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Changing Public Sector Organizations from the Middle

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Abstract:

Public sector change initiatives have mostly been driven by a top-down management approach that has its roots in the private sector. Although this strategy has been very successful in guiding private sector change management functions, the same methods and practices have not shown to be as effective in the public sector. Successful change management in public sector domains is much more elusive because private sector solutions often fail to take account of the unique cultural, political, and organizational differences that underlie our Federal, State and Local governments. Research conducted for this paper suggests that middle management ranks in public sector organizations have much more power and influence than their private sector counterparts. Hence, a successful change management strategy that primarily focuses on co-opting and empowering middle management in leading an organizational change effort may yield a much higher rate of success than traditional top-down methods.

Keywords: *top-down management, change management, public sector change, ERP*

1. Introduction

Popular management theory has held the belief that efficient and lasting organizational change efforts can only succeed if they are driven from top-level management (Hammer and Champy, 1993). This top-down change management approach has been the de-facto methodology in the private sector. It suggests that leadership commitment from high executive levels is needed to drive and resource a successful strategy, which in turn garners the necessary trust and buy-in from the lower ranks of the organization to accomplish a change management agenda.

Research has shown that this strategy does work quite well in the private sector. Professional, managerial, and academic literature is filled with cases studies that attest to the fact that a committed top down change management strategy is very effective. The question then becomes – do these strategies effectively translate into the public sector?

2. The Problem

Management consulting companies and professional organizational change specialists have for years advocated the premise that their change management successes in the private sector can be equally impactful in public sector organizations (Booz and Company, 2004). The suggestion is that their top-down methods and supporting top-down methodological approach to organizational change are equally applicable in both the private and public sectors (Ryan et al, 2008). Given the large domain that can be defines as “public sector”, there are many success stories to back up the claims that a private sector change management strategy does indeed apply very appropriately in a public sector organizational change effort. That said, there are many instances where such strategies have fallen short (Song, 2009). Nowhere is this disconnect more evident than in several recent public sector Enterprise Resource Planning (ERP) system implementation efforts where the top-down implementation management approach has often resulted in high failure rates, cost overruns, and missed implementation milestone targets. The fact is that Public sector ERP solutions have been difficult to scope, manage and implement in accordance with best industry practices and generally accepted project management principles (Sommer, 1998) (Sommer, 2006). A 2005 Government Accountability Office (GAO) report outlined the implementation effectiveness in several US Navy ERP projects. The findings state that...

- “The Navy has invested approximately \$1 billion in its four pilot ERP efforts, without marked improvement in its day-to-day operations”¹.

Although the report makes some basic recommendations that address management and process efficiency, it does not address the premise that there may be unique cultural, political, and organizational factors that negatively influence successful change in the

¹GAO United States Government Accountability Office Report to Congressional Requesters, September 2005

“DOD BUSINESS SYSTEMS MODERNIZATION - Navy ERP Adherence to Best Business Practices Critical to Avoid Past Failures”

public sector. It is precisely these unique issues – culture, politics, and organizational values that crop up as being the critical stumbling blocks for many failed public sector change management efforts. Regardless of whether change initiatives are IT and process centric (such as ERP systems), or structural in nature (such as merging several departments or agencies into a newly formed entity), it is highly unlikely that a proven successful private sector approach will have the same impact in the public sector. In such instances it is often the case that private sector top-down change management strategies have failed to address the unique management hierarchies, cultures, and policy frameworks that exist within government organizations.

3. The Traditional Point of View

In doing this research, I find that there is one single factor that keeps cropping up as being at the “heart” of the top-down change management problem in public sector organizations – Culture! (Junge et al, 2010). No matter how many reports, papers, and executive briefings are written about the need for public sector organizations to benchmark themselves against successful private sector models, the fact remains that public sector mandates, operating procedures, and policy frameworks do indeed support a political and organizational culture that functions under radically different guiding principles than their private sector counterparts. Among the most ardent of these principles is the tedious and often frustrating consensus based decision making process. In a private sector organization, decisions are mostly centered on profitability, stockholder value, and competitive advantage. Hence, long decision making cycles are considered a detriment to the efficient operation of the business, and although consensus is often sought as part of the process, ultimately a chief executive will have the final word with regard to execution. Once a decision is made at the top, the rank and file is expected to execute accordingly, and as a consequence are evaluated and rewarded as to their performance. Non-compliance is usually not an option, and the only permanent alternative may be the unemployment line.

