

A Leader's Guide to Transformation

by Robert A. F. Reisner

The second contribution to this forum focuses on transformational leadership—insights from a select group of federal executives who have recently undertaken major transformation initiatives. Robert Reisner, an expert in government transformation, has culled these insights in his recent IBM Center report, A Leader's Guide to Transformation: Developing a Playbook for Successful Change Initiatives. Based on these interviews, Reisner frames a series of interrelated steps that a government executive should consider when they undertake any transformation initiative. Whether it's tackling complex public management challenges or seeking to use these challenges as an opportunity to change the way an agency operates, the five steps outlined in this report may offer a foundation for building structures that anticipate the future and, in fact, help leaders shape it.

Transformation continues to be seen by noted practitioners and 21st century federal leaders as a compelling description of the essential change that is needed throughout the federal government. In the future, transformation will be a joint-ownership enterprise that spans boundaries and involves constituencies in unprecedented ways. This emerging characteristic alone will require the successful leaders of future transformations to adopt a more democratic management style and build on the work of pioneers who have gone before.

Transformation's Leadership Challenge

Throughout the federal government, there is a growing demand for effective leaders who can transform their agencies by implementing successful change initiatives that yield results. The pressure of budget reductions is redefining federal management practice. In agencies across the government, fewer resources are available. But there has been no corresponding decrease in the scope of the mission. This study describes new ways to create mission value in increasingly pressured times.

Some leaders have embraced the dilemmas caused by resource constraints as opportunities to introduce long-needed innovations and change the way that the business of



government is done. But even the best leaders quickly find that transformation is hard work involving many choices and unexpected consequences.

This addresses the challenge of transforming organizations. The guide is based on a series of interviews with experienced practitioners who described how they tackled the challenge of transformation in government organizations. Their experience may offer plays for you to include in your own transformation playbook.

These insights were gathered in the first half of 2011 in a series of interviews with transformational leaders in agencies across the federal government. The insights from these leaders, whose missions range from finance and diplomacy to delivering postal services and veterans' benefits, offer practical advice on making choices that can make one transformation initiative successful while others fall short. They describe concepts that will help future leaders to design their own transformation game plan and choose the right plays to call.



Robert A. F. Reisner is the President of Transformation Strategy Inc., a boutique strategy consulting firm that works with global firms and specialists in multiple disciplines to fashion creative solutions for clients in the public and private sectors. He is the author of “When a Turnaround Stalls” in the Harvard Business Review (February 2002) and numerous technical papers on issues ranging from strategic planning to innovation to institutional transformation.

What is Transformation?

What is meant by transformation? The question is not an insignificant one. For more than a decade, there has been a great deal of attention given to a variety of high-profile efforts, such as the Department of Defense (DOD) transformation and the transformation of the United States Postal Service (USPS). While some will say that the DOD and USPS transformations did not live up to the “hype” which accompanied their launch, they were important initial attempts at large-scale transformations. In interview after interview, today’s government leaders reaffirmed the value of transformational change, of moving from one state to a fundamentally new one that builds upon the DNA of the traditional enterprise.

The guide has also been informed by successful examples of enterprise scale change (for example, the transformations of the Government Accountability Office and the Veterans Health Administration).

One goal of this guide is to give government managers the benefit of the experience and insights of government executives with first-hand experience in leading transformation.

Who will be the transformational leaders of the future? Will they be appointed? Will they be the heads of agencies? Are they going to occupy new positions in their agencies? As the four questions imply, in a networked age, future leaders may come from almost any direction. There are examples of new, decentralized leadership styles emerging in organizations throughout the world today that depart from traditional top-down models. As some leading thinkers about management in the modern age have noted, the need for a hierarchical organization that makes the “trains run on time” is increasingly mismatched with the work of the modern, networked enterprise where operational effectiveness is expected and the new emphasis is on innovation. We should not expect that transformational leaders of the future would necessarily come from conventional succession plans alone.

Creating Mission Value

If the lead might come from anywhere, what steps should be taken to ensure successful transformation initiatives?

To answer such a basic question, the transformation leaders we interviewed often began by focusing on creating mission value. Mission value is created by delivering better service at less cost. Strategies may include initiatives to increase quality or improve service or they may include efforts to cut costs and increase productivity. Unfortunately the potential conflict between more service and lower cost can sometimes set the transformation effort back. Improving service and quality can be costly. Cutting costs and gaining efficiency alone can alienate customers and workers.

