

Managing Change in Times of Crisis¹

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Background

While President Obama was vacationing on Martha's Vineyard, the White House let it leak that it has asked federal agencies to propose cuts of 10% or more to their 2013 budgets. Little is known about the details of this request, but the bare bones are a 5% reduction from the baseline budget and another 5% that can be trimmed in other areas in order to meet the 10% target.

On a more immediate note, the Budget Control Act of 2011 (commonly known as the debt ceiling deal) set up a Special Joint Committee made up of six senators and six members of the House of Representatives tasked with finding \$1.5 trillion in deficit reduction. The committee must reach agreement by Thanksgiving, after which Congress has until Christmas to enact or reject the proposal by a simple majority. No amendments will be allowed. If the committee does not come to an agreement that reduces the deficit over the next 10 years by at least \$1.2 trillion, or if Congress does not pass it, a series of automatic spending cuts will be triggered. Those automatic cuts will come on top of the nearly \$1 trillion in cuts already enacted as part of the Budget Control Act.

As a Federal Government manager these words send a chill down the spine rarely felt before in recent history. From 1965 to 2011, Federal Budget Executive Branch outlays have increased every year, without exception. Sure there have been isolated cutbacks here and there, occasional hiring and salary freezes, and narrowly targeted reductions in force (RIF), but never government-wide budget reductions of the magnitude we are about to experience.

From the President and Cabinet members on down, everyone in government is desperately seeking an answer to the question: "What are we going to do if ...?" Unfortunately, it's no longer a question of "if" but "when". In some ways the feelings we're experiencing harken back to the Kubler-Ross model of the five stages of grief: Denial, Anger, Bargaining, Depression, and Acceptance. At this point many in the Federal Government are in the denial, anger, or bargaining stages. The key is to move as rapidly as possible through the first four stages and arrive at the acceptance phase, i.e., "It's going to be okay;" "I can't fight it, I must prepare for it."

CASE STUDY

The following is a notional case study set in a fictitious Federal Government agency, the Agency of Government Action (AGA), in early FY2012. The FY2012 AGA budget is frozen at FY2011 levels and spending is being obligated in accordance with the rules imposed by the continuing resolution.

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In response to a White House and Office of Management and Budget (OMB) request to cut the Agency of Government Action (AGA) FY2013 budget by 10%, the Director of AGA immediately establishes a AGA Budget Reduction Committee and tasks the Committee with developing an FY2013 budget that complies with White House and OMB guidelines. The Director announces the formation of the AGA Budget Reduction Committee and reassures AGA employees that while the cuts will be painful, the AGA will continue to fulfill its mission and every attempt will be made to protect the AGA workforce.

The Committee begins its work behind closed doors and is soon struggling with budget priorities for which it has little or no detailed guidance. In lieu of detailed guidance, the Committee develops a set of reduction options based upon past high-level budget reduction strategies. Option 1 proposes a 10% cut across the board. Option 2 focuses on cuts in new projects and capital investments. Option 3 cuts contractor costs dramatically and shifts the work to Government employees. Option 4 is a combination of the other three options. However, all four options share two restrictive assumptions: (a) the critical mission must not be compromised; and (b) the recommendations must be limited to FY2013 and FY2014.

While the Committee is developing its report, the AGA rumor mill begins to churn, and the AGA workforce begins to show signs of concern and stress. At the Office and Division level, executives and management staff start to make their own strategic plans for budget reduction and push down the responsibility for specific recommendations to their Offices and Division management staff. Information begins to leak out from the Budget Reduction Committee that is passed along by word of mouth to avoid attribution. Each Office and Division begins to circle the wagons to protect its own budget at the expense of the other Offices and Divisions.

Meanwhile, the AGA workforce environment has become unsettled. Individual employees begin to investigate their own personal options should the worst case emerge. Resumes begin to appear on the street targeted at what are presumed to be the most protected Federal Government Departments and private companies. Productivity begins to degrade as more and more employee work time is spent discussing and worrying about rumored changes to come.