Conversely, in a similar public sector decision making cycle, there is no equivalent executive power base to drive a hardlinetop-down mandate through the middle management ranks and into an implementation phase. High-level management decisions are almost always consensus based and couched in a “group-think” cultural paradigm.

- All decisions (even at high SECDEF/Flag/SES² levels) are made by committee; where the prime goal is to achieve consensus. Again, much of this behavior is driven by a culture steeped in “checks and balances”. However, the committee-based decision model has shown to be very slow in driving critical decision making, providing clear guidance, curtailing special interests, and garnering support from lower level managers. (Sommer, 2011)

The phenomenon is noteworthy because it goes to the heart of the cultural differences between public and private sector organizations. From an historical perspective and regardless of time period, societies have had much to fear from repressive governments. Therefore it is not incomprehensible to suggest that the original framers of the U.S. Constitution and succeeding founding fathers were leery of government overreach and heavy handedness. Hence they developed a system of bureaucratic “check and balances” along with the necessary policy/regulatory frameworks to ensure that any high-level government actions will have to be vetted in a consensus driven process. Almost two- and a half centuries later, some would argue that the process has gotten completely out of control. They frequently point to a government that has become overly bureaucratic and unresponsive to the needs of its citizens, while being only concerned with serving its own needs. Given recent public scandals about the ineffectiveness, heavy handedness, and alleged corruption in some US Government agencies (i.e., in the Internal Revenue Service and Veterans Administration – just to name a few), the debate has merit. That being said, and given a choice, most Americans would likely choose a consensus driven public sector decision making approach over a fast track private sector chief executive model, where ultimate decision making power vests in only a few individuals.

It should come as no surprise then that the consequences of a top-down consensus driven approach can significantly increase timelines and costs. From a project perspective, consensus based decision making can significantly increase the cost of an IT solution, weapon system, or overall program. Once government personnel, contractors and resources are committed to a project, a delay in the decision making cycle can stall project momentum and create project plan bottlenecks that can only be resolved by adding resources; which in turn adds to the overall cost.

4. The “Delay” Factor

In reality, many capable public sector managers do manage to make timely consensus based decisions and are able to put forth an agenda for achieving a certain set of goals. However, as mentioned previously, the unique cultural and political dynamics of public sector organizations may not allow that agenda to succeed. Even though top management agrees on a way forward, the agenda may not be supported by middle management. This is where we get at the fundamental reason why a top-down driven change management may not be appropriate in many public sector organizations. Even though top management may have successfully avoided the pitfalls of the consensus driven decision making process, there is no guarantee that the agenda put forth by this process will be embraced or supported by middle management. Unlike their private sector counterparts, high-level government managers, contractors, and consultants have no “magic bullet” to deal with this crippling aspect of a top-down strategy. Civil Service employment regulations make it very hard to discipline, cajole, or intimidate middle managers who do not want to support or comply with an agenda that they deem to have a negative effect on their organizational unit. In most cases “negative” is a relative term that describes any agenda, program, system, or project that may cause the status quo within the unit to change.

² Secretary of Defense (SECDEF), Flag Officers, Senior Executive Service (SES)

From a middle manager's perspective, the problem is perfectly clear and quite understandable. Public sector middle managers are often the guardians of the status quo. In other words, they are charged with maintaining and controlling the existing power base of the unit. Management literature refers to this organizational structure as a "Silo" or a "Stovepipe", where the information and process flows that enter and exit the stovepipe are tightly controlled by a management hierarchy that wants to maintain its powerbase and culture (Blanchard, 2010). Hence any new organizational change effort is considered a potential threat to the existing power structure. This control oriented management style is well known and researched, and has been shown to seriously impede cooperation and communication efforts between organizational units that are structured in such a manner (Sommer, 2006). In essence, almost any organization that is based on a stove piped model will eventually suffer from overly competitive units that fight with each other over resources. In many cases the in-fighting and territorial agendas takes precedence over cooperation, communication, efficiency, and customer service. Middle managers are often the guardians of such stovepipes in that they act as filters or check-station to the information, process, and communication flows that enter and leave the stovepipe (Figure 1). We can easily imagine the inefficiencies, rivalries, disconnects, and customer service failures that can exist when an organization is structured around several stove piped units.

