

SUPPORTING HIGH PERFORMANCE GOVERNMENT

Leading Large-Scale Change

June 15, 2010

Operational Efficiency in New York City Government

Welcome and Introduction:

Steve Hurst

Managing Director, New York Health and Public Service Practice, Accenture

Dennis Smith

Program Manager, Research Center for Leadership in Action, Robert F. Wagner Graduate School of Public Service

Panelists:

Cas Holloway

Commissioner, NYC Department of Environmental Protection

Jeffrey A. Kay

Director, Mayor's Office of Operations

Charles Monheim

Chief Operating Officer, Metropolitan Transportation Authority

Carole Post

Commissioner, NYC Department of Information Technology and Telecommunications

Moderator:

Anthony Shorris

Director of the Rudin Center for Transportation Policy and Management at the Robert F. Wagner School of Public Service and Former Executive Director of the Port Authority of New York and New Jersey, Deputy Chancellor of the City's Board of Education, and Commissioner, NYC Department of Finance

Prepared by:



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Supporting High Performance Government: Leading Large-Scale Change

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Executive Summary

Introduction

Accenture and the Research Center for Leadership in Action of the Robert F. Wagner Graduate School of Public Service, New York University are co-hosting an Executive Briefing series for public sector managers to discuss the multiple managerial and leadership challenges of implementing large-scale change. The series strives to:

- Encourage the exchange of ideas between senior managers of complex change programs and those emerging leaders charged with undertaking similar efforts.
- Support a cadre of new leaders interested in undertaking such challenges, providing them with the insights, learning and the collegial support that will help sustain their work over time.
- Promote further learning about how successful complex change initiatives are designed and managed, and capture this information in written reports.

Each session is organized around one aspect of managing large-scale change. The session held on June 15, 2010, entitled “Operational Efficiency in New York City Government” focused on how New York City agencies are answering Mayor Bloomberg’s call to centralize and consolidate operations in order to avoid cutbacks in core services.

The panel included:

- Cas Holloway, Commissioner, NYC Department of Environmental Protection
- Jeffrey A. Kay, Director, Mayor’s Office of Operations
- Charles Monheim, Chief Operating Officer, Metropolitan Transportation Authority
- Carole Post, Commissioner, NYC Department of Information Technology and Telecommunications

Moderator: Professor Anthony Shorris, Director of the Rudin Center for Transportation Policy and Management at the Robert F. Wagner School of Public Service and former Executive Director of the Port Authority of New York and New Jersey, Deputy Chancellor of the City’s Board of Education, and Commissioner, NYC Department of Finance.

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Transcription:

Steve Hurst welcomed the audience and panelists and offered a broad framing question, how can we operationalize city government functions given the current budget cut?

Professor Dennis Smith followed him, also welcoming the group. Before passing it off to Moderator Tony Shorris he asked, “How many of you think there is no way the government can operate more efficiently.” No hands were raised.

Tony Shorris then prompted the panelists by asking, “Beyond the Mayor’s charge, do you think there is anything different now, in a structural sense, technological sense, economic structure sense? Are their new views of the public vs. private sector? What is the impetus for the way in which we operate?”

Jeffrey Kay, outgoing Director of the Mayor’s Office of Operations, was the first to respond. He said that government is better positioned now to be reinvented because of the technology available that wasn’t there before. He went on to say that there is opportunity to deal with the current economic crisis in that we have the talent, workforce and technology to make savings that have never been discussed before, but that a lot of it does depend on Albany.

Commissioner Post of the Department of Information Technology and Telecommunications followed asserting that technology allows for a comfort level that has never before existed in NYC government. “The reluctance toward technology has disappeared. We are going to do whatever we can to get there, turn the corner and be able to catch up to the private sector.” Technology consolidation, she stated, is what will help us get there.

Commissioner Holloway spoke next referencing the benefit of public-private partnerships in his work at the Department of Environmental Protection. He said that structurally, such partnerships provide a lot of opportunity for efficiency.

