

SUPPORTING HIGH PERFORMANCE GOVERNMENT

Leading Large Scale Change

June 8<sup>th</sup>, 2004

# Managing Stakeholders and Allies: Balancing Collaboration and Autonomy While Maintaining the Pace of Change

## Panelists:

**Michael J. Farrell** Deputy Commissioner, Strategic Initiatives, New York City Police Department

**Christopher O. Ward** Commissioner, New York City Department of Environmental Protection

## Moderator:

**Carl Weisbrod** President of the Alliance for Downtown NYC Inc.

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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 seeks to:

- Create a networking environment that encourages the exchange of ideas between senior managers of complex change programs and those emerging leaders charged with undertaking similar efforts.
- Encourage 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, and
- 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 a central strategic and managerial question of particular relevance to large-scale change. The breakfast on June 8, held in the Office of Management and Budget (OMB), focused on “Managing Stakeholders and Allies: Balancing Collaboration and Autonomy While Maintaining the Pace of Change”. In this session, attended by senior managers working in 22 city agencies, participants discussed the challenges of initiating large-scale change in an environment with multiple stakeholders, and different strategic approaches to engaging and managing stakeholders in order to facilitate change.

Carl Weisbrod, President of the Alliance for Downtown NYC Inc., moderated the June 8<sup>th</sup> session. Among other public sector jobs, Mr. Weisbrod was President of the New York City Economic Development Corporation. The two discussants for the session were Michael J. Farrell (Deputy Commissioner, Strategic Initiatives, New York City Police Department) and Christopher O. Ward (Commissioner, New York City Department of Environmental Protection).

The following summarizes some of the central ideas and observations offered by the lead discussants and during an audience-wide conversation, as well as issues discussed during the follow-up workshop held on July 12<sup>th</sup>.

### **Key Observation: Agency Autonomy and Culture Matter**

Two primary new initiatives were the focus of this Executive Briefing. On the day of this briefing the Administration’s reform of the Noise Abatement code was a major story on

the front page of the City's papers, as the Mayor announced his plan to transform the outdated noise code. While the requirements of the code and its enforcement affect many City agencies, the Department of Environmental Protection (DEP) and its Commissioner, Christopher Ward, has been the lead agency, taking primary responsibility for the code's restructuring. Working with several City agencies and external stakeholders, Ward has been revising the Noise Code and attempting to implement this significant revision. His approach has involved negotiating with both allies and opponents to build an effective constituency base, create external stakeholder buy-in and cross agency collaboration with those agencies, such as Sanitation, Transportation and the Police Department, that are most affected. This has been a long-term strategy to create a consensus around new approaches to noise control. Internally, the Commissioner capitalized on staff enthusiasm for up-dating the code.

A contrasting approach to managing stakeholders, as illustrated by Deputy Commissioner Mike Farrell of the New York City Police Department (NYPD), involved making an internal decision at the most senior managerial level to change, and then rolling out that change down the chain of command. The NYPD initiated an expansion of their focus from successful efforts to fight street crime to the new priority of combating terrorism. Farrell described how his Department had to rethink its approach to fighting crime so as to be able to devote more resources to counter-terrorism efforts. He described the process as a "roll out" in which the new initiatives were instated by top officials and handed down as a mandate through the ranks. The importance of an agency's "culture", alluded to several times in this conversation, clearly shaped the choice of approach in these agencies. As a para-military organization, the NYPD could depend on a structured, "top-down" approach. In addition, however, several other variables supported this kind of "muscular" approach to stakeholder management. Unlike the DEP initiative, counter-terrorism carries an undeniable sense of urgency and almost universal public support. Further, the NYPD had the power, expertise and jurisdiction to carry out this major addition to its mandate. While the Department collaborates with Federal agencies, it could on its own create a global police presence. Commissioner Farrell noted that if an agency needs to rely on others for necessary resources, and there are powerful groups with challenges to the effort, then the "messaging" approach to stakeholder management would be more effective.

When discussing both approaches, the comment was made that managing stakeholders in the public arena is a combination of science and art. Both discussants as well as other participants emphasized the idea that there are some practical "scientific" ways to manage stakeholders but that each individual situation requires some inventive approaches, - the "art" of managing stakeholders.

### **Key Observations: Managing Staff Support – Mobilize in-house Champions and Communicate your plans**

When it began its initiative to revise the noise code, Ward uncovered significant internal support for a large-scale change because of frustrations with the current system.

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Commissioner Ward said, “The staff was hungry to change the noise code.” A Deputy Commissioner of the Department of Education also observed that they identified staff who supported change and have relied on those employees with enthusiasm for agency reform to build a base for the overhaul of the Department.

During the follow-up workshop on July 12<sup>th</sup>, Zeinab Chahine, Deputy Commissioner for the Administration for Children’s Services (ACS) also noted that there was internal enthusiasm for change within her agency, but that this could not be tapped without a rigorous communication effort between front line staff and the senior administration. Front line workers were not clear about new agency directions. Staff how they fit into the plan. It was critical to develop a process that would allow senior managers to discuss their goals and views of the organization with front line staff. Through this process, Chahine realized that staff ideas for change were in line with the new vision and goals being promoted by the agency. Chahine noted that when the agency as a whole is in agreement about making a large change, it not only advances the entire process but lends credibility to the organization in the eyes of other stakeholders.