In the private sector, stubborn stove piped units are often dealt with quite severely. Since bottom-line incentives are what really matter in corporate boardrooms, stovepipes are seen as an impediment to efficiency and competitiveness. Managers that cling to stove piped organizational models are quickly transferred, demoted, retrained, or in the most extreme case their employment contract is terminated. Given Civil Service employment regulations, many of the private sector remedies for addressing a stove piped organization will most certainly be more difficult to implement, or be downright impossible to pass legal review. That then begs the question – what can be done to convince middle managers to release their hold on stove piped organizational units?

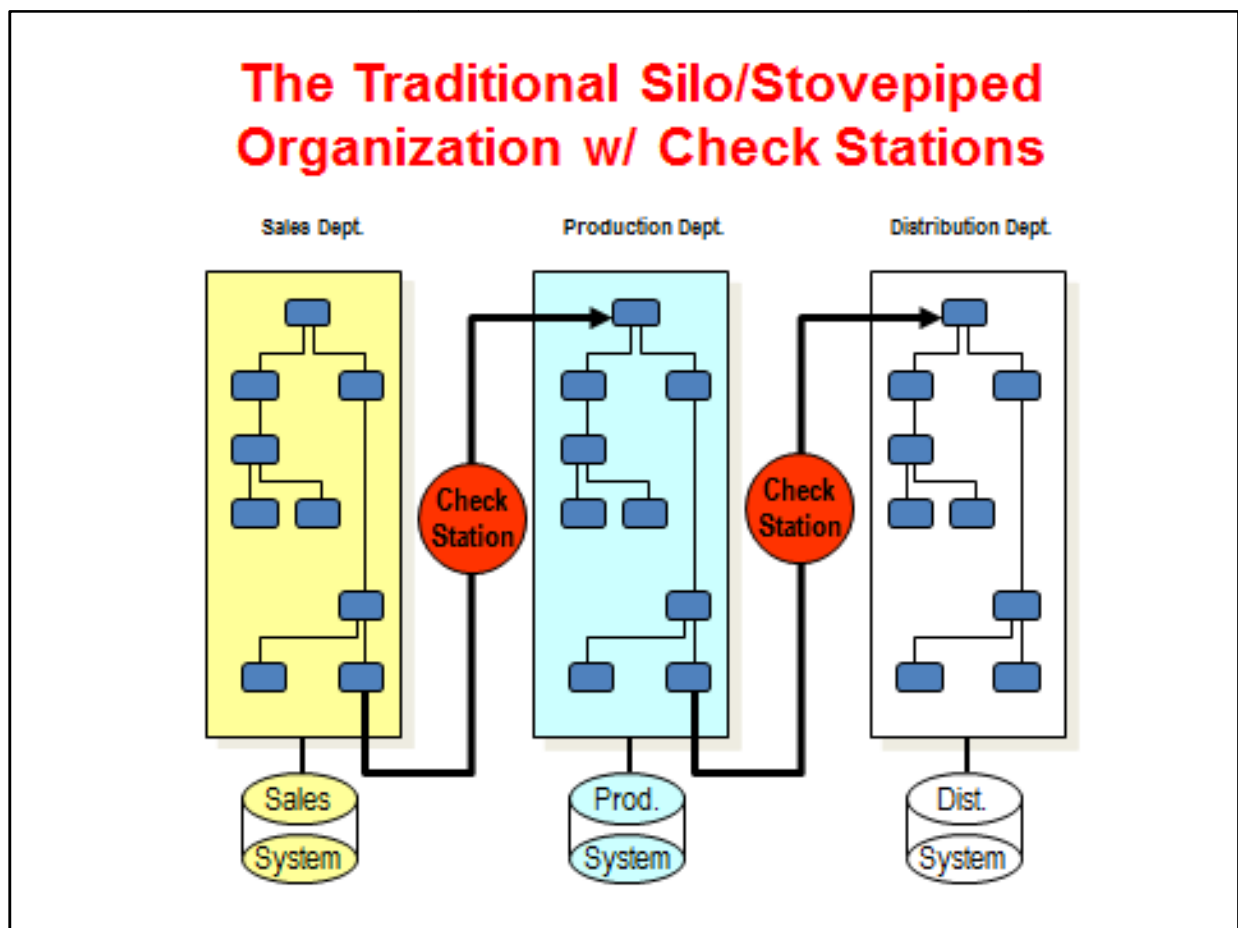


Figure 1

5. Recognizing the Real Dilemma: Consistent Leadership

Middle managers in public sector organizations operate under inherently different performance and management criteria than their private sector counterparts. This is due to the nature of large bureaucracies that operate at the federal, state, and local level. In looking at high level management practices within the US Department of Defense, it becomes clear that at the highest levels, managers and political appointees rarely stay in place long enough to actually drive a significant organizational change effort to conclusion. They may initiate any number of projects, but they are rarely at the helm a few years after the project was started (Sommer 2011).

Most all political appointees have a very short time frame to drive an agenda. Realistically they must drive their initiatives during their first two-to-three years in office, because their tenure is tied to the fortunes of the presidential election. Hence, they may often use the latter years of their appointment to do political work, or to develop a plan for transitioning back to the private sector. Once this early window of opportunity has passed, the project commitment of the appointee often begins to wane and critical decisions will not be readily forthcoming. Although not endemic, critical decision timelines tend to get longer during the latter years of a political appointee's tenure. This may cause project timelines to slip and severely affect overall costs.

- Within the military ranks, many senior officers are often on mandatory rotation, and although they may have an ambitious agenda, they must work diligently to get even a fraction of their programs funded and completed before they are assigned to a new position. Chances are that when a new officer is assigned to a recently vacated position, he will only provide complete support for his own agenda and interests. This effectively puts many critical decisions on hold (Sommer, 2011)