Early in Q2 FY2012, the Committee submits its recommendations and AGA in turn submits its proposed FY2013 budget to the Office of Management and Budget. The proposed FY2013 AGA operating budget reflects Option 4 with a combination of 5% across the board cuts and a 5% cut in contractor services, new projects, and capital investments. Later in FY2012, AGA submits its BY2014 OMB Exhibit 300's and 53's based upon the Committee's recommended cuts in new projects and capital investments.

Unfortunately, in Q4 FY2012, the White House and Congress request even greater budget reductions in FY2014 and FY2015. Is this scenario likely to occur? In the opinion of some, it is. A 14 trillion dollar debt and projected trillion dollar deficits are not likely to be erased in one or two budget years, unless Congress were to take heroic actions regarding Social Security, Medicare, Medicaid, and Defense. One has to question the likelihood of such legislative action in the near term given the current mood in Congress and the upcoming elections.

So what should AGA have done? In our opinion, plan for the worst and hope for best. Planning for the worst requires a paradigm shift in three areas: (1) long-term strategic mission re-planning; (2) near-term task management and (3) culture-driven people management. All three of these areas can be addressed by change management.

Change Management

Preparing for change is the first step in change management. Change management is a structured approach to shifting/transitioning individuals, teams, and organizations from a current state to a desired future state. Change management begins with a systematic diagnosis of the current situation in order to determine both the need for change and the capacity to change. The objectives, content, and process of change should all be specified as part of a Change Management Plan. Change management processes include not only effective internal marketing to facilitate communication between all participants, but also deep social understanding about leadership's styles, group dynamics, organization norms, and potential roadblocks to success .

With a visible track for transformation, change management aligns groups' expectations, communicates, integrates teams and manages participant education. Based on the need, change management makes use of performance metrics, such as financial results, operational efficiencies, and communication effectiveness to optimize appropriate strategies. Successful change management is more likely to occur if the following are included:

1. Effective communications that informs all stakeholders of the reasons for the change (why?), the benefits of successful implementation (what is in it for us, and you) as well as the details of the change (when? where? who is involved? how much will it cost? etc.).
2. Effective education, training and/or skills upgrading are provided for the organization.
3. Employee resistance is anticipated in aligning them to overall strategic direction of the organization.
4. Personal counseling is available to alleviate any change related fears.
5. Monitoring of the implementation and fine-tuning is practiced.
6. Benefits management and realization to define measurable stakeholder aims, create a business case for their achievement (which should be continuously updated), and monitor assumptions, risks, dependencies, costs, return on investment, obstacles and cultural issues affecting the progress of the associated work.

Managing Change Requires a Change Facilitator or Team

In smaller change initiatives, an independent facilitator who is smart about 1) working with teams, 2) providing decision making processes, 3) understanding how to work with diverse groups (like building coalitions), and 4) strategic thinking and planning is a prerequisite. With larger change initiatives that will affect the entire organization, a Change Management Team is required. The Team should consist of an independent facilitator who guides the team of members from the