Charles Monheim of the Metropolitan Transit Authority followed offering to change the tone. He said, “Personality doesn’t change in the long-term. These organizations have long histories, and don’t change very easily.” He cautioned that when circumstances change, we may revert to natural/former tendencies. “It will be interesting to see what happens in that regard,” he concluded.

Commissioner Holloway agreed saying, “Changes don’t happen over night.” He remarked that there has to be a willingness to make major structural changes in the way work happens. He postulated that it takes a lot of ingenuity in major organizations to take the big structural pieces apart and put them back together a different way.

Tony Shorris then refocused the group by asking about accountability. He said that it is about combining, pooling, changing and managing internal services. He asked the panelists to talk about the tension between accountability and centralized operations. He said that commissioners are held accountable but must also hold their agencies accountable and asked what the panel thinks about being held accountable while trying to bring about a centralization effort.

Commissioner Post responded by saying she was prepared to manage the accountability of centralized operations through a collaborative effort. She said that to be successful in managing that accountability you have to have the commitment of other agencies; you have to have a commitment not to fall short and you have to feel the obligation to deliver. She said it is a heavy lift and one that should be shared by a collective.

Tony Shorris then asked the group, “When and where does the buck stop?”

Commissioner Holloway answered, “In terms of delivering the fundamental services, the buck stops with the commissioner.” He said he is always looking for a balance between relinquishing control and holding onto it, between centralization and decentralization. When making changes he said he has a base line to stay at (i.e. keeping water in your home) and works to ensure that the balancing act between decentralization/ centralization does not impact your fundamental service delivery.

Tony Shorris next asked directly about the tension between looking for efficiency and delivering core services.

Jeffery Kay responded by saying, “You hold agencies accountable for delivering what they have been asked to do, [and for focusing] their resources towards that end.” He spoke of how every agency needs to be held accountable for core service delivery and to focus on strengthening its core competencies. He asserted that accountability for services between agencies will involve a cultural shift and is going to produce tensions as each agency struggles to balance this work with its core service delivery.

Tony Shorris then directed the question to Charles Monheim asking him to speak about operations issues at MTA.

Charles Monheim gave the example of shared services centers at MTA. He said that agencies were not keen on idea of giving up responsibilities for core functions but that that has changed in light of economic situation. Until recently, MTA recognized that they weren’t doing those functions very well. He also said that MTA agency heads have no idea what efficiency looks like for store operations, financial operations, etc. Process transactions, he said, are not what they are there to do. They are there to see that buses and trains run on time. He remarked that there are opportunities to reduce cost in those areas and provide better service and that he is pressing the agency heads for this. He pointed to opportunities through shared services and consolidation of IT, call centers and customer communications.

Jeffrey Kay followed stating that shared services provide an opportunity to deal with inefficiencies.

Tony Shorris next asked the panelists, “How does resource allocation reflect the priorities of an agency and how do you make sure that it happens considering your many commitments?”

Jeffrey Kay jumped in first to remind the group that everyone has their own budget and their own needs. However, he went on to argue, shared services have to be repositioned within agencies as

overarching rather than centralized. He said to think about them as more holistic than like you are forming a separate organization.

Commissioner Post responded by saying, “Think about 311. Consolidation was a struggle for many agencies but when you look back on it now, it is a role model for consolidation. This is the type of model you want to follow in terms of an IT perspective. This is where a share service model works perfectly.” She went on to speak about the challenge of building a system that is quick and responsive not simply reactive.

Charles Monheim spoke next. He said you have to measure whether you are getting close to efficiency and what that looks like for your operations in order to know where to stop and where to push harder. Instead of doing 5% less of everything, he said, you need to know what you should be doing none of. At MTA, he followed, they are “filling the pipeline for 3-4 years out” in terms of efficiency changes and working to “spread the pain.” Ultimately, he reminded the group, the goal is to target your efforts and to minimize impact on your organization while reducing cost.