Interviews conducted for this research paper with several current and former US Department of Defense middle managers indicate that this "transitioning" problem has severe repercussions with regard to the confidence that middle managers have in their higher level leadership. –

- "We get a new CO (commanding officer), and it takes us almost a year to train him on all the nuances of the job. Then within the next year or two he rotates out and they (high level executive actions) drop in the next candidate. – It's frustrating, because we never know what existing agenda(s) will be supported by the new boss."³

Therein lays the dilemma! Middle managers are averse to change because to a great extent they feel as though they are not supported by their top leadership. In some cases they feel abandoned, undermined, and/or subverted. In any case, the result is predictable; stonewalling! Given the mixed emotions that result from this shifting leadership problem, it is not uncommon to find that middle management feels increasingly insecure in their job positions, their own leadership abilities, and the stability of their organizational unit. To that end, they close ranks within their units, and attempt to protect themselves from any undue outside influences that could potentially threaten their existence. To achieve this goal, they do what many do best – interpretation and adherence to the strict letter of policy and regulatory frameworks. In effect they use their expert knowledge of the rules and regulations to stall any attempts at organizational change. In many cases, mid-level bureaucrats who have an expert command of the rules and regulations, can use this knowledge to totally slowdown, subvert, and often derail the efforts of senior leadership who are much higher in the chain of command. Even when faced with direct compliance mandates from above, their localized knowledge of "The Rulebook" has frustrated and exasperated many a senior executive, political appointee, or military leader.

This problem could also get much worse. One of the most interesting findings of this research is the realization that public sector middle managers usually have a huge sphere of influence. Often they have been in a Federal agency or department long enough to have acquired a significant number of professional and personal contacts within the government, industry, and the contractor community. In effect, many of these individuals have a staggering wide network of "contacts" not only within their own organization, but also other agencies and the private sector – They know people! This network provides tremendous potential in personal intelligence gathering and information brokering to benefit the organization. It can also operate as a "two-edged" sword. On the one hand it can be very useful to bridge organizational stovepipes to support cooperation and information exchange. Conversely, it can also be used to support any number of roadblocks and decisions to effectively stall any organizational change effort.

