

# ZM MANAGEMENT ideas

A monthly newsletter from Zucker Management Info Service Issue 15 March 1992

## R Ouch

All of our recent seminars, telephone calls and studies seem to be focused on one issue; what can we do to survive the budget crisis? Staff is being laid off, travel budgets frozen, training scaled back or eliminated, fixed asset budgets eliminated and employee moral sinking by the day. The private sector recession has hit government. Recession has turned to depression.

In this issue we want to step back from your day to day crises and help you get your bearings. Then, we will offer some specific ideas on handling the crises. Undoubtedly those of you in the trenches are coming up with some good ideas of your own. Please FAX them to us and we'll share them with your fellow readers of *Z Management ideas*.

## What's Going On Here?

Many planners view what they are going through as a temporary problem. City sales tax revenues are down, development is slow, permit fees are down and budgets are tight. Although it's tough and morale is low, hang in there. Boom days are just around the corner.

Likewise, what is happening in the private sector is seen as a temporary, although difficult period. People being laid off will be hired back tomorrow or as soon as the recession is over.

## Opportunity!

Although these thoughts are comforting for both the public and private sector, we doubt they are true. Private businesses are undergoing a major long-term shift based on the new world-wide competitiveness and increased customer demands for services. Many of the jobs currently being cut will never return because businesses are being forced to find new and better ways to be productive.

Can the same thing happen to government? Yes, it's already happening! Citizens are increasingly fed up. Listen to the surveys, news articles and debates as part of the Presidential election. Increasingly, we hear similar comments at the local level. And don't be fooled by the simultaneous demand for more government services and lower government budgets. These two demands are not necessarily contradictory. As with private businesses, citizens want increased service at lower cost. This isn't a new concept.

### CONTENTS

Recession →	
Opportunity .....	1
Managers Learning	
How to Manage .....	4
Don't Do Twice What	
You Can Do Once .....	8
BookTalk .....	12

*“Two tests of practical efficiency may be applied to the government of a city: what does it provide for the people, and what does it cost the people.”*

*Lord James Bryce  
1838–1922*

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## **Living In a Fool’s Paradise**

W. Edwards Deming<sup>1</sup>, the guru of Japanese industry believes that American industry has been living in a fool’s paradise. He suggests that, “In an ever-expanding market, even the worst management seems good because its flaws are concealed. But under competitive conditions those flaws become fatal, and that is what we are witnessing as U.S. companies lose market share in one area or another.”

Governments have been living in the same “fools paradise”. Peter F. Drucker has suggested that if government kept an honest set of books, they would all be required to declare bankruptcy<sup>2</sup>. “I’m from the government, and I’m here to help you”, has been a bad joke for decades. Citizens are losing confidence that the government can do the job. A good description of the problem was made by Joseph Sensenbrenner, former mayor of Madison, Wisconsin, in the March-April 1991 Harvard Business Review where he said:

“People are making comparisons, they can call American Express on Monday and get a credit card in the mail by the end of the week, but it takes six weeks to get a lousy driver’s license renewed. You might not think the motor vehicles division competes

with American Express, but it does in the mind of the consumer.”

We see poor service and negative attitudes in many public planning departments. In many cases, service was bad before the recession and the recession has provided a handy excuse for even poorer service.

What is needed today in planning departments is a fundamental shift in attitude, followed by a fundamental shift in action. John Naisbitt said it well in *Re-Inventing the Corporation*<sup>3</sup>, “We are living in one of those rare times in history when the two crucial elements for social change are present - new values and economic necessity. His prescription for the corporation must also become the prescription for government and planning departments:

“The corporation is an analogue for the rest of society. We are re-inventing education, health care, politics, and virtually all our social structures. But the corporation is often the quickest and most responsive to change. Each day the corporation must confront the harsh judgements of the marketplace. Not every four years, not every school year, not every month. Customers, unlike other constituents, vote every day, and that hastens corporate evolution.”

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have always  
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## Your Mental Attitude

In my book, *The Management Idea Book*, I suggested that: "The successful governmental managers of the 80's will be one who can manage with less." What I didn't realize or see at that time is that successful managers **have always** managed with less. It is now apparent that this will be even truer as we head toward the next decade.

The current recession should be viewed as a blessing in disguise. The recession can help us accelerate changes that we should have been making anyway. This point was made recently by, of all people, a homebuilder. Keith Johnson, an executive of the Fieldstone Company—one of California's largest homebuilders was quoted in a recent newspaper article as follows<sup>4</sup>:


"Without hesitation, Keith Johnson insists this recession is a good period for a homebuilder like Fieldstone Co. "It's the perfect time," said Johnson. "The timing is perfect to round out the background of our management. In many ways, you can learn more in a downturn."

I have now managed major cut-backs in two jurisdictions, a large county and a large city. Although it may be more fun to manage expanding organizations, contracting organizations are more the test of the manager. You quickly learn that the roof does not fall in and that you can manage with fewer resources. You are also forced to unleash your creative energies to find new ways to be productive.

