

OHIO ASSOCIATION OF PUBLIC TREASURERS  
2016 Public Finance Training Institute

Organizational Development in the Public Sector:  
How to Create an “A-plus” Organization



CONSULTANTS TO MANAGEMENT

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# What is Organizational Development?

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- Organizational development is a system-wide application and transfer of behavioral science knowledge to the planned development, improvement, and reinforcement of the strategies, structures and processes that lead to organization effectiveness.

(Cummings and Worley 2005)

- It is important to keep in mind that other definitions also emphasize technology, research, problem-solving, planned interventions, data collection, diagnosis, self-renewing capacity and collaboration.

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## Organizational Development

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Organizational development represents a particular philosophy at odds with traditional top-down tendencies -- it is:

- Mutually accessible and open
- Values experimentation
- Collaborative concept of authority
- Creation of the mutual helping relationship
- Authenticity in interpersonal relationships
- Biased clearly towards democratic tendencies as opposed to authoritarian

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# Organizational Development History

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- Organizational development is not a recent development!
- *The Art of War* by Sun Tzu who lived from 544–496 BC  
 “Plan for what is difficult while it is easy, do what is great while it is small. The most difficult things in the world must be done while they are still easy, the greatest in the world must be done while they are small.”
- *The Prince* by Machiavelli 1513 AD  
 “For such a prince cannot rely upon what he observes in quiet times, when citizens had need of the state, because everyone agrees with him... Therefore a wise prince ought to adopt such a course that his citizens will always have need of the state and him, and then he will always find them faithful. “
- Charles Darwin (1809 – 1882).  
 “It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

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# Organizational Development History

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- *Scientific Management* by Fredrick Taylor (1911)
  - Four Principals:
    1. Data Gathering
    2. Worker Selection and Development
    3. Integration of Science and the Trained Worker
    4. Redivision of the Work of Business
  - Today’s concepts of reengineering and process are attributed to Taylor’s focus on organizational work.

“The prevailing style of management must undergo transformation. A system cannot understand itself. The transformation requires a view from outside.”  
 - Walton (1986)

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# Public Sector Perspective

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- The application of organizational development in the public sector took longer historically because of perception and reality that private sector and public sector institutions were functionally and normatively different.
- Public sector organizations are more concerned with fairness than with competitiveness. Also known as Merit and Fitness.
- There are important distinctions between political democracy and corporate capitalism.
- The management of change in the public sector has been described as “top-down radical shock and the exercise of political clout.” - Ferlie (1996)
- However, comparisons have revealed that public sector change also requires a bottom-up approach. - Hickson (2003)

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# Public v. Private

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- **Values and Structure**
  - Private – profit and competition are primary drivers
  - Public – transparency, fairness, strict guidelines
- **Multiplicity of Decision Makers**
  - Private – decision making is singular
  - Public – multiple decision makers
- **Stakeholder diversity**
  - Private – stakeholder have limited interaction
  - Public – numerous, including various government agencies, elected officials, special interest groups, unions, safety committees, non-profit partners, etc.

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## Lessening the Stress of Change

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- Change agents need to clarify and communicate problems in the current situation
- Make staff proactive participants in meetings
- Financial crises, or crisis of public confidence, make the problems understandable
- Managers should involve people throughout the organization in the change process

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## Lessening the Stress of Change

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- Those who are part of the change process usually feel more comfortable with the process
- Change often leads to feelings of stress and insecurity
- Problems must be addressed before the organization can move on

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## Types of Change

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- Change can be incremental or discontinuous
- Incremental change results from tinkering or fine-tuning ongoing operations
- Discontinuous change is a complete break with the past and a major reconstruction of the organization's work
- Discontinuous change is far more difficult and can "shock the system"
  - People have to unlearn old approaches

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## Types of Change

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- Strategic change refers to those choices made by executives, managers, consultants, and others who may be involved in planning activities leading to changes that are both broad range and long-term
- Strategic changes are often developed in the course of the strategic planning process that considers the mission, vision, and values of the organization and those forces acting upon the organization

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## Types of Change

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- Grass-roots changes on the other hand are those that take place at the local street level and involve middle level and supervisory level managers as well as workers in the front line of the organization
- To be truly effective, organizational change must be both strategic and grass-roots based

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## Top-Down and Bottom-Up Approach

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- In order to take a top-down and bottom-up approach simultaneously, agencies should:
  1. Confront explicitly the tension between top-down and bottom-up goals;
  2. Direction needs to be set from the top and people need to be engaged from below;
  3. Management needs to embody the assumptions and styles of both approaches;

