



### Strategic Responses to a Changing Economic Environment

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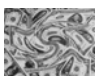
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### Downsizing/Cutting Back.....

- building down    compressing    consolidating    contracting
- declining        de-hiring        demising        desecrating
- dismantling     downshifting    fictionalizing    leaning-up
- ratcheting-down    rationalizing    reallocating    reassigning
- redirecting       re-engineering    renewing       reorganizing
- reshaping        resizing        restructuring    retrenching
- revitalizing     rightsizing     slimming        slivering
- streamlining     reduction-in-force

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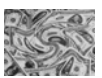
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### Fiscal Stress

Simply stated, fiscal stress is when you don't have sufficient funds to do everything you have been doing and balance the budget

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**Common Cutback Management Tactics**  
(Charles Levine/Jon Pierce /Angelica and Hyman)

- Terminating whole programs
- Reducing/phasing out selected programs
- Transferring responsibility for certain programs/activities to other agencies
- Deferring certain activities to a later time
- Making efficiency and productivity improvements
- Using lower cost labor
- Using labor saving technologies
- Improving the incentives for resource conservation and performance improvement

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**Common Cutback Management Tactics**  
(Charles Levine/Jon Pierce/Angelica and Hyman)

- Reducing staff
- Merge departments/form partnerships
- Contracting out
- Assigning increased responsibility to remaining staff
- Adding or increasing fees
- Generally tightening up on selected budget items
- Instituting a freeze on hiring
- Analyzing purchasing/payment practices

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**Cutback Management: Two Basic Strategies**  
(Angelica and Hyman)

- Financial
  - Cut or control costs
  - Increase revenues
- Structural
  - Change mission
  - Modify the structure
  - Modify the culture

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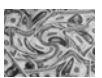
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**Three Types of Downsizing Strategies (Cameron)**

Workforce Reduction

- Focus: Headcount
- Eliminate: People
- Implementation Time: Quick
- Payoff Target: Short-term payoff
- Inhibits: Long-term adaptability
- Examples: Attrition, Layoffs, Early retirement, Buy-out packages

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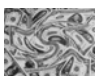
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**Three Types of Downsizing Strategies (Cameron)**

Work Redesign

- Focus: Jobs, levels, units
- Eliminate: Work
- Implementation Time: Moderate
- Payoff Target: Moderate-term payoff
- Inhibits: Quick payback
- Examples: Combine functions, Merge units, Redesign jobs, Eliminate layers

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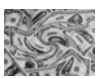
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**Three Types of Downsizing Strategies (Cameron)**

Systemic

- Focus: Culture
- Eliminate: Status quo
- Implementation Time: Extended
- Payoff Target: Long-term payoff
- Inhibits: Short-term cost savings
- Examples: Involve everyone, Simplify everything, Bottom-up change, Target hidden costs

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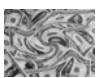
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**Cutback Management:  
Six Basic Tasks  
(Robert Behn)**

- 1. Decide what to cut
- 2. Maintain morale
- 3. Attract and keep quality people
- 4. Rally the support of key stakeholders
- 5. Create opportunities for innovation
- 6. Avoid disasters

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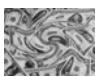
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**Deciding what to cut**

- Decisions about what to cut should be guided by your strategic plan
- A good strategic plan includes the following elements:

- ✓Vision
- ✓Mission
- ✓Values
- ✓Stakeholder Analysis
- ✓SWOT Analysis
- ✓Strategic Issue Analysis
- ✓Strategic Goals
- ✓Performance Measures
- ✓Implementation Plans
- ✓Evaluation

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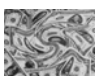
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**Maintaining Morale and  
Keeping Good People**

Two distinct phases:

- 1. Rumors of cutbacks
- 2. After cutbacks

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**Employee Response to  
Cutback Management  
Efforts**  
(Layoff Survivor Sicknes)