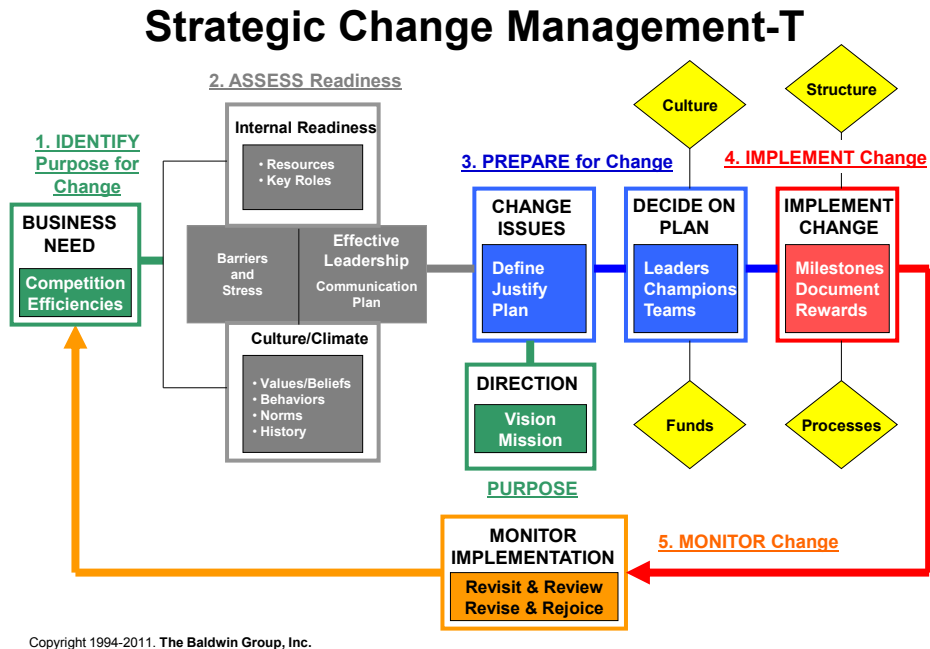
organization. This Team should be a good representation of key stakeholder groups from the organization and even from their clients if relevant.

Change Management Flow Diagrams

We use a set of processes to guide a change initiative. The process and flow diagrams below illustrate the components involved in most change initiatives and are provided as a working flow to be customized with each need. In Figures 1 and 2, we illustrate the Task-Side and the People-Side of the change continuum. The Task-side diagram focuses on the things that will need to be done in support of change. The People-side diagram focuses on how the people will respond to change. The use of such flow diagrams help client teams find where they are in the change process and what needs to be done along each step. Importantly, it helps teams anticipate areas of potential roadblocks so they can move to mitigate the obstacles or reduce the delays to keep the change process moving forward. The value of a visual to accompany a change effort is to have all participants on the same page in the same place at the same time. It also provides a starting point to speak about the uniqueness of the organization and to have a flow process that can be customized for specific situations. In other words, one does not begin with a blank page. Task and People side issues are paired solutions. Seeing the changes visually helps participants understand the issues they will face while navigating a change initiative. When people know what they are up against, there is a higher probability that they will work to resolve the issues presented, because they understand why they are needed.

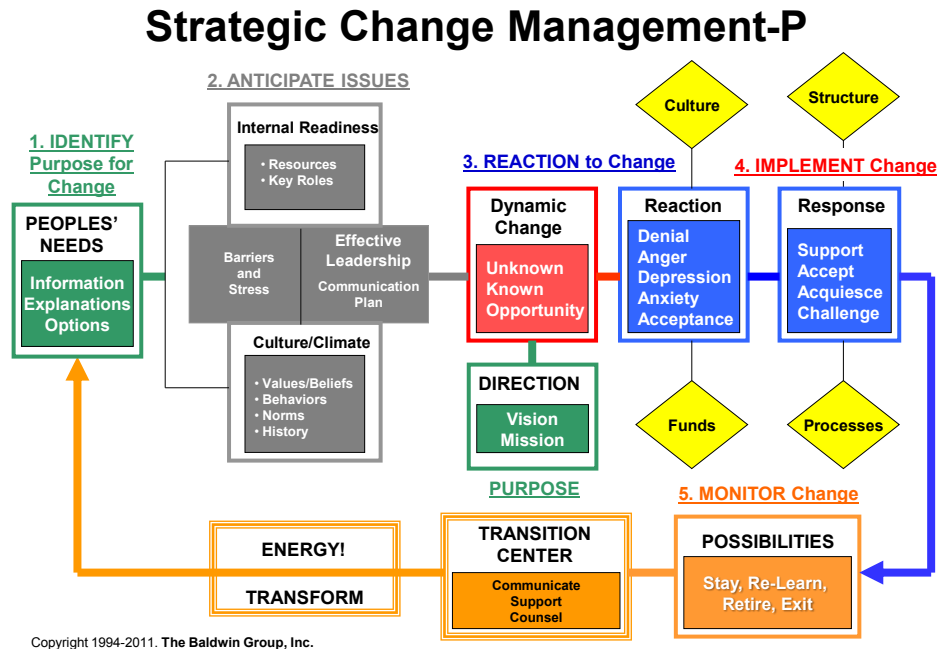
The Task-Side of Change. The five phases of the Task-side components are noted on Figure 1. 1) It is important to be clear about the need for change. What is the purpose? In the scenario of budget cuts noted in the introduction, one need has to be new *efficiencies* (or doing more with less). 2) In planning for change, the organization needs to get ready. Who is in charge? What roadblocks or pushback can we expect? Is there anything in our current culture or mode of operations going to be a problem? Do we have a communications plan? 3) As one prepares for change, are the change issues clearly defined? Have we justified what is to change? Do these changes align well with our mission goals? What is our process in deciding on a final plan – funds, culture, etc.? 4) When we implement the change plan, are we clear on milestones and performance measures? How do we know we have achieved our goals? Does our structure or processes help or hinder the change? 5) Who will monitor our successful change effort? What is our plan to revisit, review, and revise plans as we execute? We will need to be ready to celebrate each milestone success to encourage continued completion of all components of the change plan.