Which strategy is the right one for your agency and when? One theme that came up consistently was the need for creative balance.

To create meaningful change and sustain it will require careful selection of initiatives to balance opportunity, support from constituencies, and capacity to manage change initiatives. This search for the optimal balance was raised in multiple interviews. This seeks to serve as a practitioners’ highlight reel that illustrates how others found creative balance that worked for them.

Five Steps to Transformation: Leaders’ Views

Introduction: The Interactive Parts

If you are already striving to lead transformational change, you know that many decisions will have to be made to improve service at lower cost. And you know that the right decision for your organization will depend on the strategic context. What are the changes reshaping your world and how quickly are they emerging? Where are you on the curve of change? Has the idea behind the initiative just been formulated, or are you implementing strategies that have been carefully vetted with key constituencies? Often the answer to these questions involves making tough calls, and leaders will be significantly aided by a core structure that guides their actions.

Five major themes emerged as transformation leaders described the basic steps they took in launching and implementing major change initiatives:

- Develop a compelling transformation game plan
- Align the transformation game plan with your mission
- Center your game plan with a reliable innovation process
- Transform strategically
- Design implementation to sustain transformation

What's important to see in overview is that these five steps interact with one another. The timing of your launch may determine how much innovation you can afford. Aligning your initiatives with your mission will set priorities for your implementation strategy.

Develop a Compelling Transformation Game Plan

Transformation initiatives, by their nature, should possess a sense of urgency. Yet controlling timing can be an important element of transformation strategy and should be considered carefully. Multiple leaders described their simultaneous recognition of the need for caution and appreciation for “burning platforms” that demand urgent change and help push it forward.

To manage timing, the transformation leader must create a compelling transformation game plan to guide the transformation initiatives so that they will yield purposeful change. This may not seem surprising. But the need to develop a compelling game plan becomes especially important when the need for change is driven by the presence of a burning platform, an urgent call to action.

Large-scale transformations have many moving parts. Are your stakeholders supportive and willing participants? Are you ready to undertake the transformation now or do you need to build organizational capacity? In what areas will



new skills and technologies be required to undertake the transformation initiative? Leading successful change requires you to manage the timing with your game plan.

Seize Initiative to Lead Change

Do not lose sight of the imperative to lead the transformation. While balance may be essential to sustain transformational change, multiple leaders noted that waiting for stakeholder or Congressional guidance before undertaking change programs could cause transformation to founder. Seizing initiative will be essential to communicating the reasons for the change.

Choose When to Launch Deliberately

It is not only the case for change and the direction it takes that must be considered. The question of when to depart can be equally significant, and this question does not necessarily have an obvious answer. Even when change surrounds you, the right time for your customers and your employees to undertake radical change initiatives may still have not come.

Use Burning Platforms Judiciously

Many of the transformation leaders interviewed discussed the role of timing in driving events. When they had a burning platform, or an urgent mission requiring immediate action to comply with statutory deadlines, for example, the question of when to start was made much easier. One transformation leader described his mission to implement an executive order that was among the highest Obama administration priorities and noted that this gave him advantages that enabled his organization to move widely accepted private-sector practices into the work of the agency.

Yet some of the transformation leaders who had relied on burning platforms to gain the momentum needed to act with care because this strategy is rife with unintended consequences.

Use the Power of a Mandate Carefully

Multiple leaders described White House meetings in which they were given urgent direction. Many of the transformation leaders interviewed for this guide are responsible for implementing new laws. Some of the new laws require fundamental change in how they offer services to their constituents.

One experienced transformation leader commented, “With a new law to implement and impossible deadlines, the question of when to launch seems almost academic. All of the

Postmaster General Patrick R. Donahoe Sustaining Transformation through Financial Crisis and Reinvention

Patrick R. Donahoe was named the 73rd Postmaster General (PMG) of the United States on October 25, 2010. He came to the CEO's job with more operating experience and practical accomplishment than any predecessor. But he faces a time of crisis. The Postal Service that he leads lost more than \$5 billion last year and is projected to lose more than \$8 billion this year.