**Literature on managing stakeholders suggests that there are many ways to overcome internal resistance to change. For suggestions see:** Trader-Leigh KE. (2002) Case study: Identifying resistance in managing change. *Journal of Organizational Change Management*, 15:2 pp138-155.

\*For more literature on the breakfast theme of managing stakeholders, see the annotated bibliography posted at: [www.wagnerbriefing.com](http://www.wagnerbriefing.com)

### **Key Observations: Managing External Stakeholders**

When the DEP began the process of trying to update the noise code, it realized that it would have to gain the support of external stakeholders that were going to be affected by this code. DEP negotiated with several, such as the real estate, construction and nightlife industries to gain their support. Reasonable compromises were reached. For example, some agencies with existing projects were given permission to grandfather some operations while others helped to identify what would be meaningful flexibility in particular standards. As Ward noted, the environment went from being one of “yes, you exceed the noise limits or no, you do not”, to one that incorporates a “reasonable noise level” standard that allows for negotiation of noise levels particularly for organizations that rely on loud activities to sustain business.

The NYPD forged new relationships with national and international agencies to lend support to and expand existing counter terrorism efforts. In doing so, it had to reduce the number of officers assigned to patrol various communities in the NYC metropolitan area. This raised concerns in some communities that the police presence would be inadequate. The Department responded by implementing Operation Impact. It was designed to place new recruits (and current beat officers) in the areas that had the greatest problems, now

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called “impact zones.” The NYPD kept detailed data on crime, and used this data to demonstrate to communities that they were operating more strategically but sustaining low crime incidence. In addition, the system continuously monitors high-risk areas so that personnel can be redistributed, should the impact zones shift over time. According to Deputy Commissioner Farrell, once shown the data, community groups were very responsive to this effort.

**There are many different kinds of stakeholders that public sector managers have to interact with. One categorization of stakeholders suggests that they can be classified by power, urgency (how critical the initiative is to the mission of the stakeholder) and legitimacy (an organization having socially accepted and expected structures or behaviors). Some examples of classification are:**

**Latent Stakeholders (these possess only one of the identifying attributes listed above)**

**Dormant (power only)**

**Discretionary (legitimacy only)**

**Demanding (urgency only)**

**Expectant stakeholders (possess two of the three attributes)**

**Dominant (power and legitimacy)**

**Dangerous (power and urgency)**

**Dependent (urgency and legitimacy)**

**Definitive stakeholders (possess all three attributes)**

**Managers have a clear and immediate mandate to attend to and give priority to these stakeholders’ claims**

**For more information see:** Mitchell RK, Agle BR, Wood DJ. (1997) Toward a theory of stakeholder identification and salience: Defining the principle of whom and what really counts. *Academy of Management Review*, 22:4 pp853-86.

### **Key Observation: Using External Stakeholders to Garner Internal Support**

The DEP reached out to the nightlife industry to investigate their concerns in order to be responsive to some of their issues with the noise code. Once an amicable working relationship with this industry was achieved, the agency sought the support of internal stakeholders (other City agencies and the City Council). With the nightlife industry on the side of reform, the apprehension the City Council had in supporting the initiative subsided. In addition, the support of the construction and real estate industries, two major “noise producing” industries in New York City, lent legitimacy to this change in the eyes of internal city agencies.

The Administration for Children's Services (ACS) also used key external stakeholders to champion their cause and to help convince internal stakeholders that a change was necessary. ACS established a taskforce of nonprofit agencies, hospitals, physicians and the NYPD to develop a protocol for joint child abuse and neglect investigations conducted by ACS and NYPD. . This broad group of stakeholders was already acknowledged by others in City government as experts in the field of child welfare since many of participants were members of Child Abuse Taskforce of the Mayor's Office of the Criminal Justice Coordinator. They supported this reform that ACS was trying to institute, and were willing to help ACS move forward. They understood the importance of an environment where collaboration across City agencies and with institutions outside of government was possible. This group gave ACS's reform efforts more legitimacy. They could push agencies where ACS could not. In addition, having external stakeholders involved and helping to drive the initiative helped to bring the voice of the consumer to the table.

### **Key Observation: Personal Relationships**

The idea of using personal relationships to help leverage stakeholder support was an important theme throughout this discussion and in the follow-up workshop as well. One discussant at the breakfast noted, "What runs through all of this are personal relationships. People think that we are all one huge bureaucracy. There are groups of people who have been around this game, and have become valuable to finding out where problems are going to arise when a new initiative takes shape. It is so important to cultivate and maintain a network of people in government that have been around." This informal structure of networks was also mentioned by the NYPD as being helpful when collaboration is necessary, when technical expertise exists in one agency and resources in others. Other discussants noted that a central factor that influences informal connections between agencies was the culture of an agency. Some agency cultures welcome initiatives even if they have been instigated at lower levels in the bureaucratic hierarchy. In other agencies, that approach might weaken the potential success of a new initiative. Knowing with whom and where to intervene across agencies in their hierarchies is a key strategic decision.