- Grieving
- Lack of Organizational Commitment
- Fear
- Burnout

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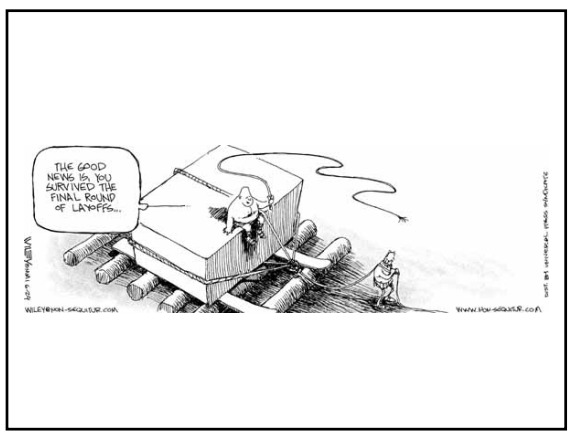
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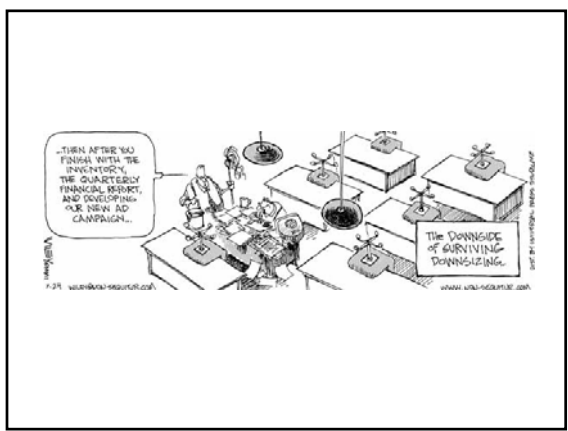
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**Grieving in Reaction  
Layoffs**

- Shock at the news - no matter how prepared a person is
- Anger - directed at management
- Guilt - "Why did I survive?"
- Acceptance - employees, in their own time, will work through this

It is not management's job to tell employees they are lucky or to motivate them, but to help them move through these stages.

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**Fundamentals of Cutback  
Leadership  
(Robert Behn)**

- Explain the reality
- Take a long-term view
- Develop a new "corporate strategy" (basic purposes, programs, and resources)
- Develop measures of performance
- Create incentives for cooperation with cutback efforts
- Be compassionate and truly sympathize

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**Characteristics of Organizations  
That Successfully Manage Under  
Conditions Of Fiscal Stress  
(Pierce)**

- Future oriented planning
- Continuity in top management
- Diverse revenue sources
- Decentralization of the decision-making processes
- Risk taking
- Strong client or customer orientation

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**Significant Predictors of Organizational Improvement During Downsizing (Cameron)**

**Factors predicting improvement**

- ✓ Systematic planning and analysis prior to downsizing
- ✓ Gradual implementation
- ✓ Increased communication
- ✓ Increased employee participation and involvement

**Factors predicting deterioration**

- ✓ Downsizing by attrition and hiring freezes
- ✓ Piling more work on remaining employees (no work redesign)
- ✓ Reward and appraisal system changed (negatively)
- ✓ Failure to implement quality improvement efforts

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**Best Practices in Cutback Management**

- ✓ View downsizing as an opportunity for innovation and improvement...set a positive tone
- ✓ Use the strategic plan as a guide to plan and prepare before downsizing is mandated
- ✓ View human resources as an asset and an investment
- ✓ Involve employees in identification of and implementation of changes...use downsizing as an opportunity for employee growth and development

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**Best Practices in Cutback Management**

- ✓ Involve key stakeholders
- ✓ Over communicate
- ✓ Be compassionate and understanding
- ✓ Use various cost-cutting approaches, not just short-term reductions in headcount...be innovative
- ✓ Tailor the reward system to the new organizational priorities
- ✓ Keep momentum going by planning small wins and celebrations

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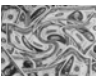
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**Streamlining Governmental Processes**

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**Challenge Assumptions**

- ↳ Division of labor leads to efficiency
- ↳ Multiple layers of review and approval assure greater accountability and control
- ↳ Employees (and customers) are likely to cheat and make mistakes
- ↳ The conditions that led to this rule or regulation still exist
- ↳ What you are doing should be done

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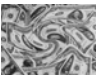
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**A Model for Redesigning and Streamlining Processes**

1. Identify the process or parts of the process
2. Establish and "charter" the team
3. Map the current process
4. Identify value-added and non-value added steps
5. Establish desired outcomes
6. Set a stretch objective

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
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7. Evaluate the current process against the desired outcomes and the stretch objective
8. Develop a "new" process
9. Identify implementation issues and strategies
10. Implement the "new" process
11. Evaluate the "new" process
12. Make modifications as necessary and evaluate

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
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**Principles Of Process Streamlining and Redesign**