Figure 1. Managing Change – Task Side



The People-Side of Change. The People-side diagram is deliberately superimposable onto the Task-side diagram. In Figure 2, a parallel set of actions on the people-side are depicted. 1) The purpose for the change reflects peoples’ needs – their need for information, clarification, options. 2) The facilitator team has to anticipate issues that will arise. The same internal readiness categories found in the Task diagram are here. The questions are just adjusted to speak about the people. Are they ready for change? Do they understand what it’s about? What’s in it for them? Do they trust leadership to give them straight answers? Do they find the communications plan transparent or secretive? Are efforts made to avoid pushback? Does the working norms of the people impact the ease of successful change? 3) As the plan for dynamic change, do the people know what is to happen or are some changes unknown? Do they see opportunities in the plan or not? 4) What are plans to mitigate expected reactions to any change? After all, the work place, work schedules, and approach to work may all be disrupted. Is the facilitator team ready to deal with Kubler-Ross’ stages for dealing with ‘death’ in this case the lost in the way people used to work? 5) As change is implemented, is the organization prepared to deal effectively with the four responses from the people – support, accept, acquiesce, or challenge? Each response has a strategy that needs to be in place to optimize the implementation. Lacking one will delay acceptance and full activation of the change plan.

Figure 2. Managing Change – People Side



Managing Change is NOT Easy

The difficulty in executing a change initiative is in the details. Because change affects all aspects of the work and all aspects of the people doing the work, the complexities of a major change effort ARE complex and can be a daunting process to manage. In order to succeed, constant clear communication is needed, all key stakeholders need to be involved, a knowledgeable change management facilitator or team needs to control the process, plus much patience is needed from all parties. While it appears easy to define the Task-side changes in work, technology, processes, finances, and desired outcomes, it is more difficult to address all the People-side issues because not all participants will be lined up at the same point of ‘understanding’ and action at the same time. Hence, bringing people along in the process is a staggered effort, needing patience from the change team to guide each group forward toward defined milestones. Importantly, if the change initiative is a downsizing, change in direction, or merger, then it is critical to learn about the chemistries within existing groups that create current desired leveraged results that might be destroyed in the reorganization. Synergistic results as such may not be obvious unless a systematic review of each delivery point is reviewed – yet another time consuming need.

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Note: As a means to remember the components to optimize any change initiative, the formulaic summary is: $C=(T+P)^F$ where C is Change, T is Task side issues, P is People-side issues, and F is the Facilitation needed to accelerate change.

An expanded application of the Task-People framing is found in the “Peter Principle...” article at <http://www.tbgroupconsultants.com/publications/articles/index.html>.

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