Key transformational strategies implemented under Donahoe are:

- Reorganization of postal operations
- Introduction of new methods of automation of flat letters and small parcels
- Introduction of Lean Six Sigma capabilities at the management level to facilitate continuous improvement of operational performance

His challenge today is to continue this process of right-sizing the capacity of the Postal Service while negotiating to sustain it in the short term through another round of postal reform. The outcome is not a given. The sources that generate costs in operations and facilities and those that limit the capacity of the service to raise prices are strong and their influence is deep.

The task of the leader of the Postal Service will be not only to craft a vision of transformation and an ongoing transformation plan, but also to sustain it through ongoing challenging times.

Richard Spires Using Private Sector Best Practices to Define the Path to Change

Richard Spires, the Chief Information Officer of the Department of Homeland Security, has deep experience in both the public and private sectors. In DHS, the CIO leads a highly dispersed enterprise with more than a dozen agencies that were put together in 2003, and are still seeking to achieve departmental alignment. A key point of emphasis for CIO Spires has been to bring best-practice models from the private sector to his role at DHS, which includes closing data centers, moving to cloud computing, improving program governance, and strengthening program management.

There are 43 legacy data centers that are being consolidated into two principal facilities. Since the beginning of the

Federal Data Center Consolidation Initiative (FDCCI), DHS has closed one data center, with an additional four planned for closure by the end of 2011. DHS's goal is to close more than 40 existing data centers by the end of FY 2014.

DHS IT management has transformed and improved its current IT Program Reviews by adopting the TechStat process and criteria, which enables deep-dive analysis into select IT programs. As a result of TechStat, the department reformed its acquisition strategy to support modular development, engaged agency leadership, assigned dedicated resources throughout the program's lifecycle, and enforced direct line of accountability to the OCIO.

Dan Tangherlini Focusing Review with Mission Definition

Daniel M. Tangherlini is Assistant Secretary of the Treasury for Management, Chief Financial Officer, and Chief Performance Officer. His time at the Department of the Treasury coincides with a transformational period when the department has had to evaluate and assess its actions during the financial crisis of 2008–09, to lead economic policy-making during the recovery, and to make necessary adjustments to new laws and responsibilities.

His diverse and practical experience may have been critical in addressing one of Treasury's highest priorities in recent years: the need to better understand the financial crisis that has framed Treasury's work since 2008. Evaluation of the Treasury's performance and role during the time of the Troubled Asset Relief Program (2008–09) has been ever-present.

A second fundamental change came when Treasury was given vastly expanded responsibilities under the American Recovery and Reinvestment Act of 2009.

Most recently, Treasury established the new Consumer Financial Protection Bureau and has received new oversight responsibilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The actions taken in guiding these activities also come at a time when the GPRA Modernization Act of 2010 has given agencies throughout the government responsibility for rethinking the missions of their various components.

Dan Tangherlini is in a position where the global and the operational must meet in providing resources, maintaining records, and managing the operations of a core federal agency in the midst of change.

critical considerations involve how to launch effectively, not whether to do it.”

Another transformation leader commented, “It can be a dangerous move to rely too heavily on external forces,” because when you do, you lose the ability to time your launch to ensure optimal effectiveness. The leaders interviewed here had a nuanced appreciation for the difference between “urgency” and “crisis.”

Clear the Space for Objective Analysis

One problem with relying on exigent circumstances is that it makes analysis of trends more difficult. Urgent situations make it harder to pick your moment. When dynamics make a moment special and urgent and are given added significance as the justification for timing of a launch, it may be more difficult to see the multiple forces that contribute to shaping crisis events. There are times, even in a crisis, when the best move may be no move at all. Even the smartest initiatives can be set back when the information is wrong or the capacity to deliver is shaky. Setbacks can last a decade.

One leader reflected, “If your thinking is focused entirely by the effects of crises, you have lost control from the first. Such moments of crisis make it difficult to mobilize large collaborative groups because reason, orderly process, and legitimate problems are swept away.”

In the end, the diversity of experiences across the government is so wide that leaders will have to consider the implications of their individual context to time their launch carefully.

Align the Transformation Game Plan with Your Mission

To succeed, you will need to understand that transformation depends on your agency making the connection between the traditional enterprise and a future vision that will be viable in the emerging marketplace. To be effective as a leader of change and to ensure the integrity of your message, you will have to make sure that the change is consistent with the law, practice, and with oversight. Aligning change initiatives with a rigorous definition of mission gives you a tool for prioritizing change that matters.