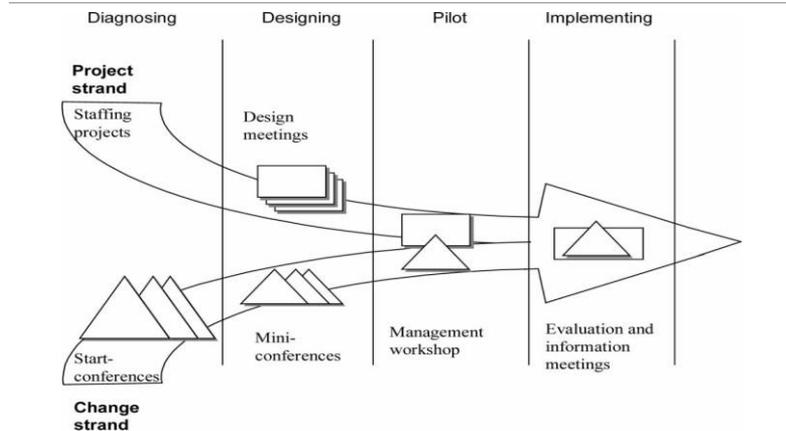
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## Top-Down and Bottom-Up Approach

4. The focus needs to be on both organizational design and organizational culture;
5. The change process needs to be partly planned in advance, but also to allow for emergent experimentation and problem-solving.

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## Simultaneous Approach



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## Organizational Culture

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- The societal culture influences public organizations and the development of their organizational culture
- Cultures of public organizations are likely to be affected by the founding legislation
- Political sentiment concerning the work
- Public interpretation
- In the imprint of early important leaders

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## Organizational Values

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- Ideas about the way in which the organization ought to be
- Ideal culture and real culture
  - Espoused beliefs and real beliefs
- Basic underlying assumptions

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## Organizational Learning

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- For public agencies undertaking change, managers need to a consensus on:
  - A commitment to values
  - Serving the public
  - Empowerment shared leadership
  - Pragmatic incrementalism
  - Dedication to public service

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## Approaches to Bring about Change

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- Change by management action or reorganization
  - Historically most organizational changes have been brought about by fairly unilateral action on the part of managers
- Organizational systems have been similar to the military in their hierarchical structure
  - Managers are assumed to have the prerogative to basically tell others what to do

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## Approaches to Bring about Change

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- Commands are expected to flow downward through the hierarchy and the expectation is that they will be obeyed
- Many managers continue to use this approach, especially in situations where tasks are somewhat routine, highly structured, and easily programmed

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## Change Blueprint

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- **Step 1. Problem Identification**
  - Initial meeting with agency's elected and/or appointed officials to ascertain problems and expectations
  - Individuals perceptions may be completely erroneous and based on political agenda and bias.

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## Change Blueprint

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### • Step 2. Program Kick-off

- **Initial group meeting.** It is important to pull members together early and explain what will happen and when and to allay any fears.
- **Set ground rules.** These are rules that involve behavior and process expectations.
- **Employee Involvement.** Knowing what is expected and when things will happen will alleviate a lot of pessimism.

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## Change Blueprint

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### • Step 3. Data Collection/Assessment/Analysis

- **Existing Vision, Mission, Strategy.** This needs to be documented with the understanding that there is both a written and unwritten set of goals for the agency.
- **Human Dynamic.** Needs to be an understanding of the roles and responsibilities of individuals, groups, and the overall organizational culture. It is important to focus on the interaction between groups.
- **Document Review.** Collect and catalog all policies, procedures, and other written documentation that guides the agency's operations.
- **Performance Measures.** Progress cannot be measured unless a baseline is first created regarding existing processes.

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# Change Blueprint

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## •Step 4. Stakeholder Feedback

- **Surveys.** Surveys are especially effective at gaining an understanding of the organizational perceptions of internal and external groups of people. Such surveys can be done by mailing or electronically.
- **Focus Groups.** These are useful for getting input from large groups of external stakeholders. When it comes to municipal government, the external stakeholders are usually citizen activists, property owners, environmentalists, and business interests like retailers and developers. Such groups are most effective when limited to 10-12 people. It is best to have both a separate moderator and a note taker.
- **Structured Interview.** There are always key individuals who are internal and external to the organization who are better interviewed alone and not in a group. This is especially true of the agency's staff.

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# Change Blueprint

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## •Step 5. Preliminary Diagnosis

- The major objectives are to understand and validate the issues and needs, identify resistance and support, and clarify competence and commitment. So it is a matter of asking:
  - What is the problem
  - What are the causes of the problem
  - What is the current situation
  - How do people feel about it

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## Change Blueprint

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- **Step 6. Planning Change/Designing Interventions**

- It is important to the development to show the need for change, establish a relationship between the change agent and the client organization, and determine how to work toward the change.
- In terms of the actual intervention, it is important to determine how the various units and individuals will be involved. It is a matter of time and money. Some staff merely need to be informed and other actively engaged at some level. This is more art than science.

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## Change Blueprint

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- **Step 7. Implementing Change/Action**

- **Mapping of Processes, Procedures, Management Practices.** Systems cannot be improved until they are understood. It is often the case that the staff doesn't really understand or agree on the existing processes.
- **Reengineering Process.** Once the current practices are understood and agreed to, then the staff can proceed to reengineer the processes to make them more efficient, cost-effective, less time-consuming, and transparent.

