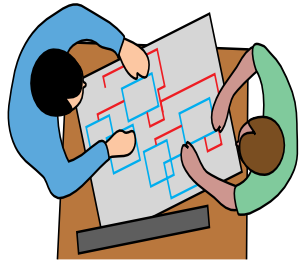


**Labor-Management Partnerships** are agreements between managers and unions to collaborate on improving organizational performance and working conditions. Typically, they agree to work in partnership to solve problems.

**Employee Suggestion Programs** give employees a formal mechanism for sharing with managers their ideas about how to improve performance. Often, employees receive a portion of financial savings realized by their suggestions.



## COMMUNITY EMPOWERMENT



**Collaborative Planning** allows stakeholders, such as neighborhood residents or advocacy groups, to join government officials in consensus-based planning for their community.

**Community Investment Funds** are public funds controlled by community-based entities, such as neighborhood groups. Typically, they are allowed to use the resources to improve a community's physical infrastructure.

**Community-Managed Organizations** are organizations that perform public services but are managed and operated by community groups, not government agencies. Sometimes, these organizations also become the owners of public assets, such as housing stock.

**Community-Government Partnerships** are joint ventures between communities and public agencies that share common goals and operations.

**Community-Based Regulation and Compliance** shifts control over regulatory and compliance functions to communities, such as businesses or neighborhood associations.

**Community Governance Bodies** give control to many of the essential direction-setting responsibilities to a group of community residents constituted as a governance body. The responsibilities of this body may be as broad as setting priorities, allocating funds, and even hiring and firing the government official responsible for administering the program.



# THE CULTURE STRATEGY: CREATING AN ENTREPRENEURIAL CULTURE

## CREATING AN ENTREPRENEURIAL CULTURE

Organizations have cultures—the values, norms, attitudes, and “unwritten” rules that inform employees how to behave. Using the other four “C” strategies may change the culture. Yet, most reinventors don’t leave this to chance. They develop deliberate strategies to align the culture with their strategic objectives.

Successful public sector reinventors use three powerful approaches to changing the culture.

- **Changing Habits**

This approach immerses employees in new experiences that challenge their workplace habits and push them to behave in new ways. As we test new ways against our current paradigm, we learn new behaviors.

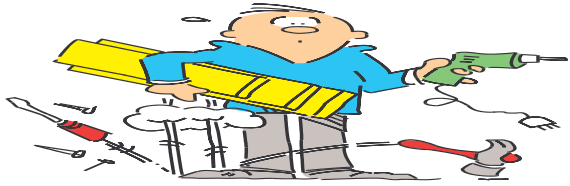
- **Touching Hearts**

This approach recognizes that organizational cultures are rooted in emotional commitments; thus it creates events or experiences that touch employees at a personal level, thereby altering their outlook on the organization.

- **Winning Minds**

This approach works on the conscious or rational level of an employee’s approach to the organization. Through this approach new understandings are forged about the way the organization will operate.

## TOOLS FOR WORKING THE CULTURE STRATEGY



### CHANGING HABITS: CREATING NEW EXPERIENCES

*Meeting the Customers* exposes employees to their customers, whether through focus groups, conversations, or front-line work.

*Walking in the Customer's Shoes* asks employees to go through their system as customers—to apply for benefits, or apply for a permit, or take a course— so they can experience the world from the customer's point of view.

*Job Rotation* moves employees through different jobs within an organization; they take full responsibility for the work and stay in each position long enough to learn its intricacies.



*Internships & Externships* bring in outsiders for stints of up to several years to expose the organization to new experiences, and send members out to work in other organizations for similar periods to submerge them in new experiences.

*Cross— Walking & Cross—Talking* get employees to cross their bureaucratic boundaries by working with or engaging in dialogue with people from other units, agencies, or even businesses.



*Institutional Sponsors* establish formal processes that attract, support, protect, and celebrate innovative behaviors in public organizations.

*Contests* promote behaviors leaders want to see in their organizations by seeing who can best exemplify them and rewarding those people.

*Large-Scale, Real-Time Strategic Planning* immerses most, if not all of an organization's employees in an intensive, multi-day retreat during which they participate fully in identifying important changes in the organizations strategy and commit to implementing them.

*Work Outs* are intensive, short-term group exercises in barrier-free climates, designed to inspire the free flow of ideas about improving targeted work processes. Often groups implement improvements on the spot.



***Hands-On Organizational Experiences*** are other large events in which hundreds of employees share new experiences that build the habits, emotional commitments, and attitudes leaders want.