I've had another experience in my career whose meaning I have only been able to see many

years later. In the early 70's I was President of a non-profit corporation that created or acquired manufacturing companies, with the goal of employing low income minorities. We were receiving well over a million dollars a year in federal and foundation funds which in turn could be leveraged 8/1 through SBA loans. We hired several staff from the private sector who were experienced in creating and running manufacturing firms. Our key business staff person suggested that our biggest problem was in having **too much** money. He was an entrepreneur who was used to creating businesses with limited resources. This gave him the discipline to be successful. We had too much money available to foster a good business discipline. Looking back, I now see that having too much money was indeed a factor that kept us from being more successful.

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Peter Drucker captured the mood of the day best in his book, *Managing in Turbulent Times*. He suggests, "It is yet another example of turbulent times that managers have to learn to manage. Today's manager can no longer confine himself to reacting: he has to act. He can no longer wait, he must take the initiative and become an activist." 

<sup>1</sup> See Book Talk, *Z Management ideas*, Issue 6 and 10

<sup>2</sup> See Book Talk, *Z Management ideas*, Issue 5

<sup>3</sup> John Naisbitt and Patricia Aburdene, Warner Books 1985

<sup>4</sup> San Diego Business Journal



ideas...

*Manager*

## Learning How to Manage

*The following list is designed to help you through the current recession and, more importantly, prepare you for the long term adjustment.*

 *Employee*

The biggest mistake you can make is trying to think up and implement change yourself. Your employees are the source of many of the needed ideas and are certainly central to their implementation.

Your organization should be moving toward full employee involvement and empowerment irrespective of any crisis. However, the crisis can be a good stimulation to get things moving. One of the simplest, easiest techniques is the traditional committee. The difference is the committee needs a specific charge and a specific timetable. The focus must be on productive action.

This may also be a good time to increase internal meetings. The more the organization is under pressure, the more frequent the need for meetings involving more people.

 *Job Offer*

The idea of lifetime employment has been the cornerstone of many private businesses. Likewise, job security has been a traditional benefit of government employment (except perhaps for planning directors). While a desirable goal, lifetime employment is no longer feasible in all cases. Many government functions will need to be reduced in size. When faced with down-sizing consider the following:

**a. Attrition**

Use attrition whenever possible to reduce the size of your staff. If you had had a better projection of work load and staffing needs you might have started your position freezes much sooner and avoided additional layoff. Put staff projection systems in place now so this will not happen again.

**b. Early Retirement**

Calculate the cost benefits from offering early retirement benefits and offer this to employees where cost beneficial.

**c. Part-time Employees and Leave of Absence**

This may be an ideal time to expand your use of part-time employees, variable work weeks or granting leave of absences. Some employees may welcome the opportunity to go to half-time schedules, obtain another degree, start a family, try out a part-time business, etc.

**d. Placement**

Conduct an extensive program to place all laid off employees. This may be in other departments within your government, or in other governmental agencies or private positions. Your goal should be 100% placement.

You will be surprised at how many other departments or organizations can benefit from planner skills. This will also be an ideal time to work with your personnel department to change or relax job classifications in order to assist with placement. The trend in businesses is toward more generic job classes. A time of crisis can be used to move government in the same direction.

#### e. Communication

Let everyone know what is going on. The rumor mill can be very destructive during times of layoff or budget cut-backs.

#### f. Short Term Options

If your layoff needs relate to short term problems rather than long-term, there are many options being pursued by both government and business. These include foregoing pay increases, reduced work weeks, taking one Friday a month off, stopping use of overtime pay, etc. You'll find your employees are particularly good at developing creative ideas.

#### g. Fairness

You obviously don't want to use a layoff process to layoff your better employees. However, the process must be fair

and not an excuse for handling poor performance problems that should have been addressed earlier. Also, don't save managers jobs at the expense of non-managers. As you'll see in the section on organization, the opposite may be called for. Management classes must absorb at minimum an equal level of layoff but more likely a higher level. Don't ask your employees to do anything you won't do.



## Organization

Use the budget crises as an opportunity to re-examine your entire organization and those organizations you relate to. Merger of units or whole departments may be in order. Various aspects of planning, environment, and development historically have been too fragmented and cut-back planning may provide excellent opportunities for merger.

This is a time to whittle away at middle management, smash your organizational pyramid and increase spans of control. Review again the theories presented in last months *Z Management ideas*. Even without layoffs we took an organization of 19 employees and reduced the number of layers in the organization from 5 to 3 and the number of managers from 10 to 4. Imagine the potential for improved production in this new organization.

You should look at fairly radical organizational concepts. Peter Drucker suggests the new organization will look more like the university or the hospital, "concentric, overlapping, coordinated rings, rather than the pyramid".