The follow-up workshop discussion further elaborated on the importance and nuances of building on personal connections. Avi Duvdevani, Deputy General Manager and Chief Information Officer of the New York City Housing Authority (NYCHA), noted that his agency is currently trying to work with DOITT and DHS on two separate initiatives. Duvdevani relied on his personal connections to jump-start both programs. In the case of DHS, he now has a formal charter with senior managers in which both agencies have pledged to work together and support each other in this effort. The written statement helps to sustain the initiative. In addition, both NYCHA and DHS have a mutual in commitment to this effort. In the case of the needs of each agency are not as reciprocal. Thus far, Duvdevani has relied on his personal connections to keep the DOITT effort moving, but soon, he feels he will need to surface this effort at the senior management

level. He will hope to implement a similar written agreement as a vehicle to help ensure the implementation of this new effort.

At the follow-up workshop Deputy Commissioner Chahine offered another example of the importance of personal relationships in managing agency alliances. She described ACS's efforts to collaborate with the NYPD in dealing with cases of child abuse and neglect. She observed that over the years, various groups interested in child welfare had tried to establish coordination between the two agencies, but these efforts were not successful. . The current effort to coordinate between the two agencies was successful primarily due to the inter-agency relationships that were established and the ability of ACS to invest in resources to support this initiative. This time, with permanent ACS staff persons coordinating the effort, ACS and NYPD have established the infrastructure necessary to support long-term change to improve how the two agencies work together. The presence of key champions in the NYPD helped to gain access to the agency's senior management, in order to get administrative support for the initiative.

**For a more theoretical look at how and why managers use personal connections to manage networks centered around making large-scale change see:** McGuire M. (2002) Managing networks: propositions on what managers do and why they do it. *Public Administration Review*, 62:5 pp599-609.

**Key Observation: Strategic Decisions about the Pace of Change and Stakeholders**  
Commissioner Ward described an instance in which the City intentionally moved ahead without attempting to enroll stakeholders. The City decided to reverse a State negotiated plan to construct an expensive water filtration plant, opting for alternative environmental strategies to ensure water quality. Clear that the effort to negotiate with the State would mire the progress he hoped to make, the City publicly announced its new policies without prior notice to the multiple external stakeholders with vested interests in the original plan. Initially, this precipitous reversal created some antagonism between the City and State; the Commissioner received many "stern letters and unreturned phone calls." Circling back around, to solidify these relationships, Commissioner Ward also said that it took about a year and a half of negotiations to design a new plan for improving water quality that saved money for both the City and the State and achieved the desired water quality standards.

Commissioner Farrell agreed that sometime moving swiftly is critically important, but he argued that moving ahead of your stakeholders is related to whether the agency "hold(s) all the marbles". He noted: "Understanding that it is a conscious choice to pursue change, in whatever manner you do it, has to do with two things. First is the criticality of the issue, and whether or not a particular agency or institution that is fostering change has the necessary power, expertise and jurisdiction to do so. If you hold all the marbles, this argues for a more abrupt approach to change. If you don't seize the opportunity to make

change, it may never happen. However, if resources are not in place, then a style that uses negotiation is likely to provide the best results”.

### **Key Observation: Performance Measures**

Another major issue discussed at this breakfast dealt with the issue of performance measures. Both initiatives discussed at this breakfast required significant public resources. Each of these efforts is designed to prevent an incident – a terrorist act or loud noise. These efforts are successful if an event does not happen. Both discussants agreed that an important challenge in measuring performance is describing effectively the absence of an event.

#### **An interesting article that discusses stakeholder management performance follows:**

Malvey D, Fottler MD, Slovensky DJ. (2002) Evaluating stakeholder management performance using a stakeholder report card: The next step in theory and practice. *Health Care Management Review*, 27:2 pp66-79.

### **The following were other issues raised for further exploration:**

- **How do you choose which stakeholders are “important” and which are not?**

**We suggest you read an excellent “how to” article that offers 15 approaches to conducting a stakeholder analysis. It is divided into four sections depending on what you want to achieve with stakeholders: organizing participation; creating ideas for strategic interventions; building a winning coalition around proposal development, review and adoption; or implementing, monitoring and evaluating strategic interventions.**

**For more information see:** Bryson JM. (2004) What to do when stakeholders matter: Stakeholder identification and analysis techniques. *Public Management Review*, 6:1 pp21-53.

**Also to see how these techniques have been applied to a public program, see:** Bryson JM, Cunningham GL, Lokkesmoe KJ. (2002) What to do when stakeholders matter: The case of problem formulation for the African American men project of Hennepin County, Minnesota. *Public Administration Review*, 62:5 pp568-584.

- **When managing a diverse array of stakeholders, how do you stop the initiative from becoming diffuse?**

- The Press is a key “stakeholder”. Are there effective approaches to managing the press?
- How do you measure performance and show that resources are being used effectively, when the initiative does not produce empirical indicators of success.

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