***Redesigning Work***, whether through reengineering business processes, reforming administrative systems, or introducing new technology, permanently changes employees' experiences.

## **TOUCHING HEARTS: DEVELOPING A NEW COVENANT**

***New Symbols*** communicate at a gut level the culture you want to build. As they buy into organizational symbols, people create new emotional bonds.

***New Stories*** create new cultural artifacts: anchors that help bind employees together around a common set of values, expectations, hopes, and dreams.

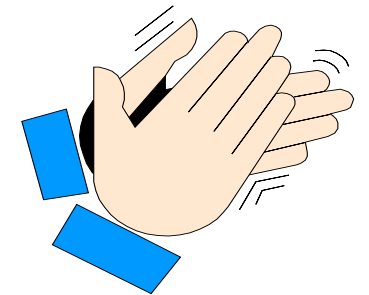
***Celebrating Success*** through both regular and spontaneous events that honor the achievements of individuals, teams, and the organization as a whole reinforces the culture leaders want to build.

***Honoring Failure*** means using innovations that fail as opportunities to learn, improve performance and to promote innovation—not as occasions for blaming and punishment.

***Rituals*** are special events that embody and reinforce the new culture. Often repeated regularly, they give people new touchstones. When they are participatory, they also draw people in, helping them make the emotional commitments required by the new culture.

***Investing in the Workplace***—upgrading the quality of the standard-issue working environment—proves to employees that the organization's leaders value them and value quality.

***Redesigning the Workplace*** reinforces the emotional commitments leaders want, such as a sense of teamwork or a commitment to customer service.





**Investing in Employees** proves to them that their leaders are serious about the changes they advocate by investing in their capacity to make those changes.

**Bonding Events** develop powerful new relationships among groups of employees based on trust, collaboration, and taking shared responsibility for producing results.

**Valentines** are group exercises in which employees tell other work units what they would do differently. They help people speak the truth to one it getting hung up in workplace rivalries and antagonisms - to change their commitments to one another.

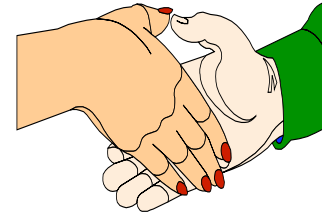
## WINNING MINDS: DEVELOPING NEW MENTAL MODELS

**Surfacing the Givens** is a group exercise in which people identify the unspoken, often unconscious assumptions that shape their *system* or organization, and then discuss which of those assumptions need to change.

**Benchmarking Performance** compares the performance of different organizations to dislodge outdated mental models by undermining faith in the old ways of doing business.

**Site Visits** give people a chance to see, feel, touch, and smell organizations that exhibit the culture, behavior, and results leaders want. This helps dislodge their old mental models and introduce new ones.

**Learning Groups** change employees' minds by helping them learn new things together. The groups undertake disciplined study processes—identifying what they want to learn, who they will learn with, and what they will do with what they learn.



**Creating A Sense of Mission** uses a participatory process to develop a mission statement, thus giving an organization's members a widely shared understanding of its basic purpose.

**Building Shared Vision** gives employees pictures-in-words of the future they seek to create—their collective image of what the organization is there to accomplish.

**Articulating Organizational Values, Beliefs, & Principles** gives employees non-bureaucratic standards to guide their actions in the work place.

**Using New Language** to replace the language of bureaucracy—phrases, ideas, metaphors, entire new vocabularies—gives employees touchstones that help them navigate the neutral zone and internalize the new culture.

**In-House Schoolhouses** give organizations the internal capacity to educate and train change agents to become carriers of the new culture.

**Orienting New Members** helps incoming employees understand the organization's mission, vision, and values—the basic mental models that are shared throughout the agency.



## TACTICS FOR MAKING YOUR CUSTOMERS POWERFUL

### *Seek customer feedback on your services*

This can be as simple as placing a comment card at your point of customer contact or as sophisticated as conducting a formal survey or &focus group. Regardless of what technique you use, keep in mind the following principles:

- Ask your customers whether you are meeting their expectations.
- Ask them how you could improve the service,
- Share the findings from this exercise with your staff; ask them to identify the learnings from this data.
- Create specific action steps to correct service gaps.

### *Create contact between your staff and your customers*

Many organizations are set up to distance the interaction between *staff* and customers. Get your staff talking directly with your customers. A few ideas for creating this contact include:

- Direct your staff to deliver their products to customers face to face.
- Hold a “customers’ picnic” or other event for your customers.
- Have your staff participate directly in the gathering of feedback from customers.