Commissioner Holloway followed making the point that a commissioner has to be careful to consider what he is directly accountable for when he decides to take operations out of his immediate control. He needs to remember that when he does this, he may not be able to guarantee a core service. He also said that many efficiencies can be achieved within agencies and that you don’t have to go to the city-wide level to see the opportunities.

Jeffrey Kay then stated his concern with how consolidation was being represented in the conversation. He said, “I don’t want to categorize “share services” like this. Then we think of the old Soviet Union... it doesn’t send the right messages, doesn’t reflect what we are trying to accomplish.”

Carole Post responded by saying it is, “better defined as ‘unifying our competencies.’ ” She gave the example of desktops (50,000 around the city) not being utilized. She said we could be utilizing buying power to our advantage to fulfill the goals of agencies.

Tony Shorris spoke next saying, “Talk to me about the issues related to share services and consolidation. What is your thinking on the labor unions? Some of your force is unionized. What is the impact on communities? What is the impact of moving jobs around and changing the nature of jobs?” He also asked about race issues, scale purchasing that can draw agencies into large enterprises, and scale economies.

Jeffery Kay answered first. He gave citywide HR practice as an example. He said to become more efficient with HR, you have to figure out who the personal is in HR departments. You have to consider is the city work going to change? In trying to move the transactional HR work out of organizations, he said, you think about outsourcing the whole thing. But then, “What is the HR piece?” he asked? He went on to say that once the transactional work has been largely moved out, you can take the HR group within organizations and get them to focus on talent management, training and skills training for people who need to actually perform their jobs. He then offered the example of fleet maintenance. He said there are very different models for managing fleets between the public and the private sectors and some of those differences relate to how you think about labor

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and work force work. To be successful, he asserted, you are going to have to engage the labor force. If you help the labor force to be more productive, he reasoned, then you won't have to outsource. He then said that the way labor and workforce is approached is going to change. Right now it is still very transactional. But to build a stronger workforce, he said, you have to get each area to focus on their own core competencies.

Commissioner Holloway spoke next reflecting on his experience at the DEP. At DEP, he said, they have a very highly skilled work force and they are trying to make the workforce a partner. "If you want to know how to operate a waste water treatment plant", he said, "there is no better resource than those who actually operate those plants." This way, he continued, it becomes less of a threat of change of marginalizing positions or forcing some out of the enterprise. On the public side, he went on to say, there are efficiency opportunities that can only be gained if you are in partnership. "You have to be willing to get into weeds," he remarked, "[and to ask] is there anything you can do? Engagement is the theme to try to deal with." He concluded. "We don't want to make it just about centralization."

Commissioner Post followed bringing up the topic of procurement and purchasing. She said that the procurement process is on one side of spectrum while the other is building private/ public partnerships (which they are working on), particularly around the technology front. She offered an example from her work at DoITT. She said there are moonlighting programmers out there with great ideas whom they have tapped to help them. She said they have benefited from the innovative ideas of these people by providing them with small seed opportunities. She said they are also using internships and externships to take advantage of young talent. In the past, she conceded, they have tended to overlook opportunities to be nimble and responsive but now are trying to appeal to small start-ups, "the complete opposites of the large/institutional IT providers of the world," she illustrated. "That's one idea," she continued. "The other idea is rewards and contests, available to participants outside the city. These allow people to participate via the website, offer compensation as part of reward, and are sure to tap into the right kind of talent."

Charles Monheim was the last to speak following this prompt. He said that power and politics doesn't change in spades. He also said that at the MTA, to work and co-exist with unions to make fundamental change is part of their mission.

Tony Shorris then opened the conversation up to questions from the audience.

Before questions began, Professor Dennis Smith reminded the audience that this is an off the record discussion.

Jill Woller from OMB spoke first. She expressed pride at the efficiency work happening in New York City government at both the micro and macro levels. She urged the group to think about opportunities at the micro level in terms of delivering a particular service and to tap into change makers that are ordinarily resistant to change.

Marlene Hochstadt from DOT was next to speak. She made reference to workforce support and benefit packages in the city. She asked the group to think about it in two ways, how do we use them in terms of our labor partners and how we use with our central agencies? Also, she asked, how do

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we leverage that into this discussion? She concluded, “We need to market the city also as a great employer.”