1. Organize around outcomes not functions
2. Substitute parallel for sequential processes
3. Bring downstream information upstream
4. Capture information once, at the source
5. Provide a single point of contact
6. Ensure a continuous flow of the "main sequence"
7. Don't pave cowpaths

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
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**Two Types of Processes**

- **Core processes** - why the organization exists
- **Internal processes** - necessary to enable the organization to carry out its core processes

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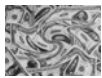
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**Select a Process**

- In selecting a process to improve, consider both the impact of improving the process and the feasibility of improving the process
- Look at core processes first
- Listen to your stakeholders

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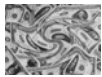
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**Impact**

1. What major challenges will we face in the next few years?
2. Which processes, if improved, would give us the agility to meet those challenges?
3. Which processes, if improved, would make the biggest difference to our current and future end users?
4. Which processes, if improved, would have a significant impact on our main goals?

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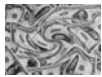
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**Feasibility**

1. Cost
2. External constraints (regulations or policies)
3. Values and organizational culture
4. Support from process managers
5. Status of current and planned information technology

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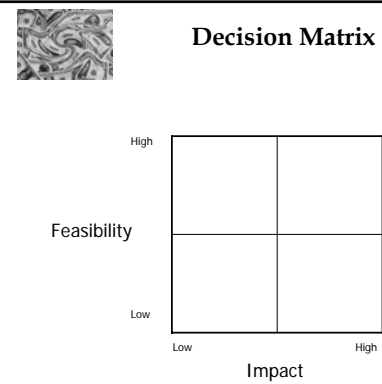
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**Decision Matrix**

High

Feasibility

Low

Low High

Impact

The diagram shows a 2x2 matrix with 'Feasibility' on the vertical axis (High at top, Low at bottom) and 'Impact' on the horizontal axis (Low on left, High on right). A small decorative image of swirling patterns is in the top-left corner of the box.

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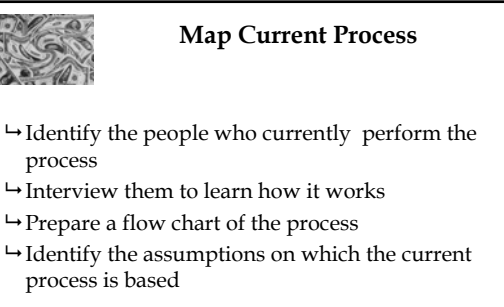
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**Map Current Process**

- ↳ Identify the people who currently perform the process
- ↳ Interview them to learn how it works
- ↳ Prepare a flow chart of the process
- ↳ Identify the assumptions on which the current process is based

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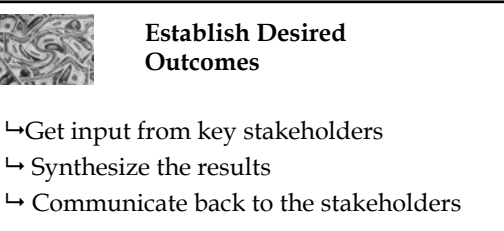
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**Establish Desired Outcomes**

- ↳ Get input from key stakeholders
- ↳ Synthesize the results
- ↳ Communicate back to the stakeholders

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**Set a Stretch Objective**

“Put a man on the moon and return him safely to earth in this decade.”  
- John F. Kennedy, 1961

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**Desired Outcomes and Objectives**

Make it easier for customers to apply for water tap	-50% of customers will access and use forms available on web page -95% of customers will complete all necessary steps with one customer service rep
Improve waiting time for consumers applying for licenses	Reduce waiting time by 75%

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
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**Desired Outcomes and Objectives**

Employees who travel will be reimbursed promptly	95% of employees will receive reimbursement funds within 72 hours of time paperwork is submitted
Decrease response time to fire calls while maintaining our safety guidelines	80% of the calls responded to within 8 minutes with no accidents
Budget forecasts will be accurate	75% of budget forecasts will accurately reflect revenues

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**Characteristics of Stretch Objectives**

- Includes radical targets that may seem unattainable at first
- Clearly stated and measurable
- Addresses the following process principles:
  - Flexibility – Does the process allow for flexibility to meet the user’s needs?
  - Efficiency – Are we providing a quality service/product to our users with least amount of resources needed?
  - Compliancy – Are we meeting all of the requirements?
  - Utilizes technology – Are we using the latest technology?
  - Most people follow the rules – Is the process designed for the exception or the rule?