### *Give customers the money; let them buy the service*

If you can’t do this with real money. why not try it with “vouchers” or “play money.” You get valuable information about customer priorities. If you have equity concerns, give subsidies to the customer.



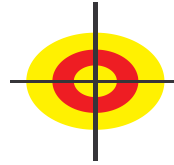
### *Ask customers to help with budget priorities*

Getting customers involved in some of the initial priority-setting activities of your budget cycle will go a long way towards improving the relationship between the services they want and those they receive. Again, this does not need to be a complicated process; just invite a few representative customers to your office to get their ideas about what will be important to them in the next fiscal year.

# TACTICS FOR INTRODUCING CONSEQUENCES

## SET PERFORMANCE TARGETS

Establishing clear, powerful goals for performance will help align everyone in the organization, as well as your authorizers, around the most important outcomes that you need to produce.



- Regularly measure progress against those targets.
- Use the data to *learn*, not to punish or reward.

## DEVELOP A GUARANTEE AND A REDRESS STRATEGY



Service organizations, both public and private, have found guarantees to be a powerful mechanism, not only for attracting and retaining customers, but also in rallying employees around the importance of customer satisfaction.

- Think about the one or two things that your customers really value about your service.
- Turn that into a guarantee, such as completed service within x minutes (speed), zero-defect service (no mistakes), or a warm, personal greeting (friendly service).
- Next, develop a redress strategy that specifies what you will do if you don't meet the guarantee. The redress strategy might include free service the next visit or a discount on the current service.

- Survey a few customers to see if they think it is a powerful guarantee-redress combination.
- Make sure that your employees are fully aware of the “new deal” before broadcasting it to your customers.

### *Negotiate service agreements with your key customers and suppliers*

Service agreements are “contracts” between customer and supplier that outline service requirements and standards. They should include:

- The scope of services to be provided
- The cost and duration of the service agreement
- Performance indicators
- Customer service standards or guarantees
- Recovery strategies
- Feedback mechanisms, and
- Dispute resolution procedures (optional)

### *Subject your services to competition*

Think about alternatives your customers have to using you for the service. Make them aware of those alternatives. Make their choices consequential. It may be frightening at first, but it will open you to possibilities that you may never have dreamed.

## TACTICS FOR REDUCING CONTROLS

### *“Permission to Fail” cards*

Print cards that say “permission to fail” or “ask for forgiveness, not permission:” These are symbols that employees are encouraged to use their judgment.

**Oops! I made a mistake**

### *Bureaucracy Buster panel*

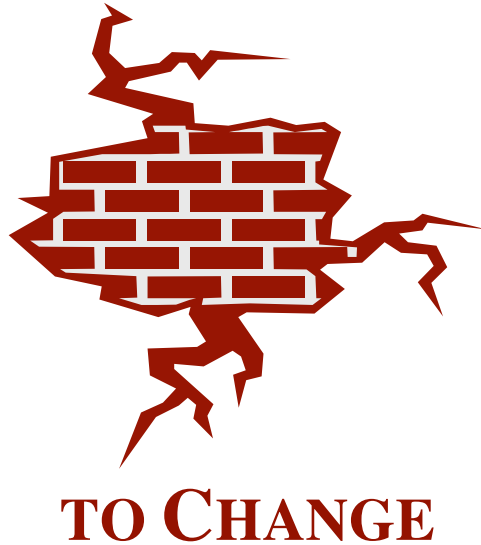
Convene a small group of employees from across the organization to serve as a panel of “Bureaucracy Busters.” Employees or work units may bring to this group any internal rules or regulations that they consider to be getting in the way of improving performance. If the employee can find a way to live up to the *purpose* of the regulation, the Bureaucracy Buster panel has the authority to waive the rule.



### *Experiments*

Use pilot projects or other experimental mechanisms to allow employees or other units to test alternative ways of achieving a result. Measurement is critical. No one will learn from the experiment if the results are in doubt. Distribute information widely about the outcomes of the experiments so that others can benefit from the learning. Avoid trying to find “the best approach” and mandating that everyone do it that way.