Commissioner Holloway followed by saying, “This is true, and it’s an incredible challenge.” Continuing to speak about labor force issues he spoke of the dynamics challenges within big organizations. He also said there are dynamics in play with state legislature. Work with union and non-union employees is difficult and has ramifications for what happens city-wide, he continued. Finally he remarked, “I want to fix my problem, but [even though I] want to fix the problem right now it might not be possible. The labor force [issue is of] 2 degrees bigger magnitude than my problem.”

Charles Monheim spoke next say that benchmarking costs puts spending into contexts for people. He referenced the fact that we put \$1 to our pension throughout our careers in a time when it’s not affordable for the city. He said also that healthcare costs more than inflation. He gave an example from MTA of a loophole where family members who were working at the same agency were both allowed to sign up for benefits and to list each other. This would not be a problem, he said, if there were a cost affiliated with making the health care decision. He said you have to make it clear for people what implications are for existing service and how much new services cost.

The next attendee to speak was Roy Esnard from HRA. He cautioned that we shouldn’t solve bureaucracy with more bureaucracy. He asked, “How do we make sure that doesn’t happen, particularly with mandates that we have to meet with government?” The participant added that you don’t want to add a level of complication to make government more efficient and asked how we address this issue?

Jeffrey Kay responded saying don’t think of efficiency as one bottom line. He said operational efficiency is just number one. Customer service is number two. “Without [customer service],” he said, “it’s going to fail.” He also referenced other forms of efficiency including accountability to both sides and governance. He said you have to look through the lenses of each of these forms of efficiency and consider how to build “a symbiotic relationship between agencies or the shared services model will fail.”

Commissioner Holloway spoke next advising, “Make sure people who really understand the processes of agencies are at the table. Always empower the position who knows how to do the job.” He went on to say that with all forms of shared services and centralization efforts, “We are often looking at it as pushing responsibility down...At a certain level you have to empower people to make decisions.”

The next attendee to speak was Kathleen Grimm from the DOE. She said she likes the shared services model. She referenced the tension that happens when managers have to rely on another agency and to get their work done and called it a, “Very real management problem.” She asked, “I wonder what specific advice you can give to younger managers to get people on board with the shared services model?”

Commissioner Post was the first to respond. She said this has to be a multiple-way conversation so that those who are being charged with relinquishing responsibility understand why and those who

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are taking on responsibly know they are responsible. She said all agencies involved have to be “committed to going down this path in an incrementally way.” She went on say it is an “entrenched environment,” and that it can be slow going fostering relationships that prove to bear fruit. She said a key to success is to work from the ground up.

Charles Monheim followed saying, “When it comes to certain services, the burden falls on shared services itself to convince the consumer that it will provide a shared service at a good price.” He said that most don’t have a clue what it cost to provide the services his agency provides. “If they were forced to be held accountable for these costs then they might have a different view of shared services,” he said. He remarked that a lot of money has gone into creating process around organizations that have not had a process before (regardless of whether this was a good use of resources). The rationale behind this is to centralize and get a net gain from the effort. The problem, he pointed out, is that each agency was not previously measuring performance in these areas it had built new systems for. At best, he said, their evidence was anecdotal. He offered hope in saying that now we have a much more transparent and complete accounting of performance. “We have a platform for how much things cost,” he said, “and can move to delivering an appropriate level of service with the level of resources we have.”

Jeffrey Kay spoke next about the importance of performance management. He said it’s important to come up with a uniform set of performance measures and to compare and learn. “Someone is always running it better than the other person. The question is, how?” He went on to say that the city is slowly getting there. He urged the audience to put those metrics out there and to try to get a uniform set of standards across. He called the competition that this instills “very powerful” and said it is good to have some competition between managers.

Tony Shorris concluded the conversation and thanked the panelists.

Professor Dennis Smith thanked everyone for their time and their work on large-scale change and reminded the audience that the series will start up again in the fall.

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