Begin with Mission Alignment

One transformation leader explained, “Aligning your initiative with the mission of the agency is always the key step. Establishing a measure with which you can define value should come from that process.” Undertaking the stages of

planning, implementation, and review of a transformation initiative begins with mission alignment.

Balance Cost Reduction with Service Improvement

The phrase “You can’t cost cut your way to success” is repeated often by transformational leaders. But it’s not always clear exactly what this phrase means. There have been many instances in the past decade when technology change has permitted dramatic cost reductions and process changes. This in turn has allowed the leaders of public institutions to achieve significant efficiency improvements. Clearly cost-reduction initiatives can be critical, especially as budgets are cut.

In the view of several transformational leaders, creating alignment with mission, examining alternative service delivery methods, and responding to constituent and Congressional expectations will be necessary transformational skills in the future. Future transformation leaders will also face the twin challenges of narrowing agency mission to accommodate a new budget, while enhancing service delivery.

Engage Stakeholders at Every Step

Aligning change initiatives with mission will help throughout the process of winning support for defining the optimal formula for creating mission value. In the networked age of social media, stakeholder engagement has become an ever-more encompassing task that was brought up by virtually every leader we interviewed. As a result, there is value in considering how best to engage stakeholders in every step of the transformation.

- Define mission collaboratively with your employees.
- Use mission definition to build shared vision.
- Seek top-level clarity about mission.
- Make mission personal to every manager.

Personally Lead a Transformation Dialogue

Many of these initial insights involve change that is personal and individual. Not surprisingly, change that cuts this deep will evoke a reaction from powerful core constituencies. Many see this as an opportunity to create a dialogue about the future. Ultimately this conversation will involve Congressional oversight committees.

A broad conversation about transformational strategies enables a more meaningful dialogue to shape the details of achieving mission definition with fewer resources.

Instead of focusing only on cutting costs and therefore creating future dilemmas about mission and service, the transformational dialogue offers an opportunity to talk about creating mission value and finding the optimal balance.

Center Your Game Plan with a Reliable Innovation Process

Transforming a complex federal agency must rely on an innovation process that can generate imaginative and reliable change initiatives. This is the core engine of transformation and your innovation process must have the capacity to formulate a new vision for change initiatives that can create the dependable building blocks of an organization that will thrive in the emerging marketplace. Having a reliable innovation process will allow you to center your transformation initiatives in a way that connects traditional mission with the future.

The concept of innovation is at the heart of transformation. By definition, transformation requires fundamental changes and a vision of an alternative future, the work of innovation. One of the leaders who experienced the many barriers to implementing major change initiatives saw his central task to be introducing new applications and facilitating the use of new technologies to create an innovation environment.

“We can make things happen in 15 minutes and we can handle the clearance process for federal managers; what happens from there is up to them,” said one promoter of innovation.

Be Realistic About the Speed of Transformation Initiatives

Several of the transformation leaders interviewed faced dilemmas over the speed with which they should implement new initiatives. Even when innovations promise better service or new cost reductions, there is still a need to line up support. Few transformations take place in a vacuum. Few leaders, if any, work in settings where there are no interested parties.

Democratize Data to Add Leverage

One source of innovation that a number of transformational leaders draw on is the movement to make data public, highlighted during the Recovery Act initiative of the Obama administration.

Judiciously Select the Moments When Radical Change is Required

Creating the process for innovation will make it clearer and easier to make decisions about alternative courses of action.

Learn from the New Open Collaboration Models

One of the leaders responsible for implementing a controversial new law described the process of bringing transparent government tools to bear in formulating regulations and brokering disputes among previously unreachable interested parties. He believes that transparent enterprise and open government policies can play a critical role in implementing a new reform law that follows years of conflict. Opening government and encouraging stakeholder participation in implementing the new law enable collaboration and compromise on a broader scale.

In the modern technology environment, there are many new opportunities for creating collaboration and sharing services. Budget necessities may ease resistance and make it easier for some in siloed areas to readjust their thinking.

Transform Strategically

Transformation initiatives can be challenging to lead and require subtlety to manage efficiently. An illustration of this is the potential tension between supporting initiatives that require only incremental change and sustaining technology and those that embrace disruptive change. Effective leadership of change initiatives requires that both traditional line managers and the leaders of innovation be participants in the transformation program.