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## Change Blueprint

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- **Step 8. Restructuring Organization/Managing Change**
  - **Mixed Implementation Teams.** It is best to create teams to undertake specific areas of the organizational change implementation.
  - **Strategic Planning.** All of the changes needed to achieve organizational change cannot be created immediately. So a plan must be established identifying what can be done in 3 months, 6 months, 12 months, or in future years.

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## Change Blueprint

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- **Step 9. Institutionalize Change**
  - **Employee Training and Development.** Employees must be trained in the new policies, processes, and programs. Everyone needs to be on the same page and have a common understanding in terms of organizational expectations.
  - **Executive Leadership Coaching.** Coaching the leadership is different from employee training. The leadership needs to know what the organizational changes are and how to motivate and lead the change.

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## Change Blueprint

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### • Step 9. Institutionalize Change (continued)

- **Cross Functional Training.** Where possible and feasible, employees should be trained to do more than one function.
- **Procedures Manual.** It is important to document exactly how the new processes work for two reasons.
  - First, all staff must understand the need for consistency.
  - Second, it is needed to train new staff.
- **Establishing Performance Measures and Expectations.** Once the reengineering is complete, it is important to establish clear performance measures and expectations for all employees

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## Change Blueprint

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### • Step 10. Maintenance

- **Monitoring Performance.** The saying is that “What is measured, gets done.” It is important to continually measure performance. How often any activity gets measured depends on the circumstances. It could be daily, monthly, or annually.
- **Sustaining Change.** Working the strategic plan is paramount. Unfortunately, most organizations create a strategic plan and then put it on a shelf. The most effective way to guarantee implementation is to appoint one person to manage the strategic plan.

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# Change Blueprint

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- **Step 10. Maintenance (continued)**

- **Continuous Improvement.** It is important to revisit and review processes and procedures on an established schedule. The work environment is constantly changing because of technology, elections, state and federal legislation, and current events. Continuing to operate under the status quo is a recipe for disaster.

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# Organizational Development Techniques

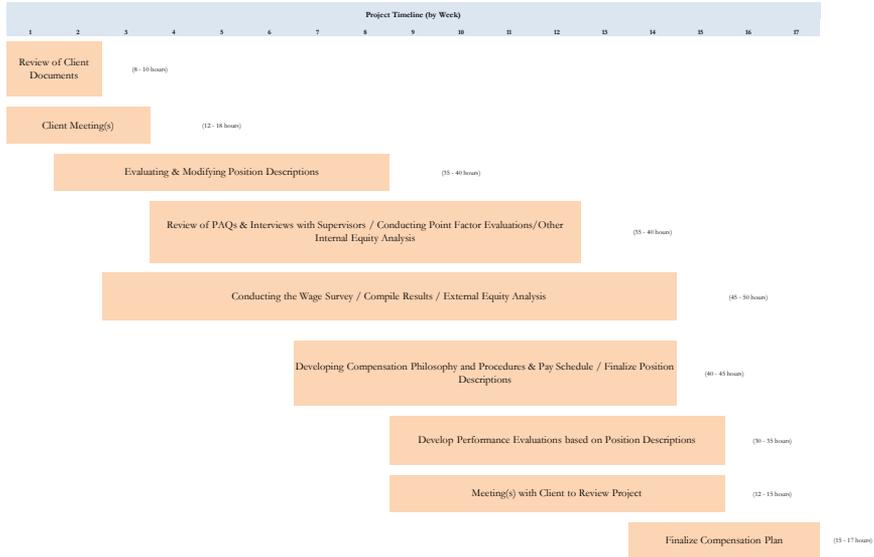
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- T-groups
- Process consultation
- Third party interventions
- Survey feedback
- Quality of work life
- Team building

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## WEST CHESTER TOWNSHIP

## Compensation Study



## Overview

- Managers often overestimate their own influence in organizations and underestimate how difficult it is to get people to change
- Without a sense of urgency, people won't give extra effort that is often essential
- Some suggest—radically—to allow things to blow up instead of being corrected to create a sense of urgency
- The most important and pressing problems cross agencies and jurisdictional boundaries
  - Change is needed to tackle them
  - To fashion effective agencies, change is necessary

## Overview

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- Nearly every move that managers make has political implications
  - All barriers to effective agency performance started out as reforms
  - Political history is important to consider
- Any change-oriented public manager needs to consider how proposed changes will be viewed by officials, citizens, and others
- Creativity is a key in creating organizational change
  - Norms about experimentation and innovation
- Organizations — like people — are risk-averse
  - They place high value on not rocking about

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## Overview

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- Consider carefully the emotional and psychological component of resistance to change
  - Both your own and of others
- Try to clarify and communicate throughout the organization the problems associated with the current way of operating
  - What benefits might accrue from trying something else?
- Try to incorporate people throughout the organization in the change process
- Think about the forces that are driving change and those that are resisting change

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Questions?

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