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**Methods for Determining Stretch Objectives**

1. Begin with expectations and needs of your key stakeholders
  - What are their expectations? How well are you doing at meeting these? How do you know?
  - On what issues do you receive the most customer complaints?
2. Benchmark your performance
 

Former CEO of Xerox described benchmarking as, "...the continuous process of measuring products, services, and practices against the toughest competitors or those companies recognized as industry leaders."

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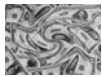
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**Methods for Determining Stretch Objectives**

"Because consumers make comparisons with the best, leading organizations do too."

*(Linden, Seamless Government: A Practical Guide to Re-Engineering in the Public Sector)*

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**Barriers to Achieving the Stretch Objectives**

- ↳ Bottlenecks
- ↳ Non-Value Added Activities

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**Characteristics of Redesigned Processes**

- ↳ Several jobs are combined into one
- ↳ Workers make decisions
- ↳ Steps in the process are performed in a natural order
- ↳ Work is performed where it makes the most sense
- ↳ Checks and controls are reduced
- ↳ Reconciliation is minimized
- ↳ Customer has a single point of contact

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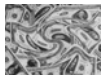
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**Implement New Process**

- Implementation issues:
- ↳ Determine needed policy and organizational changes
  - ↳ Test process
  - ↳ Communicate with process managers and stakeholders

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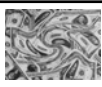
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**Generating Alternatives**

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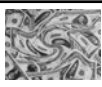
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**Generating Alternatives**

When is the best time to dig a well? - Before you need the water.

Organizations get in comfort zones when things are going well. As a result, when the environment changes, they often do not have a plan in place to respond strategically. Instead, they go after the low-hanging fruit - short term solutions to long term challenges.

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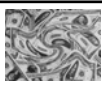
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**Generating Alternatives**

Use this change in the environment to institute ongoing efforts that improve the processes that are being used and the outcomes that are desired.

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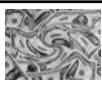
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**Generating Alternatives**

Generating alternatives is a necessity when there are changes in the environment in which organizations operate.

However, it is a necessary process in any organization that has continuous improvement as one of its core values.

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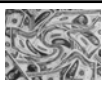
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**Generating Alternatives**

“Reality is for those who lack imagination.”

(Attributed to Albert Einstein.)

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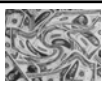
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**Generating Alternatives**

“We’ve always done it that way before.”

(Attributed to millions of people who are either uncomfortable with or unwilling to accept change.)

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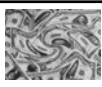
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**Generating Alternatives**

Why do we need to generate alternatives?

Information and time, two of the main ingredients in decision-making, do not often talk to one another. They make themselves available when, where, and how they please.

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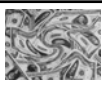
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**Generating Alternatives**

Important questions that must be answered and communicated BEFORE generating alternatives:

- Is that 'end' still what the organization wants to achieve?
- What are we trying to accomplish?
- Are there any constraints under which we are operating?

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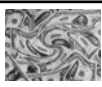
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**Generating Alternatives**

Why are we doing it this way? Challenge the assumptions you are making.

- statute
- ordinance
- external requirement
- internal requirement
- habit

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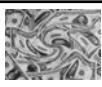
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**Generating Alternatives**

How do we typically generate alternatives?

First generate as many alternatives as time allows. There is always time later to critique and evaluate.

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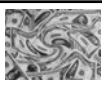
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**Generating Alternatives**

- Set aside time to generate alternatives.
- Involve those who are actually working in the area - both new and long term employees
- Bring a fresh set of 'eyes' to help.

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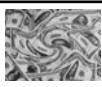
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**Generating Alternatives**

The opening statement should always be: "I want an alternative for/to..."

It is important that the problem, issue, challenge, or end is clearly identified.

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**Generating Alternatives**

It must be a disciplined process.

- Focus - keep the outcome in mind
- Time - keep to a schedule
- Process - whatever process is used, make sure that participants are familiar with it and have someone assigned to ensure that the process is used correctly.

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**Generating Alternatives**

“Lateral Thinking” - Edward de Bono

- Two-day course on structured approach to generating alternatives.
- Group projects presented to council have included and implemented have included:
  - Hiring enforcement officers that generate revenue to support function and increase revenue stream to county
  - Alternative work arrangements (from hire to retire)

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**Generating Alternatives**

No need to reinvent the wheel -

- networking
- best practices
- benchmarking
- performance measures
- J. Mitchell Graham Awards

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