Use Best Practices to Drive Transformation

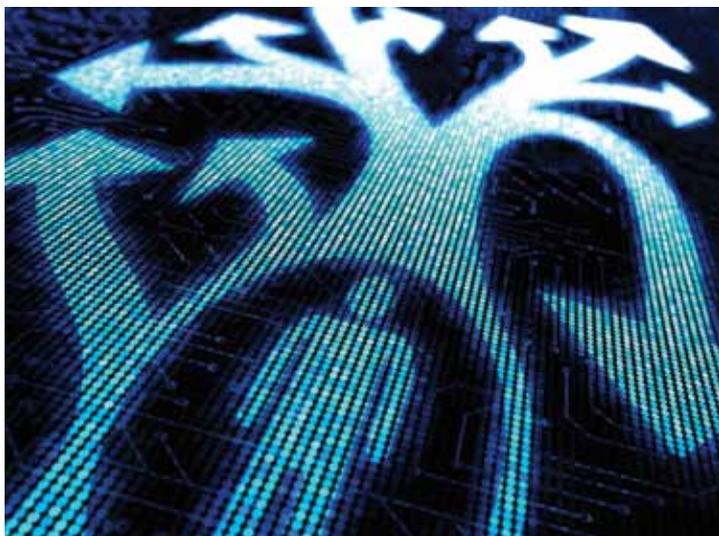
One of the transformation leaders interviewed described a situation in which a best practice had been used to highlight the differences between the desired state and the status quo. Using this best practice standard, his department showed the clear value of adopting management practices that are now common in the private sector.

Assemble Joint Teams of Young Turks and Line Managers

A key consideration in formulating a transformation strategy is the need to balance the interests of line managers and their processes with an investment in innovation. Transformational managers seldom get to work with a greenfield situation. More typically, there are interests, constituencies, and even competitive service delivery alternatives. When this is the case, there is a need to select the most valuable places to invest scarce resources to effect change.

Build Joint Ownership through Review

Strategic investment in new service development can be connected in integral ways with the implementation and



management process by creating joint ownership of the investment.

Find the Path to Maximize Consensus

One transformation leader noted that project analysis, especially in an environment of shrinking budgets, requires that strategic planners consider the way that line managers will view investment alternatives.

Design Implementation to Sustain Transformation

Many of the transformation leaders interviewed had insights into the process of sustaining the changes that they had introduced. They suggest a variety of tactics that can help make the implementation process successful. All the transformation leaders interviewed viewed collaboration as an essential element of modern organization and crucial to the implementation challenges to transformation initiatives.

Explicitly Recognize the Inevitable Barriers

One transformational leader described being called to an urgent meeting at the White House with a high-priority request to create something that could not normally be achieved in a short time frame. But instead of listing barriers, he brought a list of actions necessary to override the normal obstacles.

Design Sustainable Change Initiatives from the Start

The interviews with transformation leaders offered the following suggestions as ways to build an implementation plan that would nurture sustainable initiatives:

- Recognize the cross-boundary challenges.
- Make the performance review work for you.
- Sustain change with review anchored by mission.
- Build ties to the change.
- Build a constituency for innovation.
- Gain permission to innovate.

The Arc of Change

Many of the insights that transformational leaders have offered here are presented as individual plays in a practitioner's playbook. These are ideas that others have tried in seeking to achieve transformational change in their agencies. Seen as a group, the concepts have an interconnection and offer a future direction. They build upon a concrete need to anchor change in the mission of the agency. They encourage innovation, but not without the collaboration of line managers who have been there before and have seen both change that worked and change that evaporated quickly after the energy of the launch was expended.

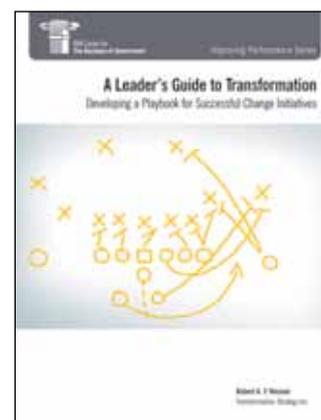
In a time of budget cuts and significant resource reallocation, transformational change that can deliver mission value more efficiently will be increasingly important.

To sustain transformation that is described here leaders are calling plays and creating individual game plans that must anticipate an arc of change. The five steps outlined here offer a foundation for building structures to anticipate the future and to help shape it. ■

TO LEARN MORE

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The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 551-9342