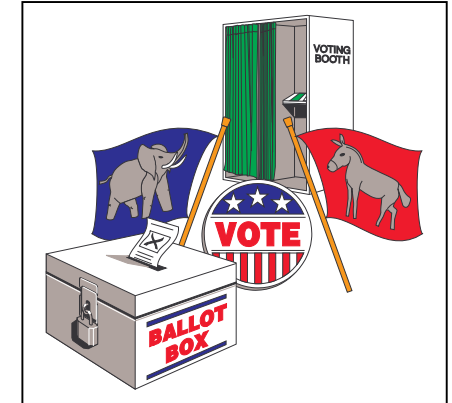
# OVERCOMING BARRIERS



## OVERCOMING BARRIERS TO CHANGE

### Politics

- Bi-partisan partnerships
- Polling on consumer expectations
- Success stories from other places
- Sharing credit in press hits
- “Outsider” recognition
- Long-term public goals
- Organized constituencies



### Money



- Productivity funds
- Invest/divest
- Plugging resource drains: mistrust, errors, wasted subsidies
- Consulting/training enterprises
- Public/private partnerships
- Performance grants
- Bureaucracy busters
- Price-driven budgeting (take it off the top)

## Fear

- Naming it
- Removing the issue
- Embracing the fears
- Pointing out greater fears
- Risk-sharing partners
- Visionary leadership
- Involving people in planning the change
- Admit pain/problems of status quo
- Creating new rewards
- Pilot projects
- Site visits



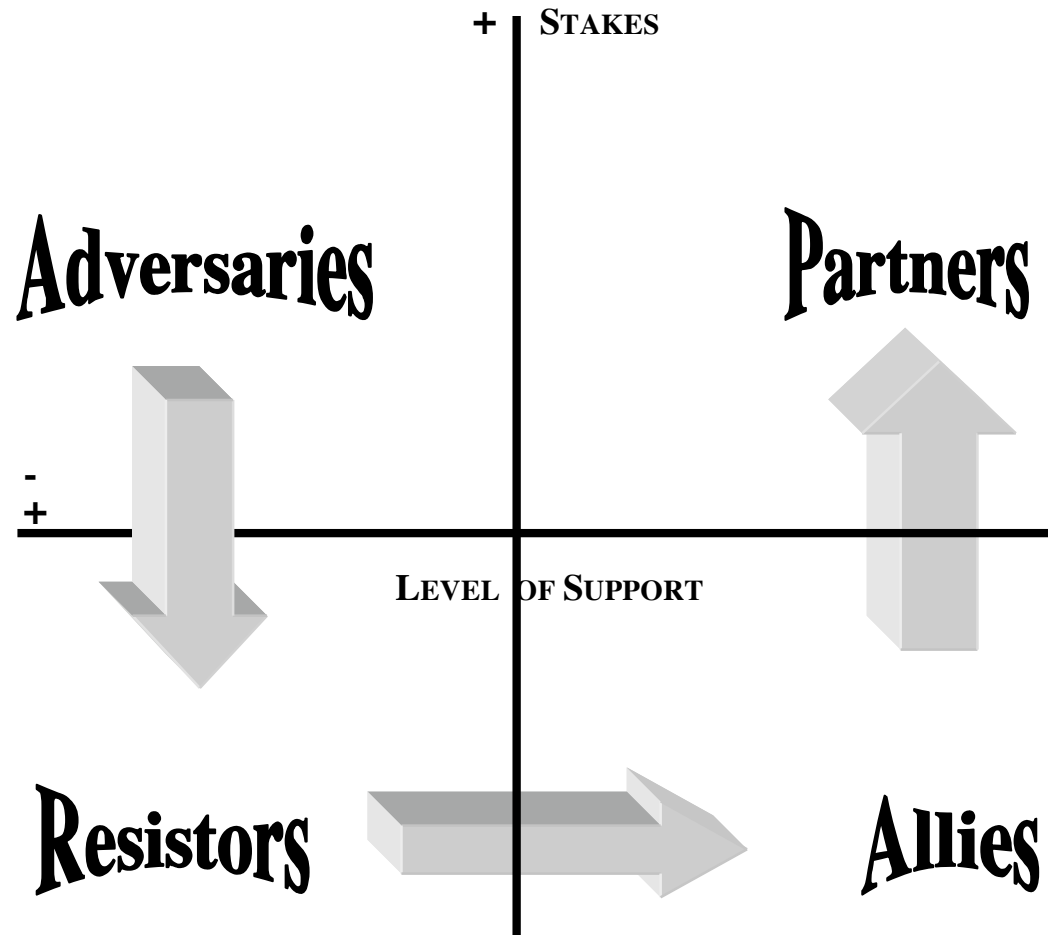
## Mistrust

- Information: the more the better
- Constant communication
- Listening is critical!
- Earning trust/promoting real honesty
- Redefining the competition
- Putting yourself in other's shoes
- Equal partnerships
- Bonding events
- 

**“Stakes”**  
**reflect the intensity of the**  
**impact on stakeholders**

**“Support”**  
**reflects whether that impact is**  
**perceived as positive or**  
**negative.**

## STAKEHOLDER ANALYSIS MAP



## IDENTIFYING YOUR STAKEHOLDERS' INTERESTS

Stakeholder analysis begins by asking yourself and your staff the following set of questions and capturing the responses:

- Who are the stakeholders of our organization?
- What is their “stake” or interest?
- Where and with who do they interact?
- What incentives are supportive of their interests?
- What incentives are counter to their interests?
- How is the organization influenced by each stakeholder?
- What does the organization need from each stakeholder?
- What criteria do stakeholders use to judge the performance of the organization, and how is the organization doing against those criteria?

