

Public sector needs bolder change management – expert

Caleb Allison

Public service leaders in New Zealand are too timid to make the tough decisions needed to improve efficiency.

That's the view of visiting management consultant Dr Tom Schneider, a former policy adviser for presidential candidate Bill Clinton in 1992.

Dr Schneider has been brought to New Zealand by the Public Service Association to meet chief executives from a number of government organisations including Corrections, Justice, Customs, several district health boards and Auckland Council.

Speaking to the *National Business Review* while in Auckland, he said he had been here for about a week and met with people from 10 different government departments so far.

He said a major shift in culture was needed but most civil sector leaders were too timid to lead the charge.

"About 20% are true leaders and ready to implement change, 60% are in the middle and waiting to see what happens and 20% are resistant to change.

"That is pretty much true in any organisation."

The government needed to identify these leaders and give them the resources and support they need to make a change, he said.

Dr Schneider's observations of public sector restructuring were that they usually amounted to little more than "moving the boxes around. "Making cuts does not change how you do things. You may have fewer people doing things but they're doing it in pretty much the same way so they just



RESTRUCTURING BUY-IN: Dr Tom Schneider says if public sector staff sense the change is real, they will embrace it

have to work a lot faster."

There needed to be a fundamental shift in the approach to problem solving, both in the public and private sectors," he said.

This occurred when an organisation's frontline staff were brought up to the same level of management and were involved in the processes.

Staff in public sector organisations would often be sceptical of change measures because they could view it as another "flavour of the month strategy," Dr Schneider said.

"But if they sense that the change is real, then they will absolutely embrace it and I haven't seen a country or an organisation where that has not been true."

Public sector restructuring has been building up since the 1980s but has only really started to take off in the past 10 years.

Thirty years ago, the private sector went through a massive change due to globalisation, technological advances and changing market

structures, he said.

"The public sector, for the most part, has not gone through a similar restructuring.

"Now, as governments face huge deficits, voters throughout the OECD are starting to push back on governments, looking for the same sort of reforms.

"Voters are looking for high-quality services but they're also looking for greater efficiency, and in most cases for lower cost.

"They do not want their taxes to rise and they want lower debts. These are the same sorts of pressures the private sector starting facing in the 1980s."

"Everyone understands that meeting customer expectations and the performance objectives of the organisation is accomplished by the people who actually do the work.

"Management's task is to make

sure they have the skills, knowledge and resources to do the job."

But this did not happen in most companies.

Dr Schneider said in a traditional organisation, management would tell their workers what the problems were and how they should fix them.

"In a high-performance organisation, the manager goes in and says: 'We aren't getting the results: tell me what the cause of the problem is'.

"So the manager, instead of being a boss telling people what to do and checking up on them, is now recognising the people who have the knowledge to solve the problems are the people who do the job."

Employees then owned the problem, he said, and would approach it as they would a problem with their own house; they

would go back and keep working on it until they got it right.

Dr Schneider said organisations would not get the best out of their staff by kicking them out the door and effectively "moving the deck chairs around" with the workers who remained.

He said if organisations implemented a long-term plan of involving staff in the day-to-day running of the organisation, staff turnover would be lower and performance would be improved without ever having to lay off workers.

Companies such as Unilever, Procter & Gamble and 3M in the private sector and Kaiser Permanente in healthcare were examples of organisations that had gained market share and improved productivity while actually increasing the number of employees, Dr Schneider said.

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Stripping costs from healthcare sector

Dr Schneider has been consulting for organisations since the mid-1970s.

Some of his clients include Exxon Mobil, Bell Canada, Australia Post, Yale and Harvard.

He is also on the board of advisers for the Centre of Australia and New Zealand studies at Georgetown University in Washington DC.

One of the biggest organisations Dr Schneider was involved in was Kaiser Permanente, the largest healthcare delivery organisation in the US.

This highly unionised company has 167,000 employees in 569 different locations, including hospitals, clinics, and offices.

"In 1996 it was on the verge of bankruptcy and was in a very bitter, public war with its unions.

"We started by getting labour and management, who didn't get along at all, working together to improve performance through an engagement process.

"So the union and the workers were at the table, at exactly the same level as management. They were all in it together."

Initial changes delivered close to a billion dollars in cost savings, followed by the setting up of small "unit-based teams" throughout the company, which saw doctors, nurses and management working together on day-to-day problems.

"It could have been secondary infections or how long it takes for a patient to get an x-ray done, the time for a lab test to come back, that sort of thing.

"The people who actually deliver the services were figuring out what the real problems were, what the causes were, then what the solution was and how to implement it.

"And that is a continuous cycle."

Dr Schneider said Kaiser Permanente now had thousands of such teams, which had drastically reduced staff turnover.

"According to their numbers, it used to cost \$88,000 to replace a single nurse. At one point in time, they had almost 20% turnover of nurses.

"They have 47,000 nurses. So a huge amount of money was being lost, and by working together they've cut turnover into the single digits, saving them literally hundreds of millions of dollars."