## Other Departments

When Edward Deming returned to the United States from Japan he saw suboptimization in full bloom. Each division within companies he studied were seemingly being successful while the entire company was going down the tubes. The same problem can be readily observed in most governments. Autonomous departments are the tradition in government. Often the right hand doesn't know what the left hand is doing.

How often do city departments fight each other, duplicate work, create self serving projects? The customer or citizen doesn't care about the little fiefdoms, but rather sees government in total as the problem.

This is an ideal time to look at departmental effectiveness, efficiency and assignments. On a more radical basis, this may be an ideal time to either merge, or in some cases un-merge departments. A future issue of *Z Management* will show how this was recently successfully accomplished in a California city.

Planning departments should start by looking at related departments, i.e. building, engineering, fire, assessor, etc. But don't stop with the obvious choices. A variety of efficiencies should also be possible with the staff departments, i.e. personnel, computers, attorney, purchasing, etc. All staff functions, both internal and external should undergo the same scrutiny as line functions.

## Training

Don't scrimp on training. The training budget is often the first to go in times of cut-back. Yet, training costs are relatively modest in terms of potential benefits. Because jobs are changing, effectiveness and efficiency need to increase, and creativity is essential, the need for training is increasing.

What is needed, is a careful examination of the training budget. How can you get the most bang for your bucks? Are you training the right people? Review again the Z Management ideas, Issue 3 regarding your training programs. Remember you're working on a long-term organizational adjustment and change, not simply a short-term recession.

## Empowerment

Empowerment is the process of each employee becoming more accountable for what they do. Employees become self directed. Organizations working with empowerment find that productivity dramatically increases. Although true empowerment may take an organization 3 to 5 years to achieve, there are things you can do immediately to get started. As a manager, stop answering employees questions on matters they are capable of finding out or deciding on their own. Back off of making so many decisions. Examine all the decisions you have been making or documents you are signing. Pick one of these and decide that within 10-20 days you will fully delegate it. Use the 10-

20 days to train the person who will do this task. When the first one is complete start with a second one; then the third, etc. Also, when possible use self-managed teams.

## Collaboration

Collaborate with others to solve problems or undertake cut-backs. New management styles require teamwork. Remember, people in the same boat have a tendency not to bore a hole in it. However, make certain everyone realizes they are in the same boat. Involve everyone in everything.

## Consultants

Contemporary organizations are lean and mean. They consist of a small, highly trained, integrated staff. As work expands they bring in temporary staff as consultants. It also allows the use of highly specialized skills that you can't afford full-time.

Often in government, elected officials will not authorize hiring of staff. But, consultants can often be paid through full-cost client reimbursement programs.

All staff functions should be asked to become competitive with consultant prices. If you can hire a consultant attorney cheaper than the city attorney you should be allowed to do so.

## Motivation

Employee moral can often be a concern and a problem during budget crises. This is a time to work extra hard on motivation! However, remember that motivation is much more than giving



## REMINDER

You're Invited!

PAUL C. ZUCKER'S

All Day Seminar

May 9th, preceding the

1992 National APA

Conference.

To Reserve your space at the Z Management ideas seminar, fax us immediately using the form enclosed.

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pats on the back or encouragement. Re-read *Z Management ideas*, Issue 6. We suggested four different types of employees and then list motivation ideas for each employee type.

For virtually all employees, you will find empowerment one of your greatest motivational tools. Even giving employees the responsibility to figure out what to do with fewer resources can be highly motivating.

### #1 *Priorities*

A budget crisis is a time to do more planning and priority setting. Don't be trapped into the philosophy that you are so overworked there is no time to plan. Carefully set your priorities and drop some activities. Use the crisis as a time to convince your elected officials to change procedures or policies. If you have twenty priorities, you don't have any priorities. Focus on the "main events" of your organization. If you conduct a planning exercise and don't eliminate some functions, it has not been a successful exercise. Get clear on your "mission".

Set tighter deadlines than you have in the past. Also, set more deadlines. Improve the clarity as to what is needed. When looking for perfection on a project, remember the 80% rule. It may cost you as much to complete the last 20% as it cost you to achieve the first 80%.

Prove to yourself and others that each function or program makes a difference. If you cannot prove it, drop it. Consider drop-

ping entire functions or programs, or closing operations or field offices.

### ↓ *Poor Performers*

If your traditionally poor performers remain in the organization, this is the time to give them a new challenge. You simply can no longer afford to give these staff the slack as in the past. Spend more time to train, motivate and coach these staff members. There is a good reward in this item for both the manager and the employees. By raising your expectations and demanding more, you'll find the employee actually becomes more motivated.

### ↓ *Fees*

Examine all fees for services. Raise old fees to full cost recovery and begin to charge for traditionally free services. In particular, look at fees for uncontrolled expenditures, such as pre-application conferences. Consider the first 15 minutes free, for example, with a charge thereafter.

Shift more work to the applicant, such as addressing and stamping envelopes for public notices, or submitting additional material as part of the application.

### ↓ *Zucker Systems*

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