Develop a fact sheet on each stakeholder that summarizes your team’s solutions to the questions above. Use this fact sheet to plan how to manage stakeholder interests.

## LET'S MAKE A DEAL

### **Moving Adversaries to Resistors:**

Think about how you can lower the stakes for these stakeholders. For example, if unions are viewed as an adversary to a reform effort, you might want to consider a no-layoffs policy to reduce the stakes.

### **Moving Resistors to Allies:**

Here you want to think about how to increase their level of support. This might be accomplished by throwing stakeholders in this category a series of “goodies” that they weren’t expecting and that don’t overly compromise your initiative.

### **Moving Allies to Partners:**

This involves raising the stakes for these stakeholders. You might accomplish this by educating them – either directly or with the assistance of customers or other constituents – about how they might benefit. You might also enlist those stakeholders whom you have identified as Partners to work with them to understand the importance of the change or to make deals with them.

### **What are we trying to accomplish?**

- A vision of the future

### **How will we know when we get there?**

- Specific performance measures or conditions that will exist

### **What is in it for citizens, elected officials, and employees?**

### **What are the trade-offs?**

	<b>Benefits</b>	<b>Tradeoffs</b>
<i>Elected Officials</i>		
<i>Employees</i>		
<i>Citizens</i>		

## ELEMENTS OF A TRANSFORMATION PLAN

	DEVELOPING A MOTIVATIONAL VISION	FINDING CREATIVE APPROACHES	GETTING THE WORK DONE	ASKING THE TOUGH QUESTIONS
<b>Core</b>	What should our mission be?	What is our strategy for making our mission drive all behavior?	What are the most important first steps in making the mission prominent?	What issues might develop as we clarify the mission?
<b>Consequences</b>	Ideally, who should be accountable for what?	What is our strategy for making performance consequential?	What are the most important first steps in making performance more consequential?	What unintended behavior might result from increased accountability?

	DEVELOPING A MOTIVATIONAL VISION	FINDING CREATIVE APPROACHES	GETTING THE WORK DONE	ASKING THE TOUGH QUESTIONS
<b>Customer</b>	Who is the principal customer?	What is the strategy for getting everyone focused on their customers?	What are the most important first steps in getting people focused on their customers?	What could go wrong if everyone focused on their customers?
<b>Control</b>	What units or levels of the organization should have responsibility for making what decisions?	What is our strategy for pushing decision making down and out in the organization?	What are the most important first steps in changing the culture?	What risks are inherent in this approach?
<b>Culture</b>	What would we want the organization culture to be?	What is our strategy for changing the culture?	What are the most important first steps in changing the culture?	What elements of a new culture might become burdens in the future?

## SUPPORTING THE CHANGE PROCESS



### Provide leadership

- Identify courageous leadership
- Articulate a strong vision
- Motivate a supportive leadership team

### Develop a clear plan

- Assign responsibilities
- Develop a timetable
- Hold leadership team accountable



### Prove your case



- Keep accurate data and use it to support your cause
- Survey customers along the reinvention path

### Support your entrepreneurs

- Celebrate success
- Give credit and support to “risk takers”
- Defend those who come under attack



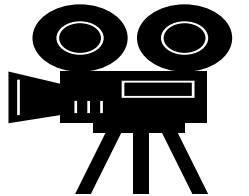
### Give elected officials what they need

- Keep authorizers in the front row seats
- Deliver short-term victories
- Let politicians and stakeholders “market” your success



### Develop a media strategy

- Educate, educate, educate the media
- Give the media what they need: color, drama, conflict
- Go around the media when necessary



### **Don't hide your failures**



- There is R&D in the process, say so
- Learn from your mistakes
- Celebrate risk taking
- Be honest: protect the trust you have built
- Clean up your mistakes quickly
- Maintain good lines of communication with the media; so they will give you a chance to explain your side of the story
- Tell the elected officials about the problem before they read it in the newspaper

### **Stay on offense; don't play defense**



### **Develop a strategy to win over stakeholders**



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