6. A Potential Solution

Instead of a traditional top-down change management approach, it may be more impactful to consider a "middle-down" alternative. By supporting an initial effort to co-opt and garner the support of middle managers, a change management project may have a much better chance of successful implementation than a traditional top-down mandate driven option. Since the middle management ranks are so entrenched in the organizational fabric, they often command a great deal of loyalty, respect, and support from the lower echelons of the organizational hierarchy. They set the tone and mindset of the daily work environment, and also provide the motivation for employees to perform well in their assigned tasks. They are trusted and respected, and their opinions influence the collective mindset of lower level employees. Depending on their work history and years of service, their sphere of influence may span across stove piped organizational boundaries and include personal and professional relationships that far exceed their mid-level career path status. Interviews conducted for this research study suggest that it is precisely these individuals who must be identified and trained to support and help drive a change effort down to the lower levels of the organization. Without their help and support, a public sector change management strategy may be severely compromised from the outset. This is especially true if the organization in question has a history of severe political and managerial infighting among highly stove piped units.

To garner the necessary support of middle management for a change initiative, high level managers must set an agenda that includes the middle management ranks from the outset. This is especially important when it comes to the budgeting process. An initial budget must include line items that address the following needs of middle management.

1. Education and Training – To be effective change management advocates, middle managers will need to be trained and educated not only on the organizational benefits of a change effort (i.e., organizational theory behind the change), but also in

³Quote from a middle manager in response to the question about the importance of leadership in implementing a change management strategy.

the rigorous methodologies and principles that will be used to support the implementation. Since they will be tasked with supporting and advocating the project down to the lower level of the organization, they must command both the high-level (managerial) and the granular (methodological) aspects of such a project. Gaining such knowledge is neither easy, nor inexpensive. Hence, the initial budget must reflect this cost.

2. Organizational Support –Once a select cadre of middle managers are identified, trained and have started working among the rank and file within the organization, they must have the necessary organizational support to reinforce their advocacy efforts. This often includes the development of internal project-centric web-sites (intranets), newsletters, informative e-mails, seminars, “meet and greet” events, personal office visits, invited speakers, and a host of other project marketing opportunities. Any opportunity to advocate for the project must be combined with the necessary resources to support the socialization of the project among the worker community. From a cost perspective these efforts are negligible when compared to the potential benefit(s) they provide in keeping workers informed, and most of all “at ease” about the progress of a large organizational change project.
3. Top-Level Management Reinforcement – It is not enough to simply train mid-level managers to be “change advocates” and then simply hope for the best. The most important aspect of this “middle-down” model is the ever present support of high-level management. To that end, it is necessary to provide a formal meeting schedule between the highest echelons of the organization and their mid-level surrogates to make clear the fact that the level of managerial, budgetary, and political support that comes from the top is steady and consistent. These meetings reinforce the institutional commitment and continually legitimize the relationship between high- and middle management efforts.

The middle-down approach will most likely be more costly at the outset of a project due to the amount of training and socialization that needs to be done to make mid-level managers comfortable with the organizational change strategy. However, given the history of many failed public sector change efforts, the costs may well be worth the price if the probability of success is increased by even a few percentage points.

7. Conclusion

Middle managers by definition are “stuck in the middle”. Hence, they often feel squeezed by both sides (top and bottom) of the organizational hierarchy. Accordingly, any changes to the organizational status quo, whether coming from the top or the bottom, may easily be interpreted as having potential negative consequences. When viewed in this perspective, it is quite easy to understand that any notion of organizational change may initially be met with apprehension and distrust. The middle-down approach suggests that by giving middle managers a greater more proactive role in the process, the inherent risks of failure can be greatly reduced.

Once we get to a point where high-level public sector managers and the consultant community can agree on the fact that a top down change management approach may not always be in the best interests of the organization, a middle-down strategy then becomes more interesting from a practical, as well as a research and